

THE FREEMAN

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Legislative Deficits No Surprise

We can expect increasing instability in government as long as it pursues social goals. Social goals were never part of the original purpose for which government was created. That purpose was to protect life, liberty, and property. Nothing more.

Today we find the government a major threat to property rather than a protector. By seeking to accomplish social goals through taxation and economic manipulation, it is confronted with the task of matching costs with revenues. The costs of idealistic goals can be limitless or infinite, while revenues (taxes) are finite. These utopian goals will always tend toward exceeding what is available in revenues.

Only the free market through the pricing system can balance supply with demand, and this it does peacefully.

Unlike the free market, the state, being an instrument of force, can only seek by force to balance its costs with revenues. This coercion creates discord between the state and the citizens. Eventually we witness the state in the act of impoverishing the very people it was sworn to protect.

Legislators and citizenry alike should reflect upon the wisdom displayed by the moral principles our forefathers relied upon when limiting government to protecting life, liberty, and property.

By this liberty, free American citizens in earlier days attained social goals that astounded the world. And they did it without deficits!

—RICHARD W. HOLDEN
Avon, Connecticut

When Pride Dies

I can remember when the fact that the state and federal government spent \$14 million in Brown County in one year on welfare would have been a matter of deep shame. It certainly would not have been an occasion for joy and celebration.

Recently the regional administrator for the Texas Department of Human Resources, with great fanfare and attendant rhetoric, announced that just over \$14 million had been showered upon the citizens of Brown County in 1990. And wher-

ever you live, your county got a large amount, too—and if you didn't read about it, maybe your paper was ashamed to print it. It came like manna from heaven—handed out by a benevolent and protective Robin Hood known as the State. . . .

We were once a proud people who would rather have starved than depend on the State. Pride might have helped save us—but pride has died.

—BILL PRINCE, writing in the July 12, 1991, issue of *The Heartland Advertiser*, Bangs, Texas

Ancient Phone System

The information now coming in floods from the former Soviet Union continues to astonish. A Western consortium is currently at work modernizing the telephone system of Moscow. One of our *Freeman* contributors recently spoke with a member of the consortium, who told him that Moscow's original telephone system was installed prior to 1906 by Swedish engineers working for the czarist government. When our contributor asked him what proportion of Moscow's *current* telephone system dates back to before 1906, he replied, "At least 90 percent." Communism's failure to supply the most basic living standards to its populations has perhaps never been more apparent.

A Divided People

There is a common complaint today that Americans have lost their sense of community. Is it any wonder, when any group that could possibly call itself an underprivileged or unrepresented minority seeks the assistance of the government? Whether it be hyphenated Americans, or gays, single parents, teachers, women, the elderly, the handicapped, small business, unions, big business, consumers, veterans, criminals, or protectors of the yew tree, a growing number of groups are petitioning one or another agency of government for redress of some grievance, or for a larger or "more equitable" share of the national wealth. Today, virtually every social problem seeks a political solution, as those affected quite understandably

turn to government for assistance, because the public has seen this as the ever-increasing function of government for the past 30 years.

But by nature political solutions involve the exercise of power over one group for the sake of another. This cannot be done without creating tension and emphasizing differences. And so the very differences that bring about the problems are perpetuated by the solutions, and politics becomes a series of power struggles between warring groups intent on seizing control over the purse strings.

The reality is that government funding is simply money taken from individuals in the form of taxes. There is only so much of it to go around. More and more people are demanding more and more benefits for their own interest groups, either in direct payments, low-interest loans, government services, import duties, regulations, state licensing, or other assistance and protection. There is no way to satisfy the demands of one group except at the expense of another. And, in order to respond, government must grow to meet the demand. This creates an additional drain on the nation's wealth, for government is extraordinarily expensive.

As the demands increase, the supply of wealth diminishes, and budget deficits grow. Interest groups now compete fiercely for limited resources, and since the squeaky wheel gets the oil, the hue and cry is at a concert pitch. Government becomes the universal umpire, prone to corruption, and growing in size and power. Out of such a climate can come only division, an emphasis on differences, shrinking power of individuals, and government growth. Add to this the official philosophy of the '90s: political correctness, which breeds suspicion, encourages witch hunts, and in effect aims at nothing less than closing the door to the free and open exchange of ideas.

Remove government, the middleman, from this scenario, and we will defuse the bomb about to explode. What would remain are the elements of a free market with its natural mechanisms of problem-solving through response to supply and demand.

—JAMES E. CHESHER
Santa Barbara City College

Dream House Turns into Nightmare

by Sigfredo A. Cabrera

Fighting a bunch of bureaucrats was not what I had planned for my retirement,” says Tom Dodd. “But I believe the Constitution’s on my side. If it isn’t, then something is very wrong here.”

Despite 22 years of military service, including 140 combat missions over Vietnam, Tom Dodd still wasn’t prepared for the struggle that awaited him in Hood River, Oregon. “We’ve been traveling down a hell road for the last seven years,” says Tom bitterly. “I just want what is right.”

For Tom, that means the right to build his home on his land—to live in it, sleep in it, dream about the walks he and his wife will take near the hills around it, and to relish in the exquisite terrain that would embrace it. But government regulators have different plans.

In 1983, Tom and his wife Doris left their home in Houston, Texas, for a vacation in Oregon. During their visit, they fell in love with a piece of property in the Hood River Valley with a beautiful view of Mt. Hood.

“It was perfect,” says Tom. “Quiet, pristine. Doris and I decided right then that this would be

the ideal place to build our dream house after I retired.

“Forty acres was a lot more than we needed, but the state said that was the minimum size parcel we could buy in that area. And \$33,000 was also a lot more than we planned on paying. But you have to see this place. We certainly didn’t mind gouging our life savings for it.”

And so the delighted couple bought the 40-acre wonderland. In 1985, Tom quit a lucrative job and returned with Doris to Hood River to begin clearing brush for the new house. “We walked into the planning department asking for the paperwork and information for a building permit,” remembers Tom. “That was the very first time that we were ever aware that our property had been taken away from us.”

To their dismay, the zoning law affecting their parcel had been changed while they were in Houston. Under the new rules, the Dodds could not use their property for the exclusive purpose of building a home and engaging in peaceful living. Now, they could use the land only to grow and harvest timber. A house is permitted, but only if it is absolutely necessary to accommodate a full-time forester on the property. Proving this necessity is pointless since growing wood for somebody else’s

Mr. Cabrera is Director of Communications for the Pacific Legal Foundation in Sacramento, California, which is representing the Dodds.



The western view from atop the Dodds' property.

house is not what Tom had in mind for his retirement. "I would have shot the dang airplane down prior to coming up here if I knew all the problems it was going to cause. No one wrote us to say I'm sorry, you no longer can use your land. Or, I'm sorry, it's no longer available."

The Planning Commission did send a notice, but to the previous owners of the Dodds' property. When confronted with this mistake, county officials pointed the finger at the prior owners claiming they had an obligation to pass the notice along to the Dodds. Prior owners have no such legal obligation.

As required by Oregon law, the Commission also published at least six notices in the newspaper. But the *Hood River News* doesn't reach Houston, Texas. Oddly enough, while county workers were notifying everyone but the Dodds about the planned zoning change, the couple continued to receive their tax bills for the 40-acre parcel. They also received correspondence from other county departments only weeks before the new zoning law went into effect. The Hood River Planning Department wrote the Dodds to inform them that

a single-family house on the property would not violate state land use laws. And the county sanitary commission mailed a letter saying the Dodds had up to two years to put a well on the property.

"Buy Some Other Lot"

While the Dodds have been running through a legal obstacle course fighting for their property, the only advice the Hood River Planning Director gave was: "Buy some other lot or some other space in this township." But to get the money to do that, Tom would have to sell what is now worthless to him.

"The funny thing is, I couldn't even sell this parcel to someone who wanted to run a forestry business," says Tom, referring to a forestry expert's appraisal which revealed that a timber business on the land wouldn't be economically viable or environmentally sound.

Twenty-two acres of the property are covered by a type of soil that won't support forest vegetation. Of the remaining 18 acres, only 12.6 are cur-

rently forested; the rest is subject to severe erosion because of steep slopes. On the forested area, the expected annual timber growth is 24 cubic feet per acre. This is considerably less than commercial land in Hood River County that produces an average of 100 cubic feet per acre each year.

Tom and Doris know nothing about commercial timber management. Therefore, they would have to hire a professional to administer the harvest operations. Because of the dismal production outlook, this expensive option would be sure to result in a net loss.

The most cost-effective way for the Dodds to make money on the property would be to chop all their trees in one fell swoop, i.e., clear cut. But the profit to be gained would be short lived. The value of the logs, after logging and hauling costs were paid, would be only \$3,220. This meager return would be reduced by \$2,400, the cost of reforestation required by Oregon law. Subtract another \$209 for severance taxes, and the Dodds would net \$611. Of course, this doesn't consider income and property taxes.

There are other problems associated with clear cutting the trees. According to the Dodds' forestry expert, a clear-cut harvest would damage watershed yields, wildlife habitat, aesthetic qualities, and the protection to neighboring properties from wind.

As retirees, the Dodds have no desire to go into the forestry business, and they certainly don't want to be forced into a losing business venture. And so the inescapable conclusion is that unless Tom and Doris are allowed to build their house, their property is useless to them.

In other states, people in the Dodds' situation could be exempted from the harsh effects of a zoning ordinance by asking for a variance. However, Oregon's strict land use laws don't make this remedy available. Consequently, the Hood River Planning Commission and the Planning Director can-

not, considering the unfortunate string of events, make an exception to the rules. Going to court is inevitable, but the Dodds have to exhaust every possible administrative avenue before they can do that. So far, every ruling has been against them.

Should Hood River County pay the Dodds for their property? The Fifth Amendment says government must pay "just compensation" when it takes private property. The Dodds' attorney tried to remind the Planning Commission of this, but they said such a constitutional argument was not allowed in their hearings. However, Oregon law requires that every legal argument be made in these types of proceedings. In fact, failure to make an argument in the early stages of a case may prevent one from presenting it later. So before the Dodds' battle began, they were stripped of their most valuable legal defense—the takings clause of the United States Constitution.

Tom and Doris would like a friend in Hood River, but friendly types seem to be in short supply. Would-be neighbors on adjacent lots turned out to be hostile. They would like the Dodds' property to remain vacant. The Dodds have written to United States Senators and Congressmen and the Governor of Oregon, but they haven't been sympathetic either.

After jumping unsuccessfully through the last administrative hoop, Tom and Doris are now forced to take their case to the courts. Unfortunately, Oregon courts tend to rule in favor of government restrictions on the reasonable use of private property. This means an almost certain petition to the United States Supreme Court. But that could be five or six years away, after the case winds its way through the judicial system.

Meanwhile, because of the high income taxes Oregon imposed on their pension, the Dodds have moved to Vancouver, Washington. They no longer dream about those long walks around their property. □

Justice Louis D. Brandeis

Experience should teach us to be most on our guard to protect liberty when the government's purposes are beneficent. Men born to freedom are naturally alert to repel invasion of their liberty by evil-minded rulers. The greatest dangers to liberty lurk in insidious encroachment by men of zeal, well-meaning, but without understanding.

IDEAS
ON
LIBERTY



The Holocaust and the Lost Caribbean Paradise

by William R. Perl

It is widely believed that the Nazi "Final Solution" would have claimed fewer victims if the free world had shaken off its apathy and helped the Jews to escape. This theory, that the world stood passively by as the genocide was being committed, is now being challenged. Evidence has been produced that arrives at the shattering conclusion that the Western powers were more than passive, apathetic bystanders.

Contrary to popular belief, the problem for Jews during the Holocaust was not how to get out, but where to go. The key figures in most governments throughout the world, instead of liberalizing their immigration laws, closed their borders to the hunted Jews, or at most admitted token numbers only. The Nazis set the house aflame, and the free world barred the doors.

Some of the measures taken by the free world that contributed to the deaths of tens of thousands remain little known. Foremost among these was the thwarting by the United States Department of State of rescue plans that would have brought otherwise doomed refugees to the Caribbean, specifically to the sparsely inhabited U.S. Virgin Islands as well as the Republic of Haiti.

The U.S. Virgin Islands had been acquired by the United States from Denmark in 1917 for \$25 million. Most people are aware of only three

islands: St. Thomas, St. Croix, and St. John. The group, however, consists of 68 islands of diverse sizes. Although most are tiny, they comprise 86,000 acres. At the time when their inhabitants invited refugees from Nazi barbarism, the islands had a population of approximately 25,000, most of whom were very poor and uneducated.

Many of the islands are quite mountainous, dotted with picturesque little ports and cozy bays. The climate is ideal in the spring, fall, and winter, and quite comfortable in the summer as the trade winds provide a cooling breeze. Temperatures vary only slightly from the warmest to the coolest months. There is a rich diversity of native plant and animal life.

Resolved: A Haven for Refugees

As early as November 18, 1938, the legislature of the Virgin Islands adopted the following resolution:

WHEREAS, world conditions have created large refugee groups, and

WHEREAS, such groups eventually will migrate to places of safety, and

WHEREAS, the Virgin Islands of the United States being a place of safety can offer surcease from misfortune.

NOW THEREFORE, be it resolved by the Legislative Assembly of the Virgin Islands of the United States in session assembled that it be made known to Refugee peoples of the world

Dr. Perl is a Holocaust researcher. A retired Lt. Colonel, U.S. Army, he served on the war crimes prosecution team in Germany. He is the author of The Four Front War: From the Holocaust to the Promised Land; Operation Action: Rescue from the Holocaust; and The Holocaust Conspiracy: An International Policy of Genocide.

that when and if existing barriers are removed that they shall find surcease from misfortune in the Virgin Islands of the United States.

AND BE IT FURTHER RESOLVED that copies of this Resolution be forwarded to the President of the United States, the Secretary of State, the Secretary of Labor, the Secretary of the Interior, and members of the Press.¹

The State Department immediately started action to obstruct the islanders' humanitarian efforts and to close this possible avenue of escape. On December 15, 1939, the Secretary of State sent a letter to all authorities possibly concerned, calling this resolution "incompatible with existing law."²

The Department of the Interior and the Labor Department began a probe of the legal issues. The Labor Department announced on February 3, 1940, that the invitation was "consistent with existing law and unobjectionable from the standpoint of policy."³

It was November 6, 1940, almost two years after the announcement of the invitation, when the Solicitor of the Interior Department published his 22-page report. The report concluded that "the proclamation in question is, in all respects, legally unassailable."⁴ The Attorney General, however, who on October 16, 1939, was asked by the Secretary of the Interior for his evaluation of the legalities, refused on March 29, 1940, to study the issue "for the reason that the Secretary of State had not invited such an opinion."⁵

"Delay and Delay"

During all that time, people who could have been rescued and living in a Caribbean paradise remained in the hell of Nazi Europe until they fell victim to the death camps. The effectiveness of this "delay and delay" policy was praised by the Assistant Secretary of State, Breckinridge Long. In a memo dated June 26, 1940, he wrote: "We can delay and effectively stop for a temporary period of indefinite length the number of immigrants into the United States. We could do this by simply advising our consuls to put every obstacle in the way and to resort to various administrative advices which would postpone and postpone the granting of the visas."⁶

This policy was criticized by the General Counsel of the U.S. Treasury, Randolph Paul, as "mur-

der by delay." He charged high officials in the State Department with forming "an American underground movement . . . to let the Jews be killed."⁷

This strategy was in sharp contrast with the public statements of concern made by State Department officials. On October 17, 1939, at a meeting in the White House, speaking before the Intergovernmental Committee on Political Refugees, Secretary of State Cordell Hull declared: "We do know that at this period there are an increasing number of people who are draining the cup of bitterness and of disappointment to its very dregs. We do know that they are on a level below that of the common animal, which is able to find something to subsist, to find some place where it can relax and sleep."⁸

Lawrence H. Cramer, Governor of the Virgin Islands, surprised and frustrated by the turmoil created in Washington by his legislature's rescue attempt, finally signed on November 2, 1940, two years after the resolution had been adopted, a decree according to which 2,000 families were to be admitted initially. To appease State Department critics, certain requirements were imposed, but tens of thousands qualified.

The invitation's main purpose was to provide a haven for those who had applied for immigration to the United States and had obtained a quota number for their registration and eventual processing when their number came up. Waiting times were usually long, sometimes three years or more. The Nazis, of course, didn't abstain from arrests and deportations just because the victims had quota numbers, and thousands with such numbers perished. The islands were thus to have provided a refuge during the dangerous waiting period. As a prerequisite to entry, the refugees were not to become public charges—but that would have been no obstacle since many had relatives in the U.S. who were willing to provide such an affidavit, as were many major Jewish welfare organizations.

A New Weapon

Notwithstanding the thousand miles of ocean separating the U.S. mainland from the Virgin Islands, the State Department went into even higher gear when it learned that Cramer had signed the proclamation. Breckinridge Long contacted his friend Representative Martin Dies,

Chairman of the House Committee on Un-American Activities.⁹ The weapon they used was the old canard that spies would arrive among the refugees. That not a single such case had been proven mattered little to Long and Dies. President Roosevelt, "informed" by Long of the undoubted arrival of spies among the refugees, was won over. Apparently no consideration was given to the fact that, whatever the security concerns, refugees in the Virgin Islands could be kept under close supervision.

Finally, to clinch the matter, Long had a brilliant idea. He went to see Admiral Alan G. Kirk, Chief of Naval Intelligence. "If the Navy could declare it [the Virgin Islands] a restricted area for strictly naval reasons," Long explained, "[that would] prevent the raising of the political questions involved in this refugee and undesirable citizens traffic which is going on. . . . [Then] we would have no more trouble."¹⁰

This settled the case. Nobody in wartime could defend an issue that threatened the security of the United States. The attempt to tear a few thousand of the doomed from Moloch's jaws had been sabotaged. This victory by the State Department was achieved 20 months after the *Kristallnacht* pogrom and nine months after the Nazi massacres began in Poland.

The State Department expanded its intrigues into other parts of the Caribbean. A little known, but particularly blatant example occurred in Haiti.

Heavy pressure was mobilized against Haiti when it planned to admit 100 refugee families. The Haitian President was accused of undermining the American war effort and thus the safety of the United States. The usual contrivance—the claim that there would be spies among the refugees—in the case of Haiti was extended to the misinformation that (although they might not be straight Hitlerites) *all* refugees were "at the least" pro-German. The American Minister to Haiti, on September 30, 1940, received the following telegram from Secretary of State Cordell Hull:

The Department desires you to discourage at every opportunity and in a manner which can leave no doubt in President Vincent's mind all projects for bringing additional European refugees to Haiti under the circumstances that have prevailed in the past. . . . The Department therefore would deplore further interest by the

Haitian Government in the admission of refugees among whose numbers will doubtless be found elements prejudicial to the safety of the Republic of Haiti and this country. . . .¹¹

The Chargé in Haiti, fully understanding what his superiors expected of him, lost no time. On October 2 he wrote to the Secretary of State:

I made the following points: One, all refugees from Germany are at most only anti-Hitler. . . . Therefore, we regard these refugees as suspects and cannot view with approval their migration from place to place. I added that since my Government is spending in excess of twelve billion dollars for the defense of the United States, and the Western Hemisphere, it would be unreasonable to expect that we would view without concern the uncontrolled movement of alien suspects.¹²

During all the time that the State Department was thwarting the refugees, letters arrived from those who had heard of the possibility of escape. On May 20, 1941, Robert M. Lovett, Acting Governor of the Islands (Lawrence Cramer had resigned) wrote to James McDonald, Chairman of the President's Committee for Refugees: "I have been overwhelmed by correspondence of a most poignant nature."

"Our Last Chance"

Of the dozens of pleading letters in the National Archives, one by Gerhard Neumann, who writes for himself and six others, is particularly tragic. The letter, dated February 14, 1941, was written from Camp de Gurs, a collecting place in France for shipment either via the infamous Drancy Camp, or directly to the annihilation places in the east.

Neumann wrote: "We should be very much obliged to you, if you could improve our actual situation by giving us the permission to stay in your territory till we can immigrate to U.S.A. We are aware, that we do an extraordinary step in applying to you. But that is our last chance."

On March 25, 1941, Robert Lovett answered: "I regret to inform you that a procedure for giving effect to the plan of affording temporary refuge in the Islands has not been worked out by the State Department and the Department of the Interior."



UPI/BETTMANN

Refugees looking from a porthole of the liner *St. Louis* as it docked in Antwerp, Belgium, after thousands of miles of wandering.

Another applicant awaiting deportation was Walter Bruehl. He wrote: "We are still a small number of passengers on the steamboat *St. Louis*, departing from Hamburg May 13, 1939 [on the infamous Voyage of the Damned], to Havana, Cuba who after an adventurous crossing were forced to return to Europe. . . Please, Honorable Sir, let me know what we can do. I shall act immediately in the required direction."

On May 20, 1941, Lovett answered: "I regret to inform you that the State Department has refused permission to put into effect the plan proposed for the reception of the refugees. . ."

Each of the applicants' letters, preserved in the National Archives, is a mute witness to the inhumanity of man against man. □

1. National Archives, Territory Government, Virgin Islands, 1938.
2. "Chronological Account of Inter-Departmental Negotiations on Admission of Alien Visitors into Virgin Islands," National Archives, Territory Government, Virgin Islands, 1940, paragraph 7.
3. *Ibid.*, paragraph 8.
4. Department of the Interior, Office of the Solicitor, M. 31037, November 6, 1940, p. 22.
5. "Chronological Account," paragraphs 4 and 10.
6. Memo to Adolf A. Berle, Jr., and James C. Dunn, June 26, 1940, as quoted by Henry L. Feingold, *The Politics of Rescue* (New Brunswick, N.J.: Rutgers University Press, 1970), pp. 142, 330. See also *Foreign Relations of the United States, Diplomatic Papers*, 1940, vol. II, pp. 178-79, 194-95.
7. Morgenthau Diaries, 688II/138, 694/67-8; RR, 181, as quoted by David S. Wyman, *The Abandonment of the Jews* (New York: Pantheon Books, 1984), pp. 191, 383.
8. National Archives, Intergovernmental Committee on Political Refugees, Washington Conference, October 17, 1941. See also State Department Bulletin 400, October 21, 1939, and Department of the Interior, Office of the Solicitor, M. 31037, November 6, 1940, p. 7.
9. Long Diary, November 27, 1940, in Feingold, pp. 148, 331.
10. Long Diary, April 22, 1941, in Feingold, pp. 157, 332.
11. *Ibid.*, *Diplomatic Papers*, 1940, vol. II, p. 241.
12. *Ibid.*, p. 242.

Handwriting on the Wall

by Paul Anderson

I don't claim to be a spiritual, economic, or political prophet. On the other hand, I see many of the predictions I made about Communism more than 30 years ago coming true. My 1955 predictions, although a bit premature, have become realities.

At that time the Cold War was at its peak; it was a surprising gesture for the Russian Weightlifting Association to invite the American team to Moscow and Leningrad for team-to-team competition. I was strictly a novice in the heavyweight class, but I had trained quite hard. I gained world fame overnight by breaking several world records; the Russians called me "the strongest man who ever lived . . . a wonder of nature."

When I visited the Soviet Union in 1955, I observed the people, their economic situation, and their living conditions. I found an attitude that seems to grow in a socialistic society when people begin to get their stomachs filled—their ambition accelerates along with their desire to be equal or better than others. A totalitarian government can remain in power only as long as its people are hungry and struggling for their everyday existence.

I returned home in 1955 saying that in 20 years the U.S.S.R. would begin to turn to a capitalistic system, and in doing so would come to us for technology.

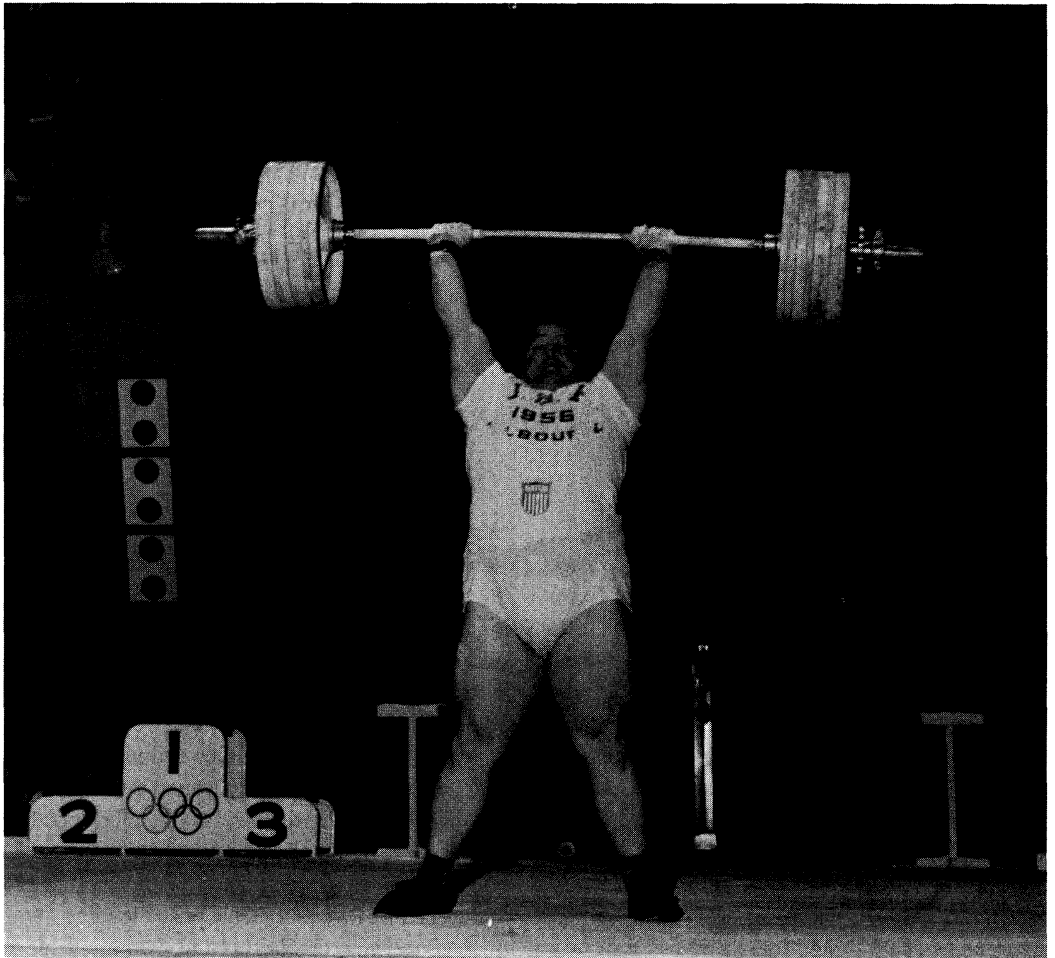
One of the biggest eye-openers for me concerning the Russian people's hunger for more and bet-

ter things in everyday life came one night in Leningrad. We were at a theater watching a wonderful production of *Swan Lake*. It was quite a long program; the custom was to have an intermission when everyone vacated the main auditorium and went into a large empty room where they did what was called "promenading." I wasn't very enthusiastic about just walking around the room, so I took a seat in one corner and soon was surrounded by the Russian press, who all seemed to be Party members. They immediately began to make the same type of innuendo that had arisen in the preceding few days. They posed leading questions concerning capitalism and Communism, as they tried to elicit positive answers concerning their way of thinking.

While we were waiting for the ballet to proceed, one of the more zealous reporters said, "I'll bet you've never seen anything like this before." I had always loved Tchaikovsky's music but had never heard the entire score performed in a theater as we were having the privilege of doing that night. By that time I was a little "hyped up" by what was developing into a mild argument, so I told them I had seen *Swan Lake* on television. The gentleman said it was a terrible shame that I had been deprived of such luxury and sophisticated living in my country. I inquired about what he meant by this, and he explained that there was no way that I could grasp the greatness of Tchaikovsky's masterpiece on TV. (Russian televisions were extremely small at that time; my first thought in seeing them was that you almost had to have one for each eye.)

I took the offensive at that point and told the

Paul Anderson, the 1956 Olympic heavyweight weightlifting champion, is founder of the Paul Anderson Youth Home, a refuge for teenage boys, P.O. Box 525, Vidalia, GA 30474.



Paul Anderson at the 1956 Olympic Games in Melbourne, Australia, where he was a gold medalist.

reporters that our television sets were exceptionally large; and in describing the size I exaggerated, probably describing the giant screens we now have rather than our 24-inch sets of the mid-1950s. They looked at each other in a puzzled manner, and the main interrogator asked why we had such large sets. I explained that in our free enterprise system one manufacturer would make a nice large television set, but another company would produce an even bigger, clearer set, and sell it at a lower price. In turn, additional manufacturers would make ever larger sets, and all the while the consumer was getting better equipment for less money.

By that time the reporter who was interested in why I hadn't seen *Swan Lake* in person exclaimed, "That sounds like a wonderful system!" Needless to say, he received a grimacing look from his comrades, and I could see that he was relieved when we were soon beckoned back to the main audi-

torium for the continuation of the ballet. That night I saw the hunger of these people for something better, and their ambition to reach out beyond nuclear confrontation to more productive, rewarding lives.

No, I am not a prophet, and I was about 30 years away from the developments we are seeing in the Soviet Union today; but the handwriting on the wall was already beginning to make the future clear.

It was apparent even in 1955 that when people living under Communism or any other oppressive system develop a taste for something more, the system is doomed. Unfortunately, we see some Third World nations allowing their people to starve just to keep them under control. They need our prayers and our help, especially in reaching out to the people who are in desperate need and those who are dying of hunger. □

Ambition and Compassion

by Ralph A. Raimi

Brutus accused Caesar of ambition, and killed him for it. Caesar's assassins saw in him a desire to be emperor at the expense of their own liberties and fortunes; it was a matter of him or them, no room for both. Ambition always has been suspect by those who imagine they have something to lose by it.

On the other hand, there often has been praise of ambition. In middle-class America a century ago the boy with ambition was encouraged and told he'd go far. His ambition was celebrated by Horatio Alger, Edgar Guest, and other writers whose popularity testified to the respect accorded the homely virtues by the man in the street. Thrift, honesty, responsibility, and—yes—ambition. His teachers encouraged his desire to grow up to be a banker or judge, if not President, and his parents sacrificed to send him to college. This kind of ambition wasn't seen as a threat, after all, and the success of the boy wasn't construed as the defeat of anyone else, as it would be in a poker game where the sum of winnings and losses is necessarily zero.

The notion of "zero-sum" is essential in analyzing the difference in these two attitudes toward ambition. If Caesar is emperor then Brutus is diminished; but the capitalist world of Horatio Alger (and William Howard Taft) was one in which there was room for an unlimited number of successful people. One man's wealth did not result from the next man's poverty, and didn't result *in it*, either.

It took no economist, in the America of 1900, to

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know this. The man in the street understood it well enough. In particular, the penniless immigrant, who came with nothing, saw that with work he could do better, and that there was no limit to what his children, with more time, could accomplish. That's why he came here. Our economy was not a zero-sum game; the more everyone produced, the more everyone had. A man's consumption, in the long run, was the result of his own production, and not stolen from anyone else.

The rise of socialist theory denied all this; it held that "property is theft" and it sought to spread the wealth according to a new notion of justice, a compassionate idea: "To each according to his need," rather than "To each according to his production." It was pointed out that some people are less fortunate in endowment than others. The boy who grows up in a slum and barely learns to read should not therefore have less to eat than a banker whose position might owe much to his father's having been a banker before him. And what about the ill and the handicapped, those who can produce very little compared with healthy workers with all their faculties in place—shall the blind be punished further by having to be poor besides?

Well, of course not; but what then? All this, it was then argued (by those whose exhibit of compassion had thus captured the high moral ground), would be cured only by socialism. There were many who came to subscribe to this view, sometimes in diluted form, as the 20th century matured. Despite detailed refutations by such philosophers as Hayek, Popper, and Schumpeter it took 70 years of the most painful experience, in the Soviet

empire, China, Cuba, and Africa (and it is not over yet, alas), to convince the average man once again, in America and Europe at least, that the analysis is wrong and the cure is worse. In the workers' paradises of Eastern Europe, it turned out, it was *especially* those unfortunates who ended up with less than they did in the "heartless" capitalist world, though hardly anybody else was a winner, either.

Wolf in Sheep's Clothing

But while socialism by name has been discredited, the ceaseless propaganda of "compassion" has had its lasting effect. The mistaken lesson that remains with us might not be called socialism, but it certainly ends up saying that the highest human endeavor is the direct, visible alleviation of suffering, and the lowest human failing is the direct, visible pursuit of one's own interest. The result, the public policy known as the welfare state, is the wolf in sheep's clothing.

Public schools are forever having "social studies projects" in model classrooms where the students are busily studying local waste disposal and its effects on the homeless. Then when the reporter or Congressman asks what is the ambition, what is the highest aspiration, of the child brought before the camera, the answer (no coaching, please) comes out: "To help people."

Among adults already in the business of "helping people," on a typical interview program, the phrases of beneficence come pouring out in predictable sequence: "To work with parents," "to work in the community," to "work with" the poor, to work with the Indians, to work with the homeless, to administer a program. The only thing that stands in the way of human happiness is, just as predictably, "lack of funding," sometimes pronounced "Bush administration budget cuts."

Here are the words that must be used in all such contexts: Programs. Helping. Working with people. Federal funding.

Here are the words that must not be used: Charity. Pity. Generosity.

Here are the ideas that are never invoked, as ways of improving the lot of mankind, including the unfortunate: Production of goods. Efficient management of resources. Political stability. Mathematical competence. Freedom of choice. Capitalism. The ability to read, and to speak

clearly. Value. Obeying the law. Superiority. Reliability. Ambition.

Ambition: The ambition to be something worthwhile, an engineer, a senator, a vice president for marketing, a baker, a cellist. Reliability in one's work: Getting there on time, preparing hamburgers that are properly done, driving a truck safely, designing a bridge—or a theatrical stage set—that stands up. Superiority of accomplishment: Doing something better than your neighbor can, or will.

On Minding One's Own Business

The list of human activities is enormous, and only a very few have been named here, but they are typical of activities that *do good* to others. It is hard to imagine anyone who does mankind more good, for example, than the producer of food—for is not food the first requisite of life? If nobody produced food, what good would it do to house the homeless or clean up the rivers? We would all be dead in a week or two. Going about one's daily business in a productive way is every bit as good for the public interest as the more explicitly "compassionate" professions.

How can we know when we have done mankind some good? Most of the more ordinary economic activities of mankind can be recognized as doing good to others by the spectacle of those others freely paying for them. It is exactly here that the legacy of failed socialistic theory remains with us in disguise. The idea that payment by the beneficiary to the benefactor is a measure of virtuous activity is one that we shall have to recover into our subconscious, after a century of propaganda against it.

Yes, the paraplegic is usually unable to pay his way, for good cause, likewise the retarded child, and the victims of so many other misfortunes who have a claim on our charity; and we answer that claim both privately and publicly. But if we concentrate on this aspect of the public weal to the disparagement of the 99 percent of it that is not charity, not "working with unwed mothers," we are building a state of mind where the only virtue lies in spending a third person's money on a second person's need, whereas selling a service directly to the beneficiary is seen only as evidence of greed.

The fact that doing one's neighbor good by selling him bread and radishes is construed as only doing *oneself* good (by collecting payment), and is



GERT ZOUTENDIJK

Most ordinary activities can be recognized as doing good to others.

not put in the same class of magnanimity as the work of the social worker, teacher, or “environmental activist,” whose pay is invariably described as lamentably low, testifies to a fundamental error being urged upon our moral thinking by the practitioners of these social services and their allies in the press, and surely in the schools.

Unless we induce in our children a respect for the ordinary productive processes, including the artistic (for man does not live by bread alone), there will be no value in all the compassion we see on the six o’clock news. Alas, as things now are, we are fostering the notion that the wealth of the nation is merely out there (no mention of how it got there), and that the job of the virtuous is to see to it that great gobs of it, via “funding,” get to the unfortunate, through the fingers of the person who “works with” them.

A careful reading of history fosters a more even-handed picture of what it is to do mankind good. When in 1661 Isaac Newton went down from Cambridge into the country to escape the plague for a year, what did he do? Did he tend victims of the plague? He did not. He was more ambitious than that, and did what he was best at doing; he worked at mathematics and invented the binomial theorem for fractional exponents, and with it the beginnings of what is now known as the infinitesi-

mal calculus. Had he tended the sick he might have comforted a handful of people. What he did instead can be calculated to have saved the life, the health, and the happiness of millions; for science as a whole, and the technology of modern productivity, have rested on the work he did in total indifference to the needs of the sick and the poor.

Newton is an extreme example, of course, and not every scientist is anything like as valuable as Newton. Yet it must be understood by children in school that the people to be emulated—even for those of us who aspire to the highest in morality, in virtue, in generosity, in working for our fellows—are not necessarily those who are touted as “caring” on the most superficial level. Rather, we should honor the ambitious, those who understand that their highest moral duty is to pull their weight and more, in producing what they produce best, whether of wheat, music, science, or service; and to do it assiduously and competently.

If then we get paid for what we do, that is no proof that what we are doing is being done for ourselves alone. To the contrary, if we get paid for what we do, *by those for whom we do it*, there is the surest proof that what we have done was wanted. To do what was wanted: compassion can have no finer goal than this, and ambition no sweeter reward. □

Sir Henry Vane: America's First Revolutionary

by Sean Gabb

It was the 14th of June, 1662. Tower Hill in London was set up for an execution. The axeman was present, his axe freshly sharpened. A large crowd was gathered to watch. Vendors went about with trays of food and drink. There was a cheerful buzz of conversation, as gossip was exchanged, deals were struck, and bets laid. Suddenly, the condemned man appeared and mounted the scaffold. The crowd fell silent. As was his customary right, he began his dying speech, in which he might repent or explain and justify his actions. But on this day the authorities had withdrawn that right. As he began to speak, there was a sound of trumpets and drums from the guard. He stopped and began again. A second time, his voice was drowned—and a third. At last, he gave up the effort and handed a paper to his friends for later publication. He laid his head on the block. With a single stroke, it was cut off. The axeman held it aloft, crying out in a great voice, “Behold the head of a traitor!” So died Sir Henry Vane, America’s first revolutionary.

He was born, in 1613, into the English landed gentry. His father held high office at the court of King James I, and was fast augmenting the already considerable wealth he had gained by marriage and inheritance. Young Henry was both clever and moderately handsome. Adding to these his family connections, he had the very fairest prospects before him. His father was rising high. Henry might rise still further—perhaps even into the upper reaches of the peerage. Then, at age 15, he

was assailed by religious doubts that were to set his life into a new and unexpected course.

It was during the preceding reign of Elizabeth I that the English Reformation had been accomplished. Directed from above, though, rather than below, it had not gone so far as elsewhere. While its link with Rome was severed, and its creed rewritten, the church still had bishops and elaborate ceremonies and other reminders of the Catholic past. In place of the Pope, the Crown now stood at its head. It maintained all its old monopolistic claim on the people’s faith. This arrangement had on the whole united the nation. Most Catholics had felt able to remain with the state church. Only a small minority at the other extreme had wanted a full reform along the lines suggested by Luther and Calvin.

But, small as it was, this minority could not be ignored. Concentrated in the towns, among the mercantile classes, the Dissenters had a significant voice in Parliament. Since it was to this body that the government had to apply when it needed money, they could seek to frustrate its wishes so long as it frustrated theirs. Under Elizabeth, disputes generally had ended in compromise. Under James and his son Charles—monarchs far less popular and less able—a regular opposition began to form. It was feared that any money given to these kings would be spent on a pro-Catholic foreign policy.

It also was feared that they were conspiring against the liberties of the people. This wasn’t entirely untrue. For more than a century, the government had been setting aside the old common

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law protections of life and property just as it pleased. There had been lawyers ready to protest. But they found no public support. What now was so different was that rights were increasingly violated simply to enforce religious conformity.

Added to this, the theological doctrines of the Reformation were turning political. It was believed that a church ought to be nothing more than a voluntary union for the worship of God, and its ministers accountable to the ordinary members. It was an obvious extension to think also of government as a contract between rulers and ruled. By themselves, the common lawyers had been of little account. Allied with the Dissenters, they made a formidable opposition.

Therefore, when Henry Vane began to insist on taking the sacrament standing instead of kneeling, and to talk about the "inner light of conscience," he was setting himself apart from the English establishment. He made no effort to hide his views. Instead of the richly colored clothes worn by other young men of his class, he dressed plainly in black. He shunned all the pleasures then fashionable at court, preferring to sit with his Bible and to read the great Protestant theologians. He even was unable to study at Oxford because of his refusal to take the required oaths of allegiance to the king and church.

A Young Dissenter Abroad

Embarrassed, his father procured him a diplomatic appointment in Vienna, where he might come to his senses. He returned a more polished gentleman, his French much improved, but in faith unshaken. In 1635, aged 22, Henry Vane resolved to leave England forever and settle in one of the American colonies. There he would be free to worship according to his own opinions. He arrived in Boston on the 6th of October.

The settlements around Massachusetts Bay were only six years old. Founded by John Winthrop, a wealthy Dissenter, their charter differed from those of the other colonies: They were not obliged to have their head office in London, where the government could keep watch on their doings. By carrying the charter with him across the Atlantic, Winthrop was securing almost absolute independence. He took advantage of this to set up his own Protestant utopia, with an elected government and separation of church and state. He

referred his fellow settlers to Matthew 5:14: "Ye are the light of the world. A city that is set on a hill cannot be hid." They were to be special in the eyes of God—an example to all other people.

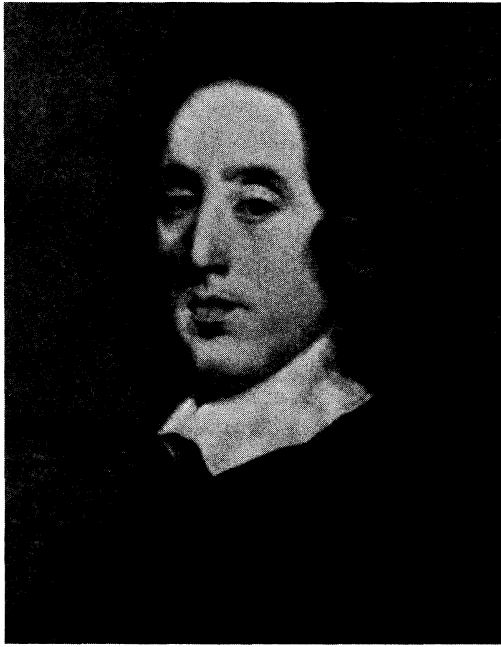
The settlements flourished. The first seven ships were followed by others, as thousands and tens of thousands of Englishmen fled persecution and poverty at home for life in the New World. When Vane arrived, Boston already was a busy trading port.

Perhaps its citizens hadn't yet lost their regard for birth and English connections. Perhaps they were good judges of ability. Whatever the case, they welcomed him with open arms as "a young gentleman of excellent parts" who had abandoned his prospects at court "to enjoy the ordinances of Christ in their purity." Within a few weeks, he was appointed to a board of legal arbitrators. A few months later, he was made a free-man of the colony, with full voting rights. Almost immediately after, he became Governor of Massachusetts, in charge of defense and all other external matters as well as of the administration.

A Clearer Vision

It was now, between settling disputes with the other colonies and with the local Indians, that Vane completed his political and religious education. In England, he had been confined to books and, where they left off, to his own groping speculations. Whenever he had looked up, he was back in a country with a church and state that, in spite of a few changes at the Reformation, seemed to reach back into the mists of time. It was hard to imagine anything different. In Boston, he was at the head of a virtual republic. What he had once seen dimly, he now saw clearly. Yet, while his thoughts had been carried forward to where most of his contemporaries would have stopped, his own journey had only been accelerated. His destination lay somewhat beyond the practice of the most enlightened American colony.

The Dissenters had two complaints against the English government. It maintained a church that they abhorred, and it persecuted them. But this didn't make them into secular libertarians. Their own settlements in many respects were as intolerant and conformist as Stuart England. Religious freedom meant the right to belong to an approved Dissenting church and to no other. The freedom of



Sir Henry Vane (1613-1662)

these churches from state control meant their right to enter politics and have their own views enacted into law.

There was no hypocrisy in this. Whatever ought to be the case, we know that freedom has two meanings. Following John Locke, most classical liberals and conservatives confine its meaning to the right of men and women "to order their actions, and dispose of their possessions and persons as they think fit." In the early 17th century, almost everyone took the wider view now associated with Rousseau and the other anti-libertarian philosophers. For them, it also included freedom from domination by one's own baser nature. Accordingly, it was thought a proper function of a free government to foster virtue and put down vice. By this definition, the colonial governments were not, as they saw it, denying freedom when they excluded Roman Catholics and made laws against adultery.

For Vane, freedom took on something like its more restricted meaning. In America, he could abandon the notion, then prevailing among all parties in England, that rights were simply things inherited from the past, and had—and required—no other justification than constitutional precedent. Instead, he adopted a fully contractual theory of government. For him, "All just executive power [arises] from the free will and

gift of the people, [who might] either keep the power in themselves or give up their subjection into the hands and will of another, if they judge that thereby they shall better answer the end of government, to wit, the welfare and safety of the whole."

Of course, looking at these words through Lockean spectacles, we might read into them a greater restraint on state power than Vane intended. Our reading is justified, though, by his views on religion. Government, he believed, was under no circumstances to interfere in matters of belief. "Magistracy" he wrote, "is not to intrude itself into the office and proper concerns of Christ's inward government and rule in the conscience, but it is to content itself with the outward man."

This rule applied not merely—as it did for Milton and even in some degree for Locke—to Protestants, but also to Roman Catholics and non-Christians. Almost alone in his age, Vane believed in universal toleration.

A Defeat for Toleration

It was his acting on this belief that brought his American career to an end. Mrs. Anne Hutchinson had announced that she possessed an inner light from the Holy Spirit, and that only those preachers named by her shared in the new truth. This was seen by many as blasphemy, and a prosecution was begun. Vane tried to defend her. But he could rally only a minority to the cause of toleration and civil liberty. He lost the 1637 gubernatorial election, and his opponents gradually excluded him and his party from further influence in the colony. On August 3, bowing with regret to the inevitable, he set sail for England.

Yet, while he left under the disapproval of those in power, he harbored no resentment. Throughout the rest of his life, he took a friendly interest in Massachusetts, defending its interests in general, and in particular encouraging the party of toleration.

Home again, he made a show of outward conformity. All that his father's influence could do was now done in his behalf. He was given a post in the administration. In 1639, he entered Parliament as a government placeman. Shortly thereafter, he was knighted. In July 1640 he married, and his wife's portion made him a wealthy man. He seemed, according to one observer, "to be much reformed

in his extravagances," and "a man well satisfied and composed to the government."

The English Civil War

Had English politics continued their placid way, he might indeed have settled down, hoping now and again to smuggle a little humanity into the administration. But, in September 1640, English politics took a wholly new course, and Vane was compelled to choose finally between what was expected of him and what he felt to be his duty.

Tired of its complaints and obstruction, Charles I had dissolved Parliament in 1620 and spent the next decade raising taxes and legislating on his own authority. His means weren't always illegal. But the scale on which he used them was unprecedented, and his autocratic style of government raised widespread desire for constitutional reform. At last, an emergency placed him in need of so much money that he had to call a Parliament. The taxes were promised, but the price was reform. Although Charles consented to all that was initially proposed, his repeated bad faith led the opposition into demanding more than its moderate wing thought it proper for him to grant. The national consensus fell apart, and two parties of equal weight took its place—one standing with the king for what already had been achieved, the other wanting still further reforms. Opinion on both sides hardened, until the country drifted into civil war—the king against Parliament.

Vane chose without hesitation. Rejecting office and any further hope of royal favor, he sat from the first among the extreme radicals in Parliament. He took part in the impeachment of the king's more unpopular ministers. He spoke and voted for the abolition of bishops and the complete reform of the English church. When hostilities began, his natural ability and his American experience earned him a leading role on the Parliamentary side. He was one of the commissioners sent north in 1643 to negotiate an alliance with the Scottish revolutionaries—Scotland then being an independent country, though having the same king as England. In the following year, he proposed and helped to organize a provisional government in both kingdoms. He sat on the Parliamentary board of admiralty. He handled the often delicate relations between Parliament and its army.

No matter what the work required of him, he

was sufficient for it. "He was," wrote one admirer, "usually so engaged for the public in the house [of Commons] and several committees from early in the morning to very late at night, that he had scarce any leisure to eat his bread, converse with his nearest relations, or at all mind his family affairs."

"He was," wrote one of his enemies, "all in any business where others were joined with him." He was, moreover, entirely free from corruption.

But, as the Parliamentary cause gradually triumphed, his own ascendancy declined. By the end of the civil war, in 1649, Vane remained influential, but had little executive power.

The reason for this was disenchantment with the course of revolution. The 1640s had seen the bloodiest war ever fought on English soil and, in percentage terms, the bloodiest ever fought by Englishmen. Nearly 85,000 men were killed in the fighting. Another 100,000 died of wounds or associated diseases. Another 117,000 were taken prisoner. All this in a population of little more than five million. There had been the usual horrors—rapes, plundering, massacres of civilians. And what had been bought with so much blood and suffering?

Vane had hoped from the beginning for a golden age of liberty. He discovered only later that his colleagues had something else in mind. As in America, the majority of Dissenters cared for no other freedom of conscience than their own. With only a shift of its objects and beneficiaries, religious persecution was to continue as before. As for civil liberty, royal despotism was simply to be replaced by that of one party. In 1648, Parliament had been purged of its remaining moderates, and the most fanatical and intolerant school of Dissenters now formed the majority.

His disenchantment was completed by the trial and execution of the king. Though a radical, Vane was no dogmatic republican. "It is not," he wrote, "the form of the administration as the thing administered, wherein the good or evil of government doth consist."

Now that Charles had been defeated, and was a prisoner, it was best to use him. Never again would he dare to rule in defiance of law. But he could occupy a position that no one else was able to seize for himself. He was like fire—dangerous when out of control, but highly useful when tamed. To depose him would clear the way for every ambitious politician or general.

Vane took no part in the king's trial. Though Parliament unanimously elected him a member of the ruling council, he refused his seat until the oath put to him approving the abolition of the monarchy had been changed for one merely promising obedience to the new government. His time in office he devoted mainly to naval and colonial matters. His interventions in domestic politics were generally unsuccessful. He was in the minority that opposed the establishment of the Presbyterian church to the exclusion of all others. He was again in the minority when he opposed the attempt to make Irish Catholics attend Protestant worship.

In 1654, by which time Oliver Cromwell had established himself as military dictator, Vane retired from active politics, preferring to carry on his opposition by pamphlet. In 1656, after one particularly savage denunciation of how the revolution had been subverted, he was arrested and imprisoned without trial for several months.

On Cromwell's death in 1658, he re-entered Parliament, now arguing for a properly settled constitution. The old king was dead. His son, living in Holland, was unknown and probably untrustworthy. It was time, Vane thought, to found a republic in England. He wanted an elected president and a single-house legislature. He wanted the security of life, liberty, and property to be guaranteed by a formal bill of rights.

The Restoration

But opinion was shifting away from experiments of this kind. England had had four written constitutions in ten years, and now seemed set to descend into chaos, as rival generals canvassed support among their troops to become Cromwell's successor. There was only one credible alternative to renewed dictatorship. During a few weeks in 1660, envoys passed repeatedly between London and Holland. It was proposed and agreed that the monarchy should be restored; that all reforms achieved by May 1641 should be affirmed; that there should be an amnesty for most of the treasons and other illegalities committed since then. On May 8, 1660, in an attempt to restore stable, legitimate government, Parliament declared Charles II to have been king from the moment of his father's death.

Though innocent of what was now called the "murder" of Charles I, Vane was thought by the

authorities too dangerous to be left at liberty. His name went on the list of those who were to be excepted from the amnesty. He was charged with high treason for having compassed the king's death, for subverting the ancient form of government, and for having kept Charles II from the exercise of his regal power. His trial, by modern standards, was grossly unfair—though not unusual for the age. It was normal for defendants to be denied counsel and inspection of the indictment, and for judges to sum up for the prosecution, and for juries to be packed. Vane defended himself with all the ability to be expected of him. But that he would be convicted there was never any doubt.

The regular punishment for high treason involved an excruciating, drawn-out torture. Vane was lucky. He was granted "the mercy of the axe."

It is easy, looking back, to despise Vane—to see him as just another of those fools who pull down one government only to complain that the next is even worse. But we have an advantage over him. We know how and why most revolutions turn rotten. Vane had no such historical experience. For us, the events of the 1640s and '50s are variants from a standard pattern. To him, and those who shared his hopes, they were quite unexpected disappointments.

It is wrong, moreover, to judge him only by his achievements while alive. Whatever their fate in England, his name and reputation were preserved in America. The citizens of Massachusetts were especially proud to include him among their number. In the 1630s, he had stood among a small and easily defeated minority. Within 150 years, this minority had triumphed. Its leaders were responsible for the clearest and most solid safeguards of civil and religious freedom ever adopted into a constitution. Certainly, they had their debts to the Enlightenment philosophers. But their main inspiration from the first had been the English radicals of the previous century. Along with Locke, Sidney, Pym, Hampden, and a host of others, Vane takes his place behind the Founding Fathers of the American Constitution. □

Bibliographical Note

Vane's life can be found in both the (British) *Dictionary of National Biography* and in the *Dictionary of American Biography*. His trial and execution, together with selections from his writings, can be found in volume III of the *State Trials* (London, 1809). Milton's 17th sonnet is addressed to him.

Feminist Censorship

by Jack Matthews

Recently, while sitting alone and drinking coffee in the faculty lounge of the university where I teach English, I noticed on the table before me a folder containing the *curriculum vitae* of a woman applicant for a faculty position in Renaissance Drama. I knew nothing about the woman, except that she was a recently minted Ph.D.; but before picking up the folder to examine her qualifications, I paused momentarily to wonder if it was possible she had written a dissertation on any subject other than one of feminist “relevance.”

Deciding that such a possibility was negligible, I picked up the folder, opened it, and saw with dreary recognition that her topic was “politically correct.” At that instant, a male colleague entered the lounge, and I asked him if he could remember seeing any reference within the past decade to a female scholar writing upon any but a feminist topic. He frowned a moment and then confessed that he could not. “Neither can I,” I told him; after which we both sat in silence for a moment, reflecting upon the matter, the way males sometimes do.

But does this anecdote really point to an issue? Might not our pooled information reflect simple coincidence? The world is so complex, and we are so flooded with miscellaneous information, that the greatest conceivable coincidence would be for coincidences not to happen more or less constantly.

All true. And yet, there is so much growing evi-

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dence of reverse sexism that it cannot be ignored. A successful novelist who lives in California—a friend who also teaches and is familiar with the contemporary scene in higher education—recently wrote an essay about false accusations by women students against male professors. An editor of a prominent magazine wanted to print it, but said some of the women editors objected, arguing that what he described *could not be true*, although his report was based solidly on fact.

When he sent the piece to another magazine, the woman editor tentatively accepted it, then rejected it, explaining that a male feminist on the staff voted against publication. Later, when the novelist talked to that editor about his essay, he was told, “Our women readers aren’t smart enough to understand this.” To paraphrase the old saying: “With sympathizers like that, who needs enemies?”

Like sexism itself, de facto reverse sexism is alive and thriving. And, as the above anecdote shows, the virus is not confined within halls of ivy. Recently, a male writer received a rejection letter from a woman editor of a literary quarterly that had been regularly publishing his stories. She explained that the magazine was now under new editorship, and the other women editors on the staff felt that the old-fashioned, family-oriented stories he wrote were tainted with sexism. She assured the author that she didn’t agree with her sister editors, but thought he should know that he had been prejudged and that any future work he submitted would be rejected for reasons that had nothing to do with literary merit. This is, of course, censorship—although not the sort that evokes

those ululations of huff that greet, say, the refusal to use public funds for subsidizing the display of homosexual images in art galleries.

The evidence of reverse sexism is everywhere, and impossible to ignore. It manifests the classical pattern of dialectic, in which the intolerable excesses of an action are nullified by the equally intolerable excesses of reaction, awaiting a synthesis which in the best scenarios achieves something like justice.¹ Today, in part because of legitimate, widespread sensitivity to feminist principles, we are riding the curve of an antithesis whose moral and legal authority are not only sanctioned, but institutionalized—a situation that invites self-righteous excess and the corruption of unquestioned power.

The effects of the prevailing dogma can be seen in literary market listings which are designed exclusively for women as a privileged group, a category created to compensate them for their allegedly being barred from other markets. For example, in the current *Dramatists Sourcebook*,² four listings are open to women playwrights only, 13 specify a “special interest” in plays by women, and six in plays *for* and *about* women. But these figures do not take into account the bias implicit in the many additional listings which state preferences for work by or about “minorities” or for themes that reflect “current social issues.” Then there are a few listings that are not “sexist” in its primary sense, but are so by implication, stating editorial policies that promote “lesbian and gay” values.³

Of course, there are *no* listings restricted to male writers, nor do I know of any elsewhere.⁴ Some feminists would justify this state of affairs with the argument that, being privileged, males have no need of such apparatus. But think a moment: how real *is* that privilege? How long has it been since women have *actually* been denied equal access to the media? Or how long since they’ve not had as fair a shake as men in the tricky and intrinsically unjust game of literary criticism and book reviewing? To answer these questions honestly would clear the air; but militants of every sort tend to distrust clarity, thriving as they do upon intellectual mist and rhetorical obfuscation.

Guidelines need not be explicitly biased for fellowships, grants, and contests to be slanted against males. Consider this year’s winners of the D. H. Lawrence Fellowship, an award ostensibly without

gender privilege, simply dedicated to the “promise of enhancing the life of contemporary letters.” In 1991 there were over 150 applications, many of which were described as “very strong.” In fact, the committee chairperson wrote that he had heard “more than once from each of the judges about the high quality of *all* of the applicants.” But this high quality was evidently not sensitive to gender balance, for the winner and both the first and second alternates were all women. As indicated by their names, all the *judges* of this competition were women, too. Could these two facts be connected? Only if fish swim and frogs croak. In these and similar positions of authority there are feminists of both genders who believe that some sort of compensatory bias is not only justified, but positively right and ethical. Give the good old boys a taste of their own medicine. Right? And ride the dialectical swing for all it’s worth. And why not?

A humorless and self-righteous militancy can be great fun, of course. But it can also lead to bizarre entrapments, as when I recently had an essay returned by the editor of a literary quarterly, explaining that he could not consider it because the next two issues were to be devoted to “the female body.” God knows there’s nothing wrong with that; like most men, I can hardly imagine a more interesting subject. On the other hand, *as a man* I obviously have no authority in such matters . . . and yet, I can’t help savoring the irony of my essay’s being disqualified, for it was titled, “A Woman Great With Child in Pago.” Why, I can remember the time when the female body’s role in giving life was widely regarded as one of the most interesting and, yes, beautiful things about it.

Like sexism itself, reverse sexism doesn’t have to be overt and conscious—much less blatant—to be insidiously at work in skewing judgments. In a world where feminist values have been—if not institutionalized as exclusively “feminine”—*italicized*, at least, and given special emphasis, some texts will naturally seem worthier than others. Some will be judged better solely in terms of “political correctness,” while others may simply appear more modern, more socially responsible, more relevant and *with it*.

And who is likely to make such decisions? The very sort of franchised young scholar who—the instant you see her *curriculum vitae* lying on the table in a faculty lounge somewhere—you can be certain has written on a feminist topic. I speak of a

feminist whose academic studies have been confined since her undergraduate years to texts by women or texts utilizing obligatory feminist critical strategies, strategies that have been decreed and ordained to emphasize and validate what are perceived as intrinsically, even exclusively, feminist values—values which cannot by definition be *human*, for they exclude that half of the human covenant which is male.

How tangibly will the world suffer when literary works are judged by the gender of their authors or their political message rather than by literary merit? The suffering would not seem very great, perhaps. And yet, such bias is a form of deceit and injustice; and even though these sins may seem trivial as measured by the average entry in some theoretical Guinness Book of Human Miseries, it is important that they are seen for what they are and called by their correct names. The world has enough lies and injustices. It does not need any more, even if they are judged to be small and insignificant; and even if they are told in the service of a legitimate concern, which I believe sexism to be.

But the rhetoric that promotes injustice is always dangerous and self-defeating, and we should have no more tolerance for reverse sexism than for sexism itself. Prejudice can take many forms; but everywhere, in all its variety, its results are sadly predictable. Inevitably it leads to resentment and frustration. It leads to the sort of article you are now reading, whose sole *raison d'être* is to repudiate the idea that injustice is tolerable if it is intended to correct another. And at its most virulent extreme, radical feminism demoralizes discourse, provoking bitterness and dismay as it peddles its peculiar brand of paralogical rhetoric, closed-minded arrogance, and self-righteous bigotry. □

1. This synthesis itself becoming the thesis of a new dialectic.

2. The Theatre Communications Group, New York.

3. One magazine, *Sinister Wisdom*, is edited by "Elana Dykewoman," and states "no heterosexual themes."

4. I do not count traditional men's and women's magazines, for they are explicit about their markets, and, so far as I know, equally hospitable to both genders. The 1990 *Writer's Market* lists only 18 men's magazines to 39 for women; but I don't view this disproportion as sexist; it simply indicates a larger targeted readership for women's magazines.

Now Beauty Is a Liability

by Tibor R. Machan

Back in 1974 I started editing an interdisciplinary scholarly journal, focused mainly on social and political issues. After the journal got some attention among colleagues in various fields—mostly in my field of philosophy—we began to receive submissions from scholars of a wide array of persuasions.

I recently was reminded of one such submission we had turned down after it had gone through the regular peer review process. What reminded me was a book review in *The New York Times* of a work in which the author, herself a beautiful

woman, discussed how awful it is that men have imposed high standards of good looks on women throughout the ages.

The paper argued that it is morally wrong, indeed unjust, to heed the appearance of a person as one considers asking him or her out for a date. Why is that so, one might ask? The reason is that a person's natural good looks are not something he or she deserved and thus shouldn't benefit from. Only if one chooses a date or even a friend on the basis of something good that the individual has done of his or her own free will does it qualify as a morally proper deed.

Now at first blush there is a ring of plausibility

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to all this. If one is considering rewarding people for something, surely it is important to choose what they have achieved as grounds for the prize. Olympic medals aren't given for just being tall or healthy. The Nobel Prize isn't handed out merely for having a high IQ. A person has to accomplish something to deserve accolades. Only on television do folks regularly get prizes as a matter of pure luck.

But when I choose a companion or date, am I handing out rewards? It's quite self-deluded to look at it that way. Rather, one is choosing a benefit for oneself. One wants the company of someone who is pleasant, appealing, and the like, initially at least. Later, once one comes to know the person better, one hopes for the emergence of those traits of character that do deserve admiration. What the looks of another person offer is akin to what one seeks from a gorgeous sunset, a fine aroma, or a beautiful flower: something esthetically pleasing. And why should that be a liability? Why are we somehow worse for desiring attractive natural features in our companions or dates, not to mention mates?

Certainly one can place too much emphasis on esthetics. Yet, consider that for centuries the bulk of humanity couldn't even begin to exploit the esthetic aspects of itself—women and men simply got by, struggled for bare survival, and could neither ask for nor offer delightful pleasantries to each other. In our day, when finally millions of us are able to pay some attention to what may be esthetically or otherwise pleasant about us—never mind that these begin with our natural attributes—why would some people denigrate those who accept such gifts? Why should those who can offer them be deemed shallow?

The reason is actually political: no one is supposed to benefit while others are not doing so. Just as the well-to-do are denounced for having more than others—many blame them for enjoying life so long as there is one remaining poor person left in the universe—so with other benefits, especially ones people simply inherited through their genes.

Just think of how much hostility there is toward inherited wealth. Why? Because, for example, it is widely contended that we are all one, and if parts of us aren't getting enough, the rest of us also should suffer. Much political thinking goes along these lines. Humanity or the country or some other group is picked as a kind of natural team to which



all of us belong and the collective welfare of which is something we are all duty-bound to support. If anyone is less well off than some others, that is considered intolerable.

Now if there is one thing that is prized nearly as highly as money, it is good looks or sex appeal. And in this case it is often more plausible to say that the owner of such an attribute has done little to achieve it. It is a native asset, more like inherited than created wealth.

Never mind that most attractive people must do something to keep fit and look well. They are working with an advantage, and heaven deliver us from advantage—it threatens the contemporary ideal of total uniformity among humankind.

Instead of this awful egalitarianism, it makes much better sense to see us all faced with the task of making the most of what we were born with and are given by those around us who choose to give to us. If within these limits we do well, we probably are both fortunate and deserving; if we do badly then we get the opposite mixture. But in neither case does it justify playing Robin Hood with these benefits and liabilities. No one is justified in depriving us of what we find freely bestowed upon us.

And if a person is attractive, and gains by this good fortune, so be it. Those of us who have the chance to be with such people shouldn't have to give up this little delight in our lives simply to please those surly folks who cannot stand anyone being better off than those less fortunate among us.

Why begrudge the rose its fate of not being an ugly weed? And why begrudge our luck in finding the rose? □

The Thomas/Hill Hearings: A New Legal Harassment

by Richard B. McKenzie

Like millions of other Americans, I was drawn to the television to watch the Clarence Thomas/Anita Hill showdown. I was revolted by what I saw and heard, so much that I could watch in only short doses.

Unlike many of the Congressional orators, however, I was never outraged by the language or incidents described in graphic detail. I have often heard explicit language from female and male colleagues, and even from teenagers. While many reacted in disgust, I suspect that everyone in the hearing room was familiar with the sexual particulars being aired. The senators seemed to know exactly what activities were at issue, even though exotic descriptions at times were used. I had to wonder who was acting.

My disgust also had nothing to do with my position on sexual harassment. Then again, it had everything to do with my more fundamental position: No one should have to endure harassment in any form in any place.

It wasn't until after Thomas's confirmation vote that I began to understand my revulsion. I had witnessed the perversion not of sex, but of governmental processes and authority. The inconsistencies and contradictions that came out of the

hearings didn't involve the testimony, but the hearings themselves.

Here we had someone asserting that she was harassed by another and calling for Congress to address the matter. But there was little or no hope that any of the claims could be corroborated or validated. The committee members, and everyone else, were being called upon to divine the truth about events supposedly played out behind closed doors—totally private, out of the sight of everyone but God. The difficulty of seeking the truth without objective means was part of the problem. In addition, the alleged events were old, and their descriptions were likely warped by the passage of time.

Given the conflicting tales of woe and the rotating testimonials, it is no wonder polls revealed that Americans rode an emotional roller coaster during that long October weekend. In September, before the Thomas/Hill confrontation, 63 percent of those surveyed supported Judge Thomas's confirmation. However, on Tuesday of the hearing week, support for Judge Thomas fell to 50 percent, only to rise to 59 percent the following Monday.

I suspect that many people, like me, were upset by the apparent incongruities: One person's charge of harassment was, in effect, harassing another person. And the charge was being made, not to bring to light Judge Thomas's alleged transgressions, but because he had become important. To that extent, the Goddess of Justice was being asked to pull down her blindfold and exact punish-

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“Human relationships are murky areas for governments because they are so complex, delicate, and involve millions of facts and variables—few of which are objective.”

ment based on who the accused was and the position he might hold. As an observer, I was being asked, in the name of justice and fairness, to suspend one of the most fundamental tenets of a good and just society—that all men and women are to be treated equally *under the law*, not only when they are considered for the Supreme Court.

Professor Hill is obviously a decent, credible, and responsible person in most ways, and her sincerity showed. However, in making her belated charges, she asked us to atone for her failure to expose Judge Thomas's alleged behavior at the time it supposedly occurred, to believe that there was no political motivation in the timing of her charges, and to make a judgment and take punitive action within the course of a few days that she had been unwilling to make and take for almost a decade.

Professor Hill and her supporters beseeched us to condemn a man with whom she stayed in cordial contact for nearly 10 years, and whom she didn't report to legal authorities at the time. What a terrible request to make of others.

What Did We Learn?

The lessons from the Thomas/Hill hearings are deeper than sensitizing men to sexual harassment. The most important lesson is that the powers of government are limited because public officials are human, because judicial and Congressional resources are expensive, and because there are limits to how many public resources can be devoted to any purpose. Judges cannot be everywhere and all-knowing. They must be detached, and they must rule by what is objective—what they can see and hear and touch.

It is extraordinarily difficult for government officials, juries, and Congressional committees to make judgments based on the word of one person. This is because the potential volume of complaints

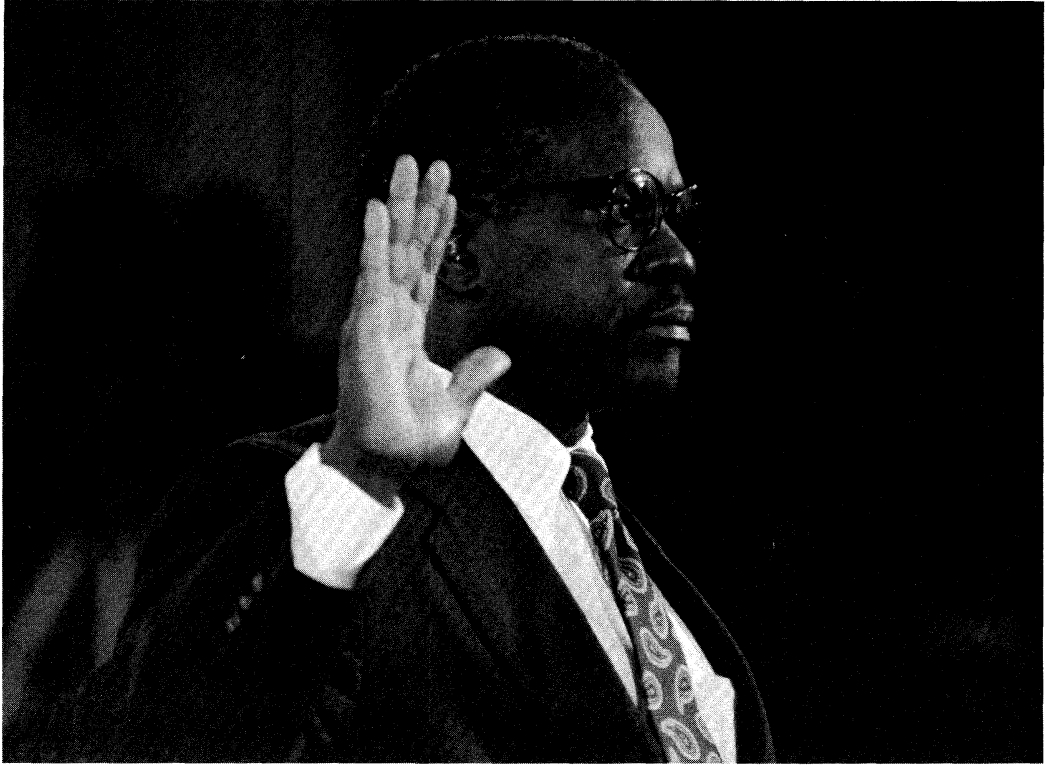
based on a single person's statement will likely exceed the available resources to handle them, and because the person making the charge might be no more honorable—and might be less so—than the person being charged.

Human relationships are murky areas for governments because they are so complex, delicate, and involve millions of facts and variables—few of which are objective. What is appropriate in one context involving two consenting adults might be totally inappropriate when another context or two different people are involved. The minute details of the Thomas/Hill relationship that could not be told in the committee setting, because they couldn't be articulated (even if they could be remembered) in the time allowed, were crucial to the judgment that senators in the hearing room and Americans in their living rooms were being asked to render.

Regrettably, women's rights advocates would have us believe that broadening the definition of sexual harassment and dropping the burden of proof would fortify social behavioral norms and legal protections for women. They don't seem to realize that standards are standards—for all. When applied generally, loose standards of proof are subject to gross abuse—to the potential detriment of women, especially in a male-dominated world.

The Thomas/Hill hearings obviously prompted women to re-examine their own past harassment problems. However, they lowered the standard of what constitutes sexual harassment, causing many women to look upon unwanted and overly aggressive verbal advances as “sexual harassment,” a phrase formally reserved for significant abuses of power relationships accompanied by provable damages.

It is understandable that, as the hearings progressed, the percentage of women claiming to have been sexually abused rose. On October 8, an ABC survey showed that 16 percent of women indicated



AP / WIDE WORLD PHOTOS

Clarence Thomas is sworn in before testifying to the Senate Judiciary Committee.

they had been sexually harassed. By October 14, the number climbed to 33 percent.

Broadening the legal scope of sexual harassment may lead to more government penalties, but it also can undercut the stigma that otherwise would follow the harasser. With a broader definition of harassment, many might assume that the guilty party had done nothing more than make an unwanted advance.

Individual women (and men) always will be the first and most effective line of defense against sexual harassment. Professor Hill, however, apparently took no such action; she even followed Judge Thomas to another job. She never used the first line of defense, if the events she described in fact occurred. As Federal Judge Alex Kozinski recently reminded *Wall Street Journal* readers: "[W]itnesses, generally believed to provide the most reliable evidence, in fact are highly unreliable. They filter events through the lenses of their biases, perceptions and perspectives; they forget; they embroider; they lie. Perhaps most dangerous is the witness who is firmly

convinced of something that just didn't happen: Imagination insidiously fills in gaps of memory so the witness is able to tell a vivid, detailed and convincing story, but one bearing little relationship to reality." This is why charges of criminal conduct are best relegated to trials where strict procedural and evidential rules apply.

Sexual harassment charges that are brought for adjudication must have some objective content, some manifest evidence, some means of clear resolution by outside observers, and they mustn't be minor. Otherwise, we as a society run the risk of creating a harassment problem—official harassment by the state and devious people who would exploit state powers—that is potentially no less odious than the harassment of one individual by another.

I watched the Thomas/Hill hearings with a growing sense of apprehension. I feared that the American system is being perverted, and that I was observing a new and destructive form of legal harassment. Before the weekend was over, it was plain that both Thomas and Hill had been harassed beyond belief—legally. □

Attack in the Adirondacks

by Michael W. Fanning

Ron Liccardi, the owner of Liccardi's Family Restaurant in Keeseville, New York, had ambitious plans for his property. By filling in a portion of his 10 acres with stumps, brush, dirt, and other debris, he hoped to construct a driving range, develop a picnic area and campground, and expand his parking lot. The State of New York, however, had other plans for the small-town diner owner.

In July 1990, the state declared that Liccardi's property contains wetlands. Claiming that development on his land would harm these wetlands, the state threatened him with a \$2,500 civil penalty and a lawsuit should he persist with his plans. Yet the state's wetlands assertion puzzles the businessman because his property is 600 feet away from and 100 feet higher than the Au Sable River that marks the rear boundary of his land. Indeed, the diner is situated on land higher than three-quarters of Keeseville.

Liccardi acknowledges that his land may contain a puddle or two, but points out two culverts that empty onto his "wetlands." Liccardi says, "The Au Sable River is not known to overflow. The water on my land comes from the street drainage pipes installed by the state which turn my land into a 'wetland'—a man-made wetland."

Nonetheless, Liccardi, already facing \$1,000 in legal fees, can't afford the added expense of a lengthy lawsuit against the state. Consequently, he was compelled to level off and pull back the fill he

already had deposited. He now sits on acres of unusable land. Liccardi says, "I can't use, can't touch, can't even cut a tree on my property even though I pay taxes on it." Discouraged and outraged, he has put his diner and land up for sale, well aware that state regulations have greatly reduced the market value of his property.

* * *

Bob C., a paraplegic, lives alone on his five-acre plot in a small hamlet located in northeastern New York, several miles shy of the Canadian border. To raise money to pay for a visiting aide, he decided to start a small enterprise. After securing state approval, Bob launched a used car business on his land. His business flourished for a dozen years.

Then a wealthy man bought 100 acres next to Bob's property, built a road up a hill, and constructed a magnificent home. Yet, every time he drove up or down the road to his home, the wealthy neighbor passed the 10 or so cars parked on Bob's lawn. The sight of these cars annoyed him, and he lodged a complaint with state officials.

The state dispatched an agent to investigate. The agent informed Bob that, despite government approval of his business 12 years ago, he must remove the cars from his property. Horrified at the prospect of losing his business and, ultimately, his land, Bob enlisted the help of a friend, and together they mounted an appeal.

The two men were elated when they won their first hearing. Two weeks later, however, they were stunned when state officials abruptly changed their mind. The men then prepared

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another appeal. Again, state officials vacillated. Although Bob has prevailed in protecting his property rights (at least for now), he came perilously close to ruin, even though he had not violated any laws. He had merely offended the aesthetic tastes of a neighbor who moved in 12 years after Bob had started his used-car business.

* * *

Jim Hemus retired from the vending machine business, eagerly anticipating subdividing a portion of his 31-acre spread. The retiree's rural Willsboro, New York, property is traversed by an 80-foot-wide wetland. Even though he, like Ron Llicardi, pays taxes year after year on his land, Hemus is unable to improve, much less subdivide the 25 acres of his property that lie beyond the wetland because state officials won't give him permission to build an access across the marsh. Exasperated, Hemus exclaims, "They have regulated to the point where we can't use our own property!"

* * *

These three men are subject to extraordinary government regulations because they are inholders in New York's Adirondack State Park. *Inholders*, a term coined by the federal government, are "those who own property or any 'equity interest' within the boundaries of Federal or state managed areas, or who are impacted by the management or regulation of such areas." The National Inholders Association of Battle Ground, Washington, lists four criteria: "You're an inholder if [1] you own a home, property, easement or other partial interest in property in any [Federal or state-managed] area. . . [2] you own a mining claim, grazing right, have a permit for a residence or other use, or a permit for access to any of the above uses . . . [3] you have a permit to do business—a lodge, trail rides, river rafting, or outfitting, for example . . . [4] you own property adjacent to, or proposed for inclusion in, a Federal or state-managed area."

The experiences of Ron Llicardi, Bob C., and Jim Hemus are evidence of a 19-year assault by the State of New York on the private property rights of Adirondack inholders. It is an attack orchestrated primarily by New York State's Adirondack Park Agency, disguised by environmentalism. It is a story of oppressive statism, repeated against inholders across the United States, depriving Americans of their liberties and property rights.

Private Property Regulations

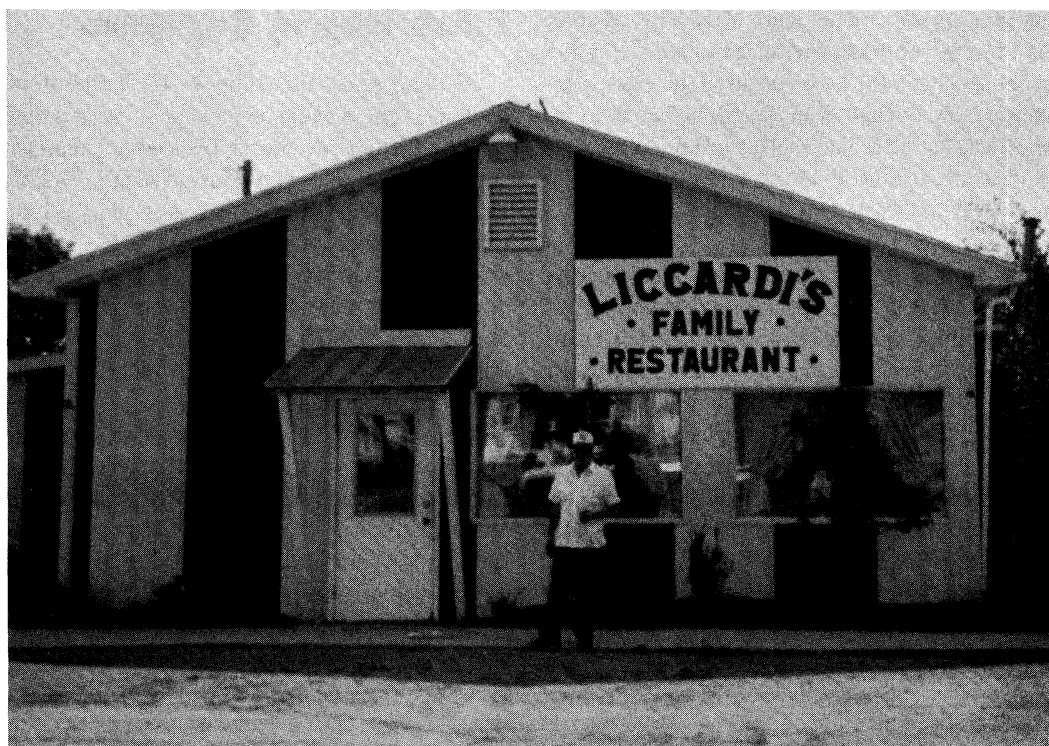
Two-and-a-half times the size of Yellowstone National Park, and encompassing more land than the states of Rhode Island, Delaware, Connecticut, Hawaii, New Jersey, Massachusetts, or New Hampshire, the 6,000,000-acre Adirondack State Park in northeastern New York is the largest wilderness area east of the Mississippi River. It boasts 2,800 lakes and ponds, 1,200 miles of rivers, 30,000 miles of brooks and streams, and 42 mountain peaks rising more than 4,000 feet, topped by Mount Marcy at 5,344 feet.

The state park is unlike many national parks in that New York State owns only 42 percent of the land inside the park, while private citizens own the remainder. The park contains 93 towns and 17 villages. In 1885 the New York State Legislature designated the state-owned lands within the park as the "Forest Preserve": "The lands now or hereafter constituting the Forest Preserve shall be forever kept as wild forest lands. They shall not be sold, nor shall they be leased or taken by any person or corporation, public or private."

Since 1892, a "Blue Line" has delineated the Adirondack State Park on maps, and includes within its boundaries a patchwork of public and private lands. According to the Adirondack Park Agency, "During the last 100 years, numerous purchases have increased the Forest Preserve from the original 681,374 acres to its present 2.6 million acres. The Blue Line, originally encompassing 2.8 million acres, now encircles nearly six million acres."

The 1,300-member Adirondack Fairness Coalition notes, "Although the state of New York owns nearly half the land and water within the Adirondacks, the remainder is private land that includes 70,000 structures, 3,000 miles of roads, and more than 130,000 permanent inhabitants." These private lands, however, are strictly regulated by a New York State land use law, administered by the state-appointed Adirondack Park Agency (APA). So strict are these regulations, in fact, that one is hard pressed to distinguish private from public land; private land within the Blue Line is seemingly private in name only.

The outgrowth of a 1968 study commission assembled by Governor Nelson Rockefeller, the APA emerged in 1973 from "a comprehensive plan for the vast, under-populated region of the Adirondacks. The plan aimed at preserving the



BRIAN SUMMERS

Ron Liccardi, in front of his restaurant in Keeseville, New York.

unique characteristics of the region with a pattern of mixed public and private land ownership with state-level guidance of development," according to the June 1991 issue of the *Land Rights Letter*.

Although there was some opposition to the Adirondack Park Agency Act and the Land Use and Development Plan in 1973, "Little did Adirondackers realize how this legislation would affect their lives and affect everything they do on their property," observes Andrew Halloran, an Olmstedville, New York, attorney and vice chairman of the Adirondack Fairness Coalition.

Since 1973, the APA has imposed thousands of zoning regulations. The APA Act and the Land Use and Development Plan zoned all private property into one of six land use categories: hamlet, industrial, moderate intensity, low intensity, rural use, and resource management. These categories "allow subdivision and construction up to certain densities in different kinds of settings," according to the Commission on the Adirondacks in the Twenty-First Century, appointed by New York Governor Mario Cuomo in January 1989 to develop recommendations for the park's future.

The zoning legislation allows inholders to construct one structure per 1.3 and 3.2 acres respec-

tively on "moderate use" and "low intensity use" property. In the "open space" zoning categories, one principal building per 8.5 acres is permitted on "rural" designated land, and one building per 42.7 acres is allowed on "resource management" zoned property. "Hamlets" are identified by the Commission as "population and commercial centers, where the most intensified development is intended" by the APA. State law requires that mining and wood manufacturing occur only on "industrial use" private property.

In his book *The Adirondack Rebellion*, Anthony N. D'Elia noted: "More than 50 percent of the privately owned land has been zoned one home per 43 acres. This has destroyed land values without compensation from the state. Other densities allowed are 8.5 acres zoning (35 percent of private land) 3.2 and 1.3 acre for the small balance of privately-owned land."

For every conceivable use of an inholder's property, the APA has come up with a restriction. According to the Adirondack Park Agency Rules and Regulations, for example, as a "general rule" private property owners in the Adirondacks cannot develop or subdivide their land "in a land use area not governed by an approved

local land use program, without first obtaining an agency permit."

Additionally, the agency prescribes official regulations for "projects involving more than one land use area," "projects located in critical environmental areas," "along land use area boundaries. . . subdivision into sites. . . division of land by gift. . . preexisting subdivisions. . . ." If a businessman expands his hotel, motel, tourist accommodation, ski center, golf course, sand, gravel, or mineral extraction enterprises, he must obey restrictive "increase and expansion" regulations.

Moreover, the APA regulates private timber harvesting activities. "Clearcutting of more than 25 acres, except within industrial use areas and non-wetland areas within hamlet areas" falls under APA jurisdiction, thus requiring an agency permit. In order to secure the permit, property owners must fulfill "general requirements" as well as numerous "standards for the review of clearcutting." In addition, "no application for a permit to clearcut shall be deemed complete unless it includes a draft harvest plan," which in turn entails more requirements.

Inholders wishing to build a home on a shoreline, for instance, must comply with extensive APA "building setback, vegetative cutting . . . minimum lot width . . . [and] minimum on-site sewage disposal system setback restrictions" to name a few. The APA also has decreed lengthy "Special Provisions Relating to Wild, Scenic and Recreational Rivers . . . [and] Freshwater Wetlands" located on private land.

This is but a small sample of APA dictates applied to the property of private citizens. Adirondackers didn't settle their families and construct their homes on public land in a public park but on *private* land long before state bureaucrats encircled their property with a Blue Line. In the words of Fred Monroe, chairman of the Adirondack Fairness Coalition, "Wherever you go [in the park], you'll find places where real people have lived since colonial days. Go down a side street, and you'll find tombstones in churchyards that date back to Thomas Jefferson's presidency."

Battleground

For nearly two decades, Adirondack State Park inholders have been defending their liberties and property rights against the assaults of

environmentalists and bureaucrats. An August 23, 1976, *New York Times* article describes their response to APA policies only three years after the agency's inception:

To the tourists and summer vacationers on the lakes and mountains, the Adirondack scene is placid. But to local residents, their land has become a battleground where the most stringent land use controls in the nation have been imposed by outsiders. . . . When the new law went into effect, it resulted in the classic confrontation of conflicting philosophies that emerges in all zoning fights—the right of personal control of private property versus the right of the state to regulate development in the interest of all the people.

"What kind of a free country is it when a man can't build a house on his own property?" asked Lawrence J. Reandreau, a Vietnam veteran, standing near the foundation of a house he had just started to build on the banks of the Raquette River in violation of agency rules. . . .

To the [APA] agency staff, Mr. Reandreau was the innocent buyer of a lot in an illegal subdivision who received permission to build after all the legalities were straightened out.

To Mr. Reandreau, the agency was the epitome of Catch-22 administration—it sent him incomprehensible letters, he said, cited new regulations, imposed impossible time schedules and finally gave him permission to build after he notified it he would go ahead anyway.

"Those delays are going to cost me more than \$5,000," he said.

Experiences like Mr. Reandreau's have multiplied over the years as the APA has formulated more regulations and tightened enforcement. Carol W. LaGrasse, a councilwoman in the town of Stony Creek, New York, and executive director of the Adirondack Cultural Foundation, reports, "The APA travels the back roads on the lookout for even a new back porch a family might start putting up without the long, drawn-out agency review process that costs many times more for lawyers than the porch."

The imposition of expensive and complicated zoning regulations coupled with lengthy bureaucratic review processes effectively render individual liberties and private property rights meaning-

less in the Adirondacks. Consider the case of Jim Morris, the father of 10, who bought property in the Adirondacks so he could parcel the land among his children. Says Morris, "I had a dream that my children and grandchildren would be living all around us."

He bought 272.5 acres in Johnsbury, New York, with the intention of subdividing his land into approximately 28 lots as permitted under APA building density requirements. Morris insisted on complying with the full letter and spirit of the law because, as he explained in the May 8, 1991, edition of the *Warrensburg-Lake George News*, "I don't want my children to have to fight. I don't want to have to worry about the other shoe dropping after I'm dead."

The APA took three years to review the Morris application. During that time, the agency conjured up a new zoning category termed "back country," which combines the 42.7-acre "resource management" and 8.5-acre "rural" zones, so as to dispute Morris's legal right to partition his property into 8.5-acre lots. Moreover, the agency demanded that Morris install sewers, water lines, utilities, and perform maintenance on the town road that leads to his property. According to the *News*, APA Operations Director William Curran notified Morris in April 1990 that "the Agency requires the subdivision infrastructure either be built or bonded for prior to conveying lots."

After three years of demands, delays, restrictions, frustration, humiliation, and with the Morris family \$35,000 poorer because of legal and engineering fees, the APA concluded that the Morris project didn't fall under its jurisdiction in the first place! Carol LaGrasse writes in the July 10-16, 1991, issue of *The Adirondack Journal*: "The APA decided after three years that the application was an example of a bona fide gift to family members and that as such it was exempt from APA jurisdiction. . . . The APA predicated their non-jurisdiction ruling on Morris keeping each lot to at least . . . seven acres per lot." Thus, Morris was compelled to start all over again and undergo another planning review process with the local Johnsbury Planning Board.

Experiencing firsthand the danger that agency zoning restrictions portended for the cherished rights of Adirondackers, Anthony D'Elia was one of the first to lead the charge against the APA in the early 1970s. Out of his personal battle with the

agency came his *Adirondack Rebellion* book illustrating APA tyranny.

A summer mecca for Presidents and other luminaries around the turn of the century, Loon Lake, New York, gradually fell into disrepair. In May 1970, D'Elia, an industrial engineer and teacher, arrived from New York City with an idea. Mustering his life savings and persuading three friends to invest with him, D'Elia bought 3,500 acres of land in Loon Lake, determined to renovate and restore the resort to its former glory.

According to an April 23, 1990, article by Lorraine Littlefield in the *Plattsburgh, New York, Press-Republican*, "They tore down seven buildings beyond repair, and set about renovating the 22 that remained. D'Elia built 3.5 miles of new roads and modernized the water, sewer and electrical systems. He drew up plans for 345 homes to be built on one-to-10 acre sites. Two-thousand-one-hundred acres would be left forever wild and commonly owned."

A self-described environmentalist, D'Elia initially welcomed the birth of the APA in 1973. He viewed the agency as an important means by which to protect the Adirondacks. However, after spending four months and thousands of dollars developing a master plan and an environmental impact study requested but subsequently rejected by the APA, D'Elia realized that the APA had more on its agenda than wilderness preservation and protection. According to the *Press-Republican*, "When the work was completed, the agency said that they needed different information. He hired biologists, botanists, limnologists, geologists, as many as 40 people working at one time to furnish the data that filled 900 legal-sized pages . . . at more than \$100 per page. The public hearing in 1974 went on for four months. Legal fees came to \$30,000 and transcripts \$12,000."

A Hollow Victory

Although the APA eventually approved D'Elia's project in 1975, it was a hollow victory for the developer because the agency conditioned its approval with 62 stipulations. Indeed, one of the requirements by itself was enough to torpedo the Loon Lake project: the APA ordered that "Loon Lake be monitored for five years by analyses of 168 water samples each month . . . [with an estimated] cost at \$100,000 per year." Because the

APA's 62 stipulations were so expensive, D'Elia abandoned his project.

The *Press-Republican's* Chris Mele writes in the April 26, 1990, issue: "D'Elia and other APA opponents maintain that the state's zoning in the Adirondack Park is so restrictive that it effectively deprives private property owners of their land without compensating them." Lorraine Littlefield reports in the *Press-Republican* that New York State Supreme Court Judge Harold Soden concurred with D'Elia's sentiments when the judge "ruled that [D'Elia] had a valid suit in charging that the demands for conceptual review and approval of projects were an improper exercise, a taking without compensation, and a violation of the right to equal protection under the law."

Inholder Judy Ford is the director of the Au Sable chapter of the Adirondack Solidarity Alliance. It is one of several grassroots organizations that have sprung up in opposition to the APA. The Solidarity Alliance advocates "home rule" in the Adirondacks as opposed to state control, and Alliance members serve as "defenders of the right to own and freely enjoy private property in the Adirondacks."

The Alliance warns inholders that "in many cases it takes lots of money and legal assistance to start and finish a permit process. You often find that one permit application leads to another and another. . . . It is naive to think the APA hasn't targeted the Adirondack native for extinction."

Mrs. Ford describes the people of the rural Adirondacks as "tough, independent, who must live by instinct and create their own jobs" to survive. Many operate small businesses to earn a living, and the work ethic of such enterprises has inculcated in Adirondackers the importance of individual liberty and private property rights.

Inholder Howard Aubin, the owner of a small sawmill, asserts that Adirondackers no longer live in the United States but in a possession of New York. He says, "We lost the rights that everyone else has in this country. We don't have them here." Judy Ford states, "The worst thing is that when you get up in the morning, you know that people can do various things with their property and business, but we can't do it here."

She calls attention to a statement made by Governor Cuomo that appeared in the March 12, 1990, issue of *The New American* to make her point. The governor said, "Yes, we have taken away some of

the rights of the people living in the Adirondacks, but that's the penalty they have to pay for living there."

Describing APA hearings, the Solidarity Alliance warns inholders: "You are presumed guilty. Not only do you have to prove yourself innocent, but must also prove the APA wrong. Maybe this is what the governor meant when he said natives of the Adirondacks have given up some of their rights." In any event, Judy Ford asks, "Can you imagine a governor saying this?"

No One's Patsy

Attesting to their heritage of independence and self-reliance, Adirondackers have been anything but passive in the face of APA assaults on their rights. For example, secluded Crane Pond Road in the town of Schroon Lake is an easy-access town road that leads to fishing and picnic areas. It is particularly popular with the elderly because of its accessibility.

After the state bought the land on both sides of the road, it suddenly closed it by placing large boulders at the road's entrance in December 1989. The Solidarity Alliance views the road as "a symbol of the state's oppression of Adirondackers." Undeterred, and outraged by yet more governmental encroachment, on June 2, 1990, inholders moved the heavy stones to the town square of Schroon Lake. They spray-painted the words "Stones of Shame" on them, and several days later hauled the rocks to Albany, the state capital.

On Labor Day weekend, 1990, members of Preserve Appalachian Wilderness, an offshoot of the violence-prone Earth First! group, decided to take matters into their own hands and close the road once and for all. But after being confronted by angry residents led by Donald Gerdt, head of the 22,000-member Citizens Council of the Adirondacks, the radical environmentalists deemed it wise not to return. Crane Pond Road remains open.

One widely reported July 1991 incident, involving three APA inspectors, illustrates the growing volatility of inholder tempers. After completing a site survey involving the placement of a sign on private property in Au Sable Forks, three APA agents were fired on as they drove off. As many as 12 bullets were fired at the APA agents, and one bullet punctured the right-front tire.

The July 9, 1991, edition of *The Saranac Lake*



BRIAN SUMMERS

Author Mike Fanning on Crane Pond Road, which has been kept open by the efforts of independent Adirondackers.

Daily Enterprise comments, "Since the creation of the APA in 1974, the agency has come under verbal abuse by some Adirondack residents who view the APA as dictatorial in enforcing stringent land use regulations." Judy Ford believes the APA "realized for the first time just how vulnerable they are in the wilderness and how much they are hated. Violence is breaking out because people are so fed up and frustrated. No one is listening, so people are resorting to this. Many were even heard saying, 'Aim higher next time!'"

Howard Aubin notes, "The fight up here is always touted as the fight between big developers versus environmentalists, but the opposition is coming primarily from the people who have had to stomach the APA for 19 years. Yes, developers are fighting too but the people are so upset, they are rising up."

Aubin divides environmentalists into two groups: those sincerely working to steward the environment and those "pursuing a socialist agenda and depriving Adirondackers of property rights." He describes the latter group of environmentalists as "particularly insidious because they are attacking property rights bit by bit by bit. We are progressing toward a regional government as

villages dissolve due to increasing taxes. The higher taxes make for more willing sellers. It is creeping socialism under an environmental mask."

The Adirondack Park Agency isn't the only menace to the property rights of Adirondackers. Dr. Vincent Vaccaro, an inholder in New Hartford, New York, has been waging a costly battle with Department of Environmental Conservation (DEC) bureaucrats to prevent them from confiscating his property under the power of eminent domain.

The Pine Lake property located in the town of Morehouse that Vaccaro purchased in 1988 had been on the market for about 10 years. During that time, the state had tendered repeated offers for the land but never followed through with a purchase agreement. When Dr. Vaccaro came along and did buy the land, the state initiated eminent domain proceedings "to confiscate property it could have easily bought," the doctor says.

Moreover, the DEC insisted on employing eminent domain despite the fact that Vaccaro told them of his intention to "place conservation easements in the deed of the property that will protect it forever from subdivision and development. . . . It makes no sense to me why the state has to waste

taxpayers' money to buy land that it doesn't have to purchase in order to protect."

DEC Commissioner Thomas Jorling contends, "The Adirondack Park is a checkerboard of public and private land, and I wanted to consolidate the state lands." Responding to Jorling, former Essex County economic development director Gerald B. Edwards writes in the *Press-Republican*, "What message should all of us, the small holders of private land, get from this ominous remark? We see eminent domain hanging over our heads like a scepter being indiscriminately wielded by an avaricious, mindless bureaucracy bent on gaining total control of our land and our lives."

The DEC's use of eminent domain is even more inexplicable in view of Governor Mario Cuomo's numerous public comments to the contrary. For example, Cuomo stated in the September 25-October 1, 1990, *Hamilton County News*: "I think some people upstate have the mistaken impression that the state is going to grab land that people don't want to sell. That is not true. . . . And if somebody in the Adirondacks doesn't want to sell his or her property, terrific—they won't have to. Nobody's going to compel them."

Vaccaro views the "calling up of eminent domain the strongest attack possible on private property," and DEC administrative law judge Frank Montecalvo concurred with him. In a November 7, 1988, hearing report, the judge concluded: "[The Vaccaro] acquisition is generally viewed to benefit, not millions of citizens of the state, but only those few recreationists who may be able to travel to, and are physically capable of negotiating, the properties. It is generally perceived that any benefit from the proposed acquisitions through the use of eminent domain would be far outweighed by adverse impacts on real estate transactions, private management of lands, the forest products industry, and citizens' 'sense of security' in the proper functioning of their government."

Nonetheless, Commissioner Jorling refused to heed the judge's findings, and Dr. Vaccaro spent three years and thousands of dollars defending his property. The state finally dropped its case on March 1, 1991. Reflecting on his ordeal, Dr. Vaccaro writes: "It appears that the State has a plan to eliminate all people from the Park, first by acquiring all the land within the blue line, second by seizing the land by eminent domain, and third by imposing overly burdensome regulations so as to

drive everyone away. The State is trying very hard to make life unbearable in the Adirondack Park."

Storm Clouds on the Horizon: The 21st Century Commission

Jim Hemus describes current APA regulations as "restrictive and, as they are applied, they are unbearable." New York State disagrees with Mr. Hemus. Acquiescing to the pleas of environmentalists, Governor Cuomo appointed the Commission on the Adirondacks in the Twenty-First Century to investigate ways of checking alleged "excessive development" in the park. According to the Governor, "Recent developments suggest that we may be entering a new period in the history of the Adirondacks, an era of unbridled land speculation and unwarranted development that may threaten the unique open space and wilderness character of the region."

In April 1990, the Commission issued its report entitled "The Adirondack Park in the Twenty-First Century," and in it Commission Chairman Peter A. A. Berle responds, "We have concluded that [the governor's claims are] indeed true." The Adirondack Fairness Coalition says Berle's assertion contradicts "statistics from the U.S. Bureau of the Census and from the Adirondack Park Agency [which] show that more than one-quarter of the park's 110 communities have not grown at all in recent years, either in population or housing. And one-half of the residential growth between 1987 and 1988 occurred in only 10 towns. . . . only one-tenth of the houses built two years ago are on the 86 percent of private land commonly referred to as 'backcountry.' In 51 communities—nearly half those in the Adirondacks, 10 or fewer building and subdivision applications were made during the past five years." Andrew Halloran of the Adirondack Fairness Coalition says that "anyone really familiar with the Adirondacks knows that there is no crisis [of over-development] here of any proportion. In fact, 98 percent of everything within the Blue Line is undeveloped."

To the dismay of inholders, the Commission declares current APA regulations to be outdated and woefully inadequate in "protecting" private property. Thus, as if the current regulations weren't enough with which to contend, there are plans afoot in the Adirondacks and in Albany to arm the environmental bureaucracy with more

power, including new and stronger zoning regulations binding private property, administered by a "bigger and better" Adirondack Park Administration. In effect it would rule the park as a regional government or, to use the 21st Century Commission's language, "as a single entity . . . with all public and private enterprises subject to the same review and permitting process." This begs the question: What exactly is private property if it is subjected to such state "review"?

Environmental Statism

The Executive Summary of the Commission's report explains that this "new Adirondack Park Administration should be created to plan and regulate the use of land, both private and public. It would administer a more comprehensive private land use plan, determine uses within the various public units, control the use of wetlands and wild, scenic and recreational rivers as the APA does now and assist local and county governments in land use functions."

The new and stronger zoning would, according to Commission Recommendation 101, allocate "one SDR [Structural Development Right: the right to construct a residence] per ownership unit (all the land held by an owner in the Park) as of April 1, 1990, up to 2,000 acres and one for each 2,000 thereafter" on both "resource management" and "rural use" lands. The Fairness Coalition's Bernard Miller, a Keene Valley, New York, resident, says, "Thus, the owner with a combined acreage of 10,000 acres in Resource Management and Rural Use lands would be entitled to only five building rights. This contrasts with the present right of that owner to possibly construct, according to Adirondack Park Agency law and subject to the agency's approval, 234 principal buildings if the 10,000 acres were all Resource Management and 1,176 principal buildings if it were all Rural Use."

In an analysis of Recommendation 101, Miller pinpoints three flaws: "[1] The value of most building rights and of existing homes would skyrocket beyond the reach of average Adirondackers. [2] The park's so-called back country would become a preserve for the super-rich. [3] The plan is so complicated that even simple land transactions would require expensive title searches across many counties." The Fairness Coalition adds, "the Commission's 2,000-acre zoning plan would limit building

rights to one house per landowner on 86 percent of the private land in the Adirondacks. Once a house is built on this land, subsequent generations of landowners could never build another one."

The Commission's call for a "one-year moratorium on development and subdivision in those areas designated resource management and rural use in the existing land use plan as well as along Park shorelines while the Legislature considers actions needed to put these recommendations into effect" has especially infuriated Adirondackers.

Calvin Carr, Executive Director of the Solidarity Alliance, says in the May 24, 1990, edition of the *Plattsburgh Press-Republican*, "'There's already a de facto moratorium' . . . [because] the Adirondack Park Agency puts so many stipulations on a building permit that building the structure becomes too costly. Just meeting the APA regulations often costs more than the land . . . placing stricter restrictions on Adirondack Park land will only make developable land in the hamlets skyrocket beyond most residents' ability to own or pay taxes on it."

Even though the six-million-acre Adirondack Park today is larger than each of the seven smallest states in the Union, and includes 2.6 million acres of state land, the 21st Century Commission proposes to add 654,850 acres at a cost of \$196 million to the state-owned property by seizing the land from private holdings. Whereas New York State currently holds 42 percent of the park's land, the implementation of this plan "would bring 52 percent of the Park into state ownership."

Norma Mildred Holcomb, a housewife from Hudson Falls, New York, articulates her frustration with state meddling in a poem entitled "Adirondack Independence":

. . . They can tell us Adirondackers we can't
build,
That our independence is taken and we must
be stilled.
We've worked so hard for our family and
home,
So why can't the state just leave us alone?

The 21st Century Report states that the Commission "believes that the people of New York want their Adirondack Park to be safe from the forces of development, alive with the forces of nature. It also believes that . . . the residents of the Park itself are determined to support the Park inholders love so well, not leaving its future to

chance or to the vagaries of the marketplace.”

Judy Ford responds: “Why do APA officers need police protection at town meetings to peddle democracy?”

New Threats

In addition to the Adirondack Park Agency and the 21st Century Commission, new government agencies are being formed that threaten the rights of Adirondackers. The Lake Champlain Special Designation Act of 1990 (U.S. Public Law 101-596) authorized the creation of the Lake Champlain Management Conference. Funded by the U.S. Environmental Protection Agency, the conference is charged with studying the lake and formulating recommendations to improve water quality.

According to Dale French, a nuclear engineer and chairman of the Adirondack Solidarity Alliance, the conference “will recommend property controls, such as shore-front setbacks, septic system restrictions, and levels of allowable pollutants discharged.” It will impact five counties in New York, 10 counties in Vermont, and even reach into Quebec.

What the APA is on the state level, the Northern Forest Lands Council (NFLC) is on the Federal level. The Northern Forest stretches across Maine, New Hampshire, Vermont, and New York (including the Adirondack State Park), encompassing 26 million acres. It is home to nearly one million people. About 85 percent of this forest is privately held.

“The Northern Forest Lands Study of New England and New York,” prepared in April 1990 by the U.S. Forest Service, called for additional

1. Land use planning and regulation by local and state governments;
2. Acquisition of easements and full-fee land to protect those values that would otherwise be lost to future development;
3. Incentives and other actions to keep forest

land economically viable and private land open to the public; incentives must be in exchange for binding commitments to conserve important land and resources.

Robert Voight of the Maine Conservation Rights Institute says: “The NFLC is . . . an attempt at centralized—read coordinated—planning intended to lead to discriminatory land use controls and public acquisition within an area yet to be defined. . . . the language of the [Northern Forest Lands Act of 1991] displays a pervasive bias against private ownership and in favor of public, i.e., government, interests in land use and management.” Curiously, the plan would strive to keep “private land open to the public.”

James S. Burling, an attorney with the Pacific Legal Foundation, states that “if the Northern Forest Lands legislation is passed as currently drafted, many private property owners will be at a greater risk than today of having their lands condemned by the state or federal governments. Land that is not condemned may become subject to land use restrictions that will limit the productive and economic use of the land.”

Stringent land use controls and condemnations are not confined to the Adirondack Park in New York State; they impinge upon inholders across America. From the Cuyahoga Valley National Recreation Area in Ohio and the Everglades National Park in Florida to the Columbia River Gorge in Oregon and Washington, state and Federal bureaucrats seize private property with impunity and deprive citizens of their liberties.

To Adirondackers, the issues are fundamental ones of property rights and freedom, and are summed up in a letter from Judy Ford: “Nobody is taking into consideration the lives of year-around residents and a very distinct culture that will be erased forever. We are mountain people and this is our land. There has to be a place for us on the land on which we were born.” □



An Abundance of Messiahs

by Barbara R. Hunter

Recently I was in an elevator in the building where I work when I caught a scrap of conversation. A young lady was talking to a friend about a forthcoming job change, and she spoke somewhat apologetically about her plans. At the time, she was working for an "authority"—one of those myriad quasi governmental agencies that masquerade as independent organizations. Although she was looking forward to her new position, something was troubling her:

"I think I can work for a . . ."

There was a catch in her voice, and it was only with an effort that she managed to say the next words:

"private corporation . . ."

Now she brightened, and the rest of the sentence sounded full of hope:

"and still be an agent for social change."

Ah, another messiah! So sure she was appointed to be "an agent for social change."

No doubt, the young lady's sense of destiny gave her confidence in her mission. However, there was an important point she had missed. If she recognized this point, it might vastly alter her conception of her position in society: *Everyone* is an agent for social change! Every man, woman, and child, without exception.

Those whose sense of vision convinces them that society would founder without their exertions don't realize that society goes right on its way, with them or without them, responding constantly, endlessly, to the uncountable decisions

made every instant. No matter how diligently these would-be saviors strive to bend society in their own direction, there is no way to prevent society from doing what it does best: reflect the sum total of the individual decisions of its component population.

There is nothing new about self-appointed messiahs. Common among them are government employees. Indeed, in some cases it is their very missionary zeal that leads them into what they love to call "government service" in the first place.

If this were the limit of their manipulative skills, society could shrug off their misguided salvation and go about its daily business of each one living his own life. Unfortunately, messiahs don't stop at single-handed or merely cooperative measures; they employ the punitive power of government to force their will on those whose view is not up to their standards.

Thus, we have efforts within government at every level and in every branch to regulate, to "set priorities," to license all sorts of trades and businesses, to decide for you the effectiveness of your remedies and cosmetics, to decree environmental standards and require environmental studies that can push back the completion time and raise the cost of every project, to declare moratoriums on construction in entire counties in contravention of all existing private contracts and schedules . . . and on and on.

In all likelihood, there never will be an end to the supply of "experts" who know better than we do how we should live our lives, but when they arm themselves with the power of government—save us from messiahs!



Barbara Hunter is an educational consultant in office automation who lives on Long Island.

The Economics and Ethics of Trash

by K. L. Billingsley

As they watch barges plying the high seas searching for places to dump their foul loads, Americans are increasingly concerned with the problem of garbage transport. Is this practice ethical? And are there examples where it works?

To answer these important questions, several concepts must be considered.

Individuals, companies, and regions all have comparative advantages over others. For example, Aretha Franklin is a better singer than Madonna. Steinway is better equipped to build quality pianos than the Toys "R" Us Corporation. Kansas is a better place for growing wheat than Rhode Island or Florida.

Likewise, some regions are better suited than others for the disposal of garbage. Some are worse. A case in point is the Seattle area, a densely populated municipality that generates over half a million tons of solid waste per year. The Seattle area is also quite damp, and landfills are subject to leaching into the water table.

Eastern Oregon, on the other hand, is sparsely populated and practically a desert, much more suitable conditions for the disposal of waste. Together with eastern Washington, the area boasts some 300 million tons of capacity, enough for approximately 100 years. But comparative advantage isn't the only issue.

When two parties trade anything, including trash, they do so because both believe that they

will derive an advantage from the deal. This is the principle of voluntary exchange, a pillar of the free enterprise society.

As Professor Dan Siegel of the University of Washington pointed out at a conference put on by the Foundation for Research on Economics and the Environment, Seattle has worked out an arrangement with Gilliam County, Oregon, to ship its trash there.

In view of statist failures, both environmentalists and public officials are increasingly willing to try free market solutions. Seattle opened its 30-year trash proposal to bids, and the contract went to Waste Management, Inc., owner of a massive, modern site in Oregon with a capacity of 60 million tons.

But what about the locals in Gilliam County?

This region has been economically depressed for some time, and there was strong support for the landfill among residents for the jobs and stability the project would bring. Waste Management opened its facilities to inspection, which helped gain favor. The dump will also be divided into sealed compartments, which will guard against leaching and maintain a record of what trash came from where.

Portland, Oregon, also ships its trash to Gilliam. The stuff arrives already compacted, in closed railway cars. The only real inconvenience is noise, for which Waste Management will pay a fee to the state of Oregon, as well as a "host fee" to local governments.

While Seattle and Gilliam County seem satis-



Waste Management's Gilliam County facility.

COURTESY OF WASTE MANAGEMENT, INC.

fied, there are objections. One hears, for example, that people should be forced to live with their own trash.

This objection ignores the principle of comparative advantage. Certainly each community should pay for its own disposal. But requiring them to store their own trash makes no more sense than demanding that they use only oil from their own wells.

Others claim that the trash transfer will short-change Oregonians. But this too is bogus. As Professor Siegel stated, Texans don't hesitate to export oil on the grounds that there won't be enough left for them.

Siegel believes that, ethically and economically, there is no problem with the regional plan. The bureaucratic dimension is another question.

There have been attempts to slap fees on the waste under the rules of interstate commerce. Proposed changes in the Resource Conservation and Recovery Act would make it more difficult to transport waste from state to state. On the positive side, both the EPA and even the Sierra Club

support this kind of regional arrangement for trash disposal.

Siegel did not use this plan as a model for international transfers of toxic waste. Corrupt officials of dictatorial countries have accepted payoffs and inflicted suffering on their populations. For example, Guinea allowed the dumping of toxic incinerator ash from Philadelphia without consulting the locals. This kind of abuse, according to Siegel, should be opposed.

Domestically, solid waste is a local issue. Therefore it is more correct to speak of "problems" rather than "the problem." Each municipality must work out its problem within an economic and ethical framework.

When comparative advantage and voluntary exchange are taken into account, however, it is clear that the Seattle-Oregon arrangement works well. As America's trash continues to pile up, we need models that not only work but respect individual rights, market forces, and private property. If we disregard these, we will soon transform a problem into a crisis. ☐

First-Person Singular

by Donald G. Smith

There are two kinds of people; those who divide everybody into two kinds of people and those who do not.

—ROBERT BENCHLEY

Any society is filled with conflicts. There are those who fight to keep what they have and those who fight to get it. There are city people and country people, old people and young people, puritans and libertines, labor and management, dog people and cat people. Anyone who has ever read a paperback western knows that any self-respecting cattleman had nothing but contempt for the sod-busters who were fencing off the range; and whose great grandparents would have been seen in public with a Wobbly or a Copperhead? These groups have never represented all of society, being but a small fraction of the whole, but their head-butting has been well worth the price of a ticket.

One of the significant divisions in today's culture is a conflict that goes all the way to the bone marrow of those afflicted and has divided us more than anything since the firing on Fort Sumter. I refer to the people who think of themselves as individuals and those who revel in being part of a group: "I-Thinkers" and "We-Thinkers." This isn't just a passing, or trivial, observation because it represents a profound cleavage in our national makeup, one which seriously impedes communication. I-Thinkers and We-Thinkers just don't get through to each other and probably never will.

The strange thing about the I-Think/We-Think phenomenon is that there are so few pure disciples of either philosophy. Most of our citizens, perhaps 80 percent of our population, are combinations of I-We thought and generally lean in one direction. A person might run a business as a solid I-Thinker but do a complete flip on Saturday when he dresses in the old school colors and sets off for the football game.

Or, a basic We-Thinker might become an incontrovertible *I* when a loud party next door prevents a good night's sleep. It is a case of *I* need my sleep, *I* have to get up in the morning, *I* am not going to put up with this. Yet, the We-Think will take over with the dawn, and our subject returns to the familiar social enclave.

The street gang is an excellent example of pure We-Think. Young people who run with the pack have no concept of their own individuality, and thus the traditional exhortation to "amount to something" falls upon unreceptive ears. A person who is not really a person at all can hardly be expected to excel at anything. Anyone who knows himself only as a small piece of the Green Dragons has no idea of himself as a separate entity and consequently has no desire to accomplish anything as an individual.

It is quite likely that the strident minority of people who spend their lives marching for causes are far more We-Thinkers than I-Thinkers, especially when they resort to such physical expressions of solidarity as holding hands and locking arms. This is a group-mentality phenomenon, and such activity seems to have considerable appeal for those people who have trouble with the first-

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person singular pronoun, *I*. They are more comfortable chanting slogans in unison as part of a resounding *We*.

No Common Language

One of the reasons that the proponents of free market capitalism have such great difficulty communicating with those of a more collectivist bent is that the two groups don't speak a common language. They use the same words, perhaps, but the meanings are entirely different. The person who leans toward *I*-Think considers himself only superficially as a member of a class or a social group. He is essentially a functioning single component. Conversely, the *We*-Thinker has some difficulty seeing himself as being separate and distinct from his fellows. His immediate need is to be marching in ranks.

Today's capitalism was conceived in an *I*-Think environment. Indeed, our much heralded "forefathers" were about as obstinate a breed of do-it-yourselfers as has ever graced the planet. The economic system they spawned is little more than a reflection of the Boston Tea Party and a man named Nathan Hale who went to the gallows with but one regret. It all stemmed from a profound and unshakable belief in the majesty of the individual. These people were the personification of the term "rugged individualism." They left an indelible mark, and the outstanding feature of an indelible mark is that it doesn't go away.

Unfortunately, this deep-rooted feeling of individual worth has never reached the *We*-Think intransigents, those who seem to have no realization of their own self-worth and not even the inclination to test it. They see themselves as only parts of a giant machine, easily replaceable parts that have no value on their own. One wonders why a person who was nurtured in an environment where individualism is encouraged and applauded finds it so difficult to become a part of it. Wondering, of course, does not always produce answers.

Perhaps it is more comfortable to be a part of the mass, safe in a warm recess where the risks are diluted. It is a place where one cannot fail because failure can only follow attempt. To the various degrees of *I*-Thinkers, however, the niche in itself is the very essence of failure. In this context, lack of success and failure are not synonymous. Failure only happens when one decides not to try again.

The thought processes of people who are essentially *I*-Thinkers and those who lean the other way are so alien to each other that conflict is inevitable. One person finds it repugnant to lock arms and march for a cause, even when he finds himself in sympathy, because he wasn't born to be a flywheel or a head gasket. To the *We*-Thinker this is a natural and desirable role.

This is the difference between the two factions and, to a lesser extent, that great body of people who lie between them but lean one way or the other. One man's revulsion is another man's glory. Fortunately, our progenitors set it up so that those leaning toward *I*-Think would make the rules, in a very real sense creating in their own image. So far, the system has worked, with considerably more *I* than *We* stirred into the mixture.

It would be a neat and tidy arrangement if it could be established that our society is divided into two groups, but it doesn't work out this way, and I wouldn't question Robert Benchley for a moment. I do believe, however, that there is a hard core of *I*- and *We*-Thinkers at either end of the social spectrum, and it is these groups who are making most of the noise on almost every social and political issue.

For my own purposes, I could never be a card-carrying member of either group because neither is solely and intrinsically right. The *We*-Thinkers, however, seem to make more noise and get less accomplished than the *I* people, and for this reason *I*-Think is a better way to lean—except, of course, on Saturday during football season. There are no individuals when the Oregon Ducks take the field to smite the forces of evil. □



Readers' Forum

To the Editors:

In his article "Corporate Social Responsibility: A Dialogue" (*The Freeman*, September 1991), T. Franklin Harris, Jr., is correct in dismissing the corporate accountability theory. He errs, however, in preferring the corporate natural rights theory over the profit motive theory.

The profit motive theory has the correct elements, though Milton Friedman was mistaken to say that a manager's unauthorized diversion of profits to social causes is taxation without representation. Harris correctly demolishes that claim, but the manager's action is still wrong: it is embezzlement, not taxation.

Authorized expenditures on charity are covered by the profit motive theory, as Friedman argues. If the owners want to spend money on charity or social causes, the manager is obliged to do so. If the owners care only about profit, and the manager believes that a particular form of charity is the most profitable action (as in the case of Ford Motor Company in 1914), then he is obliged to carry out that act of charity even if he isn't charitable himself.

There will of course be cases where little charity is authorized by the owners. Harris correctly says, "executives cannot simply leave their humanity at the door when they come to work." However, the manager isn't being coerced. If he feels a need to do more for charity than his employers wish, then he can seek a contract allowing him to do more. (If nothing else, by being paid more so he can contribute his own money.) If he's a good enough manager, the owners may decide to spend more on charity rather than lose him. If not, he should find an employer with more sympathetic views.

Douglas Den Uyl's argument that owners in general don't really care what managers do with

profits above a certain rate of return seems weak, especially when he equates maximizing profits with having perfect information. Reasonable owners don't expect perfect performance, but they expect a manager to do his best with the information he can reasonably get. Spending money on unauthorized and unprofitable charity rather than investing in an obvious business opportunity is likely to raise hell at the next stockholders' meeting—as it should.

BRIAN TILLOTSON
Huntsville, Alabama

Mr. Harris replies:

Mr. Tillotson's criticisms are well founded, and I certainly agree that any manager who engages in "unauthorized" charity is acting improperly. However, in the "Natural Rights" section of my essay, I never refer to individual action. I cite only corporate action, undertaken by the corporation as a whole and approved, presumably, at higher levels than that of a mere manager. Natural rights theory only justifies—and I only advocate—authorized charity.

My criticism of Dr. Friedman's position rests on his opposition to *all* corporate charity—whether authorized or not—except in cases where the business was started for nonprofit purposes. (For the record, I admire Dr. Friedman's work, and this is one of the few areas in which I disagree with him.)

As for "unprofitable" charity, I clearly state that unwise charitable contributions should "be treated as . . . a technical failing, possibly resulting in dismissal for the parties involved. . . ."

T. FRANKLIN HARRIS, JR.
Auburn, Alabama

The Case for Conservatism

by John Chamberlain

In his introduction to Francis Graham Wilson's little book on *The Case for Conservatism* (Transaction Publishers, 78 pages, \$21.95 cloth) Russell Kirk notes that Lionel Trilling could write in 1949 that "liberalism is not only the dominant but even the sole intellectual tradition." But no sooner had Trilling made his remark than "the literary and philosophical adversaries of liberal dogmata rose up in numbers."

Francis Wilson, described by Kirk as "an austere-looking, dryly humorous gentleman and scholar" who had retired from the University of Illinois to live at the Cosmos Club in Washington, was more than happy to be among those who proved Trilling's lack of prescience. But Wilson does not pretend to be a perfectionist. He is quite aware that the major political parties often echo each other, and that elections are won by narrow margins that shift from time to time with pressure group changes. He thinks that conservatism is a philosophy of social evolution "in which certain lasting values are defended within the framework of the tension of political conflict." When given values are at stake, a conservative may even become a revolutionary—though not as a Marxist, with the theory of class struggle, might assert. Wilson thinks class war ideas are abominable.

We have to live, says Wilson, with the results of past revolutions. Conservatism "is a spirit of politics rather than a fixed program. . . . Intellectual conservatism has at its command the whole range of philosophy and science that the centuries of Western civilization have provided."

This identification of conservatism with Western civilization itself may be regarded by today's liberals as thievery. But between what is known as "old-fashioned liberalism" and Wil-

son's conservatism there is little difference.

What are Wilson's own descriptions of the common characteristics of the conservative mind in the West? He lists five that seem to him of special importance. First, he says, "conservative thought has attempted to find a pattern in history that may give some clues as to the possible and impossible in politics. Second, conservatives have generally been somewhat distrustful of human nature, viewing it as a mixture of the rational and irrational. Third, the conservative has in general believed there is a moral order in the universe in which man participates and from which he can derive canons or principles of political judgment. Fourth, conservative thought has accepted as sound politics the idea that government should be limited in its power and that such limitations should run on behalf of individuals and groups. And fifth, the conservative mind has defended the institution of property, I think, long before the rise of modern capitalism. . . . Certainly the defense of property is a more steady principle than the defense of particular arrangements by which goods are manufactured and distributed."

The moral order, says Wilson, "is one of the oldest products of Western society, for it begins in the Greek distinction between nature and convention; it flowers in the concept of natural law in Roman civil law and in Christian philosophy. . . . any democracy that has long survived has believed that government is responsible to the community, but that responsibility must be exercised with restraint and moderation, under the rule of law."

The preconditions of majority rule have been stated in the Bill of Rights, primarily the rights to life, liberty, and property. That, after all, is the case for conservatism. □

THE LIABILITY MAZE: THE IMPACT OF LIABILITY LAW ON SAFETY AND INNOVATION

Edited by Peter Huber and Robert Litan

The Brookings Institution, 1775 Massachusetts Avenue, NW, Washington, DC 20036-2188 • 1991 • 514 pages
\$35.95 cloth, \$16.95 paper

Reviewed by Doug Bandow

The Brookings Institution has a long liberal pedigree, but it continues to surprise. Institution scholars have criticized environmental regulations, praised airline deregulation, and promoted educational choice. Now Brookings scholar Robert Litan has joined with Peter Huber of the Manhattan Institute to edit a book that shows the high costs of litigation to the American consumer.

Others, Huber as well as Walter Olson, also from the Manhattan Institute, have documented the liability revolution that has created a kind of legal lottery, enriching and penalizing irrespective of causation and fault. The focus of *The Liability Maze* is more limited: the book, composed of papers from a Brookings conference, explores the impact of litigation on business innovation and safety.

The issue is as complex as it is important. Write Huber and Litan:

Expressly or by implication, most of the authors in this volume agree that the effects of the liability system, whatever they may be, depend on much more than the narrow question of whether liability is imposed, or on the still narrower question of what legal standard (like "negligence" or "strict liability") is applied. The authors all recognize that jury trials, contingency fees, long-tail liability, the sheer size of awards, and the stigmatizing effect of punitive damages, along with adverse publicity, market forces, and regulation are at least equally important.

Nevertheless, some general conclusions stand out. Where liability remains modest, litigation appears to have encouraged innovation—a not surprising conclusion, since a well-functioning tort system will force a firm to internalize more of its products' costs, and thereby provide it with an incentive to take cost-effective countermeasures. However, as liability and damages expand, the

impact on innovation becomes highly negative. This effect seems to be strongest on the general (lighter plane) aviation industry. Serious problems are also evident in the medical and pharmaceutical fields. The only dramatic counter-example appears to be chemical production.

The findings on the effect of liability on safety are more equivocal. For one thing, lawsuits operate in tandem with private and public regulatory systems—doctors' professional standards of responsibility and the National Highway and Transportation Safety Administration, for instance. It appears that the conclusion of Judith Swazey of the Acadia Institute, that litigation has "had only a marginal impact on the development of safer drugs" because it is only one of several factors involved in their production and marketing, is generally applicable. While liability has caused manufacturers to expand warnings, that step has had no obvious impact on safety.

Litigation, irrespective of the outcome, may, however, have a significant impact if it becomes the focal point for media attention. Writes Harvard's John Graham, the "indirect effect of liability on consumer demand—operating through adverse publicity about a product's safety and a manufacturer's reputation—is often the most significant contribution of liability to safety." Although this effect is probably most evident for autos, Andrew Craig from Wichita State University found a similar impact on the sale of small aircraft.

Unfortunately, for all of the research that went into *The Liability Maze*, the analysts don't really answer the most fundamental question: Is today's litigation explosion providing us with the "right" amount of safety? Although it may seem a heretical concept, it is possible to be too safe in the sense of paying more than we want in order to avoid infinitesimal risks. For instance, Murray Mackay of the University of Birmingham estimates the cost of the average car to be several hundred dollars higher because of liability. Yet, writes Graham, safety "has historically been a minor consideration in consumer choices."

The expansion of litigation appears to have had a far more expensive impact on the general aviation industry. The liability charge for a light plane rose to between \$70,000 and \$100,000, figures attorney Robert Martin, with naturally devastating consequences for this industry. "The price of

new airplanes reached the point at which prospective buyers increasingly chose to purchase a used plane rather than a new one. Margins were cut, manufacturing plants were closed, engineering staffs were trimmed, and factory employees were laid off," writes Martin. But consumers, too, lost, for the amount of safety purchased at such a high price seems to be miniscule. If people are now safer, it may be because they are not buying products and undertaking activities that they desire: indeed, several of the volume's researchers believe that liability has "increased" safety by *reducing* the demand for goods and services.

Furthermore, there are at least some cases where litigation appears to have reduced safety. Some auto executives fear adopting prudent changes that might be viewed by a jury as evidence that the previous design was negligent. Moreover, the expansion of medical malpractice lawsuits has created a veritable industry devoted to "risk management" of practices with high-liability potential. In this way, writes Stanley Joel Reiser from the University of Texas, "the liability ethos diverts a significant activity, risk management, away from its proper focus on the patient's welfare to a concern with professional and institutional liability protection." Pervasive litigation may also hinder experimental procedures and products because of fears of liability.

What is to be done, ask Huber and Litan. One could argue, they observe, that we don't know enough about the effect of liability on innovation and safety to formulate a policy. After all, if Swazey is correct in contending that there are "virtually no solid data" on the impact of litigation on the safety of drugs, then how can one know how to act? But, as Huber and Litan point out, "the one issue beyond dispute is that legal rules are policy, and policy *will* be made, in courts if not in legislatures, with or without data."

Thus, they offer some thoughtful if modest suggestions. First, the legal system needs to do better at incorporating positive rewards for product experimentation and improvement. In particular, the liability system needs to reflect the fact that to fail to innovate may actually be riskier than not to modify a product or service. "Legal rules, jury instructions, and evidentiary standards can all be crafted to give more equal weight to these symmetric considerations," write Huber and Litan.

Second, efforts should be made, in their view, to

re-connect liability to risky behavior. One doctrine they single out is "the ability of plaintiffs to recover for product-related injuries decades after products have been on the market and previously not been held liable for injury." Huber and Litan suggest a statute of repose to limit the period of liability and constraints on punitive damages.

Third, they propose a broad review, buttressed by systematic analysis and research, of America's legal system combined with a willingness "to apply the same cost-benefit standards to the liability system that the liability system applies to doctors, drug companies, and the manufacturers of planes, chemicals, and cars." Particularly important would be a thorough assessment of the impact of differences between the U.S. and foreign systems, such as America's failure to force the loser to pay the litigation expenses of the winner, which encourages frivolous and nuisance suits.

The Liability Maze, written and edited by scholars, is a fine volume that should enhance any reader's understanding of the so-called liability crisis. The book raises more problems than it solves, but that reflects the intricacies of the issue rather than any shortcomings on the part of its authors. □

Doug Bandow is a Senior Fellow at the Cato Institute. A graduate of Stanford Law School, he is a member of the California and District of Columbia bars.

THE PRIZE: THE EPIC QUEST FOR OIL, MONEY, AND POWER

by Daniel Yergin

Simon and Schuster, 1230 Avenue of the Americas, New York, NY 10020 • 1991 • 877 pages • \$24.95 cloth

Reviewed by Raymond J. Keating

Oil has often been referred to as the lifeblood of any economy. While this is an overstatement, oil has been the most critical, *nonhuman* economic resource throughout most of the 20th century. Daniel Yergin illustrates the economic, political, societal, and geo-strategic importance of this commodity.

Yergin takes the reader on an enjoyable and thorough journey through the history of oil, from the drilling of the first well by Colonel Edwin Drake in Pennsylvania in 1859 up to Saddam Hussein's invasion of Kuwait in a mad grab for wealth and oil in August 1990. Yergin explores oil's

role in war, describes the ever-changing structure of the oil industry, and discusses the prominent and often colorful petroleum players. *The Prize* is a well-written and well-researched addition to a branch of history that, until very recently, had been sadly neglected—business history.

My sole criticism of Yergin's effort is his periodic indifference to the role of markets in the oil industry. At times he acknowledges the benefits of innovation, entrepreneurship, productivity, organization, and the price system that markets bring to bear. However, he also issues caveats relating to the old "instability" straw man as it pertains to free markets.

For instance, Yergin declares in the book's epilogue that "The years of past oil crises have demonstrated that, given time, markets will adjust and allocate." Earlier, he even summarizes the development of the oil pricing system as it led to today's futures markets: "Once it had been Standard Oil that had set the price. Then it had been the Texas Railroad Commission system in the United States and the majors in the rest of the world. Then it was OPEC. Now price was being established, every day, instantaneously, on the open market, in the interaction of the floor traders on the Nymex [New York Mercantile Exchange] with buyers and sellers glued to computer screens all over the world. It was like the late 19th-century oil exchanges of western Pennsylvania, but reborn with modern technology. All players got the same information at the same moment, and all could act on it in the next." A vast improvement, one might say. However, when discussing the ill effects that the 1986 drop in oil prices had on the U.S. domestic oil industry, the author wonders: "Perhaps when it came to 'market forces,' there could be too much of a good thing."

In fact, Yergin is inconsistent in his view as to whether the private sector or the government should control oil production. In analyzing the early days of oil production in Russia, Yergin writes: "The development of the industry was severely restricted by the region's backwardness and its remoteness [i.e., in Baku] and the corrupt, heavy-handed, and incompetent Czarist administration, which ran the minuscule oil industry as a state monopoly. Finally, at the beginning of the 1870s, the Russian government abolished the monopoly system and opened the area to competitive free enterprise. The result was an explosion of

entrepreneurship. The days of hand-dug oil pits were over. The first wells were drilled in 1871-72; and by 1873, more than twenty small refineries were at work." Yet, in contrast, Yergin's discussion of the anemic state of current Soviet oil production doesn't address these critical issues of private property, entrepreneurship, and profit incentives.

Yergin does explore the legitimate debate as to when national security takes precedence over the market, and when the two might be in conflict. It seems clear that the burden of proof lies with the national security advocates who argue for limitations on the market. The author makes no clear declaration in either direction on such matters, but seems tacitly to lean toward the national security/market limiting agenda.

Having acknowledged various inconsistencies and shortcomings on matters of economics, I still can heartily recommend *The Prize* on the basis of its great historic breadth. Yergin explores the significance of and roles played by, for example, Winston Churchill, Standard Oil and John D. Rockefeller, the Middle East and OPEC, Mexico, the United States government and its often schizophrenic policies toward the oil industry, Axis and Allied World War II strategies, the Shah of Iran and his successor the Ayatollah Khomeini, Israel, Egypt's Nasser and the Suez Canal, discoveries in the North Sea and in Alaska, and even T. Boone Pickens. Such a list merely scratches the surface, however. Yergin's tome must be read to gain a true appreciation of its vast scope.

While Yergin was writing a history of oil's role in the world, and seemed to tie this role into most historic events of the past century, he still possessed the ability to discern the limits of oil. He deserves credit for acknowledging the economic successes of West Germany and various Pacific Rim countries, all huge oil importers. While oil's stature in the world economy will remain high, even Yergin notes the ascendancy of the information or knowledge economy. The silicon chip, created out of sand, is emblematic of the economy of the mind, in which limits won't be set by amounts of oil but only by the restrictions placed on human innovation and creativity. Perhaps the development of this knowledge economy will be the subject of another epic treatise of business history a century from now. □

Mr. Keating is New York Director of Citizens for a Sound Economy.

THE WORLD TRADING SYSTEM AT RISK

by Jagdish Bhagwati

Princeton University Press, 41 William Street, Princeton, NJ 08540 • 1991 • 164 pages • \$16.95 cloth

Reviewed by William H. Peterson

The laissez faire wisdom of Adam Smith and David Ricardo (with his profound Law of Comparative Advantage on behalf of free trade) is well reflected here in a work by Jagdish Bhagwati, formerly Arthur Lehman Professor of Economics at Columbia University.

Professor Bhagwati provides an incisive and authoritative essay on the current position and future potential of GATT, with special attention to a prominent GATT member, the United States.

GATT is the General Agreement on Tariffs and Trade, founded in 1947, a U.N.-affiliated agency based in Geneva, Switzerland. It is an organization of some 100 member countries aiming at mutual tariff reduction along with removal of non-tariff barriers such as import quotas and exchange controls. Extended GATT negotiations generally take place in member countries such as Japan (the Tokyo Round) in 1973-1979 and Uruguay (the Uruguay Round) in 1986-1990.

The aim of easing trade is not always accurate, even though the history of post-World War II global commerce has been on the whole positive. The protectionist germ is noted by Dr. Bhagwati, who is now economic policy adviser of GATT: many GATT members, including the United States, remain muddled or lukewarm to the idea of free trade, goaded as they are by powerful domestic interests such as farm, labor, and textile organizations. In fact, it was farm interests, most notably European and Japanese, that tripped up the final Uruguay Round of GATT tariff reductions in December 1990, causing trade diplomats to go back to the drawing board.

For its part, the United States suffers from a trade neurosis that the author christens "the diminished giant syndrome," an affliction characterized today by complaints in Congress and the media of "unfairness," "foreign subsidies," and, in the case of Bangladeshi textiles, "pauper labor." Professor Bhagwati sees America as a parallel of Britain at the turn of the century when the United States and Germany arrived on the world scene.

Today the new kid on the trade block is Japan, and Japan-bashing is in vogue.

Recently Japan, along with India and Brazil, was cited for unfair trade practices under the "Super 301" provisions of the 1988 Omnibus Trade and Competitiveness Act. The Act spurred a "Structural Impediments Initiative" that had American and Japanese negotiators scurrying and probing such arcane "trade" topics as mutual antitrust policies, retail distribution systems, infrastructure spending, savings rates, and workers' rights. Professor Bhagwati says the American "shopping list" was reputed to have included 240 such items. Hardly a way to win friends abroad.

In fact, U.S. Trade Representative Carla Hills is reported to have relied on her advisers to assert during a negotiating visit to Tokyo that foreign baby bottles couldn't make it to Japan. Her Japanese hosts immediately refuted her assertion, producing evidence of their availability in shopping centers. Again, after being persuaded by another Japan-basher that Kodak film was not available in Tokyo's stores ("while Fuji was in New York's"), she was shocked to discover on investigation that the charge was simply not true.

These incidences point up the problem of world trade inside and outside GATT. Trade negotiations are inevitably politicized, bureaucratized, and, in the scheme of things, compromised, especially from the viewpoint of the consumer whose interest in world commerce is, or should be, first and foremost. But GATT negotiations are off-the-record, and the consumer is almost always "the forgotten man." What trade-offs are made? Whose industry is gored? Who gets what in what Yale economist William Graham Sumner called "the great scramble and the big divide"?

So my only comment about this otherwise excellent book is the author's seeming beholdenness to GATT with its key principle of reciprocity. GATT is a dubious crutch. Surely it is the overwhelming case for free trade, even unilateral free trade, that should spur the thinkers and doers to dismantle domestic trade barriers to foreign imports without, if need, a *quid pro quo*. The consumer deserves no less. □

Dr. Peterson, an adjunct scholar at the Heritage Foundation, holds the Burrows T. and Mabel L. Lundy Chair of Business Philosophy at Campbell University, Buies Creek, North Carolina.

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PERSPECTIVE

Socialized Medicine

Some years ago, I sat in on a discussion the late Dr. Ben Rogge was having with some college students. He was then professor of economics at Wabash College in Indiana.

A student asked, "Dr. Rogge, don't you believe we should have a national health-service program of some sort?"

Rogge smiled and asked the student, "What do you have against sick people? Would you visit on them the same quality of services we have seen come from other government-run programs or systems?"

He mentioned a few of the more glaring examples of waste and inefficiencies at that time.

Rogge's point should be easy enough for everyone to understand, whether it be applied to medicine or any other service in our life for which we rely upon good, competent, efficient people.

—DAN OST, writing in the

September 25, 1991, issue of the
Reading Times, Reading, Pennsylvania

Flight Canceled

A few years ago, at the Western Reserve Historical Society Aviation Hall of Fame, Elbert Rutan, designer of the famous plane that circled the earth nonstop was honored, as were his brother Richard, who flew the plane, and Jeana Yeager, also of the crew.

Elbert Rutan made a charming, short acceptance speech. After describing the efforts to design the plane and to complete the world flight, he made observations that deeply stirred me. He said that many airplane manufacturing companies wanted him to work for them. He considered it. He visited these companies and studied the conditions under which they worked. He, as a creative designer, decided that he couldn't work under the conditions in these factories. Rules, regulations, laws, and limitations would make it impossible for him to remain creative. Thus he decided to go it alone where he could follow his enthusiasms, his imagination, his inventiveness, without limits.

I began to speculate on what would have happened in the days of the aircraft pioneers if they had been working under the conditions that exist

today. I pictured that foggy morning at Kitty Hawk when the Wright brothers stood ready to fly after years of hard work. Orville Wright is just about to step into the plane to make the first flight. An inspector steps up. "Mr. Wright, you are violating the law. We forbid this flight; you don't have a pilot's license."

Then I pictured the Ryan Airlines plant. They worked day and night to complete Charles Lindbergh's *Spirit of St. Louis* in 60 days. A remarkable achievement. An inspector steps up. "Mr. Ryan, you are violating the law. We will have to close the plant. You are paying your office boy less than the minimum wage. You refuse to pay overtime."

And then I pictured the morning in New York when the *Spirit of St. Louis* stood fueled and ready for the famous flight to Paris. The last weather report is in—Lindbergh is just climbing into the plane—an inspector steps up—this flight is canceled. "Mr. Lindbergh, you are violating Rule 7102. You are overloaded."

Can it be that Mr. Rutan has put his finger on one of the reasons why American leadership is slipping? And why America finds it hard to compete?

It is worth thinking about.

—FREDERICK C. CRAWFORD, Founder and
Honorary Chairman, TRW Inc.

But I Like Oat Flakes!

I was standing in my local grocery store, which displayed shelf after shelf of various breakfast cereals, looking for my favorite.

At first I was annoyed because I was in a hurry and I couldn't find it. Then my reaction turned to amazement as I realized how many different kinds of cereals they had: There were hot cereals, cold cereals, cereals made of corn, of wheat, of rice, of oats, sometimes combinations, some with added dried fruits, some with nuts. There were balls and flakes and bite-sized biscuits. Then nearly all of these were duplicated, in some fashion, by different companies. I fleetingly wondered why they carried so many.

Then I was struck by the humor of it—with all this to choose from, I couldn't find the one I wanted. I wanted oats. I wanted flakes. I wanted the ones put out by a certain company. I *liked* them

better than any other cereal. Still, it seemed downright silly that, with so many to choose from, I wasn't satisfied.

My mind flipped suddenly from those laden shelves to pictures of shelves I had seen in Russia—empty shelves, and I was transported to what I imagined might be the complaint department in a Communist country.

"I would like this brand of oat flakes."

"No oats. We got some barley, and next month our allotment calls for some ground wheat, but the shipment might be held up."

"But I want oats. Oat flakes."

Narrowing eyes. A scowl. "Are you a trouble maker? No oats. I've never heard of oat flakes . . ."

The reverie was broken as my cart reached the cash register. The clerk didn't wear a commissar's uniform, just a red apron, and a tag that said, "Manager." He smiled, "Yep, a little short-handed today, so here I am."

"Well, I'm glad you are the manager. I was disappointed that you are out of oat flakes. I really like those oat flakes you usually have."

The pad and pencil came out. "We are! Well, we'll fix that. Let's see: oat flakes. Now which brand did you say? Yes ma'am! We'll fix that!"

I smiled as I loaded my groceries. I don't get to be queen very often, but, as a consumer there, that's what I was—even if just for a moment.

—DONNIS STARK THOMPSON
Kenai, Alaska

Cultural and Economic Goods

It is a mistake to make a categorical division between cultural and economic goods. All economic goods are in essence cultural goods. Animals and savages have no knowledge of anything remotely like the trading activity of a civilized society. A book, a record, the performance of a symphony, a religious sermon, the services of a lawyer, the baker's bread—these are all to various degrees goods achieved by societies with a high cultural level, but at the same time with a high economic level, since they are all for the service of others.

—MEIR ZYLBERBERG
Buenos Aires, Argentina

Reducing Regulation of the Defense Industry

by Murray Weidenbaum

When most people think about regulated industries in the United States, they have in mind the local electric or gas utility, whose rates are controlled by the state public service commission. In contrast, the defense industry rarely appears on anyone's list of regulated sectors of the American economy—but it should. A major cutback in defense spending, which is the outlook for the early 1990s, is the ideal time to focus on this part of American industry and to restore the role of private risk bearing and business initiative.

The reality was best described a few years ago by a senior Pentagon official who asked the heads of two companies—a public utility and a defense contractor—about the government rules that were the framework for managing their respective enterprises. From the utility, the request yielded a few pages that spelled out the state-enforced guidelines. The defense contractor, in contrast, had to comply with over 450 major specifications, directives, and instructions, weighing several hundred pounds. The Federal official concluded, “The reality is that there are infinitely more controls in the so-called free enterprise environment of the major weapons systems contractor than there are in the controlled environment of the public utility.”

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The same official described enthusiastically his visit to a large defense contractor (each defense plant is under the jurisdiction of a single military service—Army, Navy, or Air Force): “I was impressed with the complete interrelationship of the Service/contractor organizations. They are virtually colocated. . . . The Service is aware of and, in fact, participates in practically every major contractor decision. Both parties join in weekly management meetings.”

There is no counterpart in the civilian sector to that close, day-to-day intervention of government in private business decision-making. Although the public is not aware of it, clearly, the companies that produce weapons systems and other specialized equipment for the Department of Defense are subject to more detailed government control than any other branch of the American economy.

The most pervasive way in which the military establishment assumes the managerial decision-making functions of its contractors is through procurement legislation and the rules governing the awarding of contracts. Military procurement regulations require private suppliers to accept on a “take-it-or-leave-it” basis dozens and dozens of standard clauses in their contracts, which give the government contracting and surveillance officers unparalleled authority over the internal operations of these companies.

The authority assumed by the government customer includes power to review and veto a host of

company decisions: which activities to perform in-house and which to subcontract, which firms to use as subcontractors, which products to buy domestically rather than to import, what internal financial system to utilize, what minimum as well as average wage rates to pay, and how much overtime work to authorize. Thus, when a business firm enters into a contract to produce a weapon system for the military, it takes on a quasi-public character. This is given implicit recognition by requirements for the firm to conduct itself in many ways as a government agency—to abide by buy-American, equal-employment, depressed-area, prevailing-wage, and similar statutes unrelated to the national security.

Bureaucracy at Its Best

The resultant flow of paperwork is incredible. It requires 260 million hours of labor a year. The military's specifications for sugar cookies run to 15 pages. It takes 14 pages to cover the requirements for that vital weapon system, the fruitcake ("the presence of vanilla flavoring shall be organoleptically detected"). The reader can imagine the far greater complexity accompanying rules for bidding on ICBMs or nuclear submarines.

Pursuant to all those directives, defense contractors flood the military with responses to their proposals to produce weapons and equipment. The competitors for the C-5A cargo plane wrote a total of 240,000 pages of material. The submissions weighed three-and-a-half tons (representing a significant part of a forest). All that did not prevent major cost overruns.

The wide variety of "socially responsible" actions that the federal government requires of firms doing business with it are costly to the government procurement process. They increase overhead expenses of both private contractors and the Federal procurement offices. Many of the provisions also exert an upward pressure on the direct costs incurred by the government. Special provisions such as the Davis-Bacon Act have increased the cost of public construction projects through government promulgation of wage rates higher than those that would have resulted if the market had been allowed to operate without impediment.

Government policy-makers in the area of military contracting do not consider the cumulative and negative long-term impacts of this detailed

oversight on company initiative and entrepreneurship. Viewed as a totality, these restrictions represent very substantial government regulation of industry. This type of government direction of the private sector has been ignored by most scholars of business regulation because the power is not exercised by the traditional independent regulatory agencies (such as the Interstate Commerce Commission). Rather, the authority over private business arises through the unilateral exercise of the government's monopsonistic (one buyer) market position. There is only one customer to whom defense companies can legally sell aircraft carriers, nuclear submarines, and ICBMs. Even sales of military equipment to friendly foreign nations are handled through Department of Defense officials.

The result of this is also very costly to the taxpayer. Robert Costello, a former undersecretary of defense for procurement, lamented that the Department of Defense wastes 20 to 30 cents of every dollar it spends on acquisition. Private analysts reach the same conclusion when they examine the bureaucratic process by which the armed forces buy tens of billions of dollars of weapons and equipment each year.

Reforming the Process

What can be done to improve the situation? The Pentagon was once described as the place where Franz Kafka meets Alice in Wonderland. In the past, there has been no shortage of piecemeal efforts to reform military spending practices—and they all have failed. Indeed, many have been counterproductive. The Byzantine labyrinth of military decision-making continues undisturbed.

The place to start is a sweeping, zero-based overhaul of the entire military procurement process. The most desirable approach is to eliminate all of the 2,000 pages of existing regulations—and also the 500 pages of standard clauses to be inserted into defense contracts and the 300 pages of standard forms—and to start over. Richard Stubbing of Duke University, who worked on the military budget for many years, states that the status quo can be replaced with 100 pages or less of short, simple regulations.

That means eliminating all the extraneous socio-economic provisions inserted by Congress over the years. These include favoritism to domestic producers of jewel bearings and subsidies to

The C-5A cargo plane. The submission of 240,000 pages of paperwork didn't prevent major cost overruns.



AP/WIDE WORLD

“small disadvantaged business concerns.” By the way, the term “disadvantaged” is defined to cover many categories of people, including citizens whose “origins” are in Japan, China, Korea, India, and Pakistan. (Some of these “disadvantaged” groups report annual incomes significantly above the national average.)

A sweeping reform of the procurement rules would eliminate the bureaucratic activity now involved in determining how small a business must be to qualify for the special procurement benefits. For example, a small firm supplying limestone must have no more than 500 employees, but a small petroleum refinery can have as many as 1,500 on its payroll. It is not easy to identify the contribution to the effectiveness of military procurement made by such provisions.

Similarly, there would be little lost to the strength of the military establishment from dropping the provisions setting aside all or a portion of a government contract for “small businesses located in labor surplus areas.” Gertrude Stein (who wrote, “Rose is a rose is a rose”) would have loved the government’s definition of a labor

surplus area: an area of concentrated unemployment or under-employment or an area of labor surplus. Congress’s own Office of Technology Assessment has noted, “While Congress did not intend the [military acquisition] system to be slow, cumbersome, and inefficient, laws passed to foster goals other than efficient procurement have made it so.”

A “zero-based” approach would also toss out the numerous “micromanagement” (second guessing) efforts imposed by Congressional committees over the years. Congress would have to abstain from such actions as adding 215 study and related requirements to the Department of Defense authorization bill for the fiscal year 1990.

Congressional Meddling

Over the years, Congress has imposed on the Department of Defense an almost endless array of bureaucratic busywork: a required report on spare parts, requirements for the use of pre-qualification procedures, setting the rank and grade for compe-

tition advocates, establishing tours of duty for program managers, setting rules for allocating overhead to spare parts, and placing SBA spare parts breakout representatives in major defense acquisition centers.

In its spare time, the Congress has also meddled in such administrative details as directing the use of work measurement standards in certain contracts, requiring the employment of Alaskan and Hawaiian residents in military construction contracts in those states, mandating the organization of procurement policy staffs of military departments at the Secretarial level, restricting the purchase of foreign-made motor vehicles, and establishing a policy on inventory accounting systems.

"Micromanagement" is a kind way of describing the tendency for members of Congress to look over the shoulders of military managers rather than to spend their time on such fundamental responsibilities as balancing the budget. On average, every working day the Department of Defense receives 450 written inquiries and 2,500 telephone inquiries from members of Congress and their staffs plus three requirements for separate reports to Congress, each necessitating on the average over 1,100 man-hours to prepare plus 14 hours of testimony by senior defense officials plus three new audits by the General Accounting Office. That helps to explain why it is so difficult to reduce the Pentagon's overhead.

Stripping out the awesome array of "safeguards" and intricate review procedures imposed by Congress as well as the Pentagon leadership would surely help reduce cost overruns and time delays on the production of needed weapons and equipment. Procurement programs now proceed at a glacial pace as contractors and government purchasing personnel carry out all of the required reviews and audits. Authority (mainly to say no) is dispersed widely among program managers, contract officers, senior military executives, auditors, and inspectors. Accountability under the status quo is diluted, and all of this is extremely costly.

About 40 line and staff officials have veto power over one or another part of the efforts of each of the military program managers. One review official can insist that the program managers use des-

ignated specifications in awarding contracts, while another can impose specific reliability requirements. None of these "second guessers" have any responsibility for the success of the program.

Simplifying the entire military procurement procedure is also the most cost-effective way of responding to the perennial complaints of small firms that are scared away from defense work because of the complexity of the government's acquisition process.

"Fly Before You Buy"

Comprehensive reform requires dividing military procurement into two broad categories: items that can be purchased readily from the private sector, and weapons acquisition. The great majority of all procurement actions and a substantial, albeit smaller, proportion of the dollar volume of military contracting cover items available in commercial markets. These should be bought directly via sealed bids, without all of the detailed proposal preparations and reviews. The only people who will suffer are the folks who are now paid to write and administer those needless regulations; they will be forced to seek productive work.

For the second category—weapons acquisition—selection should not be made on the basis of a ton of paperwork, but by an older and far more effective method: requiring competing firms to produce prototypes and letting the service personnel who will use the equipment check each alternative out and see for themselves which is the better buy. "Fly before you buy" avoids the repeated shortcomings resulting from rushing weapons systems to premature production before they are really tested.

Reducing the now overwhelming amount of detailed regulation of defense production will save taxpayers substantial amounts of money in many ways, especially by decreasing the vast amount of paperwork. Perhaps of greater long-term impact will be the restoration of the private enterprise orientation of the companies that produce weapons and equipment for the military establishment. That would enable these companies to demonstrate the initiative and innovativeness that make private enterprise so much more effective than government arsenals. □

Mr. McAllister's List

by Donald G. Smith

Ward McAllister, a 19th-century social climber, coined the term "The Four Hundred" to determine who was, and who was not, among the social elite. The term had great relevance for him because it determined the other 399 people who could be comfortably accommodated in Mrs. William Astor's ballroom. Those who were invited were *in* and those who were not invited were *out*, and McAllister did the spade work for Mrs. Astor in making this determination.

McAllister seemed to assume that this situation would last forever; that the "right" people would breed more of their kind and that his beloved Four Hundred would continue through eternity. He was wrong, however, because he totally misread the forces that were shaping a great nation. His venture into American aristocracy failed because in our society any elite grouping is necessarily a fleeting, temporal thing. Whatever kind of an upper class exists at a given moment is based upon accomplishment.

By the 1890s, when McAllister compiled his list, the movers and shakers of a new era were already taking form. Sebastian Kresge risked it all by opening his first store in 1897. A Polish orphan, later to Americanize his name to Samuel Goldwyn, would pass through Ellis Island without a penny in his pocket.

A Four Hundred of the 1950s, 1970s, or of today would include almost none of the surnames on McAllister's list. There were no Sarnoffs waltzing in that ballroom because the family hadn't yet

immigrated from Russia. Nor was there anyone from Glenn Martin's family tree. Young Martin would start his first aircraft company in 1915, his "plant" being an abandoned church in Santa Ana, California. Walter Chrysler at the time was working as an apprentice at the American Locomotive Company, and Henry Ford was a backyard tinkerer in Detroit. There were no Trumps or Krocs on the guest list; nor were there any Gianninis, Sikorskys, or Gettys.

Two young men named William Hewlett and David Packard would make a name for themselves in American industry, but not before they had pooled their assets of \$538 and started a company in Packard's garage. Celebrated architect I. M. Pei arrived in this country in 1935 and, as the expression goes, made something of himself. His ancestors, of course, weren't on the Astor guest list because they were otherwise occupied with finding something to eat in southern China. McAllister, as might be expected, had never heard any of these names. These people would come along later, make an indelible mark on this country, and take a place on whatever list a collector of big names happened to be compiling.

The crux of all this is in the very nature of capitalism. If there is a social elite, it is an elite of accomplishment. Those who move to the forefront do so by what they have done and hold their power only as long as they are producing. In American society one doesn't coast on a family name for very long. *Old* money is measured in decades, not in centuries.

Those who say that one has to belong to a certain social class to make a mark have no compre-

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DOVER BOOKS

An elegant 1890s crowd under the arcade of Madison Square Garden at night.

hension of the capitalistic system and less of history. Our “in” people are invariably those who have done something. These are the people who are the most wanted by talk-show hosts and are considered catch-of-the-day for any social-climbing party giver.

McAllister’s guest list is a time capsule that clearly identifies the people who shaped an era. Included in *The Four Hundred* were the accomplishees of the late 19th century: the industrialists, the artists, the builders, the people who made decisions and got things done. Most of them were self-made, and the old money in the room would have looked like new coinage on the other side of the Atlantic. Indeed, the Astors themselves could look back only a century to when John Jacob arrived penniless from Germany with ideas of making it big in the New World. His American Fur Company was founded in 1808, and his descendants had become the old-

est of the old money long before the century had played itself out.

No, there is no American aristocracy, and one doesn’t have to be born to the purple to make it big in America. Tomorrow’s Four Hundred is now in the larval stage, waiting to break out into the sunlight. Right now they are children living in crowded apartments in Brooklyn, trailer parks in New Mexico, or strawberry fields in California; or maybe their parents are looking for ways to get to America. They will somehow elbow their way to the top and will spend their time on center stage. These people will be the new social elite and will bring a brand-new set of names to the roster of big and important individuals.

This is the way the system works. We will always have a Four Hundred of sorts, but no one gets a free ride, and there are no names carved in stone. As they say in Hollywood, you are only as good as your last picture. □

The Dark Lessons of Utopia

by Alex Kozinski

While I was at UCLA in the late '60s and early '70s, *tout le monde* was a collectivist of one stripe or another. It was the height of the Vietnam War, a time when, in the words of Justice William O. Douglas, we were bombing innocent peasants "whose only 'sin' [was] a desire for socialized medicine to alleviate the suffering of their families and neighbors." It was a time when every self-respecting college campus had its spring demonstrations and sit-ins promoting a cornucopia of causes, and when "capitalism" was a synonym for "fascism." The cure for what ailed us, everyone seemed to agree, was greater, deeper, more extensive government involvement in our lives. And the sooner the better.

Having left the popular vision of Utopia—a country whose government attempted to solve everyone's problems—only a few years earlier, I found this naive, or worse. And I said so, often and forcefully, to the dismay of my colleagues and professors who thought I was much too smart to hold such troglodyte views. When I confronted them with the hard reality of what life was like behind the Iron Curtain, I received various evasive or glib answers: "You have to give collectivism a chance to work," or "there are different forms of collectivism," or "Romania and the other eastern bloc countries would do better if they were more like Sweden." "You're exaggerating."

Judge Kozinski, who sits on the United States Court of Appeals for the Ninth Circuit, left Romania in 1961 at age 11. An earlier version of this article appeared in The University of Chicago Law Review, vol. 58 (Spring 1991). Copyright © 1991 by Alex Kozinski.

still others would argue, "at least they don't have crime, racism, pollution, and huge disparities in wealth, the way we do." And so on. In the years I spent at UCLA, I doubt I managed to wean even three people away from the sweet morphia of collectivism. Faith in the power of benevolent government is very difficult to shake.

Events in Eastern Europe over the last few years should prove an embarrassment to many. People in this country should be reconsidering their fundamental assumptions about what government can and should do, and what it should not. Surprisingly, this has not happened. Government at all levels grows bigger and more powerful; it absorbs more of our productive resources than ever before; and its involvement in our daily lives increases unabated. Even as the peoples of Eastern Europe strive to establish free market economies, implement private property rights, and diminish the role of government, the United States continues on a path headed in the opposite direction. We have been so busy gloating over the triumph of our system, and so anxious to offer the Eastern Europeans advice on how to run their new lives, that we have hardly paused to consider what we might learn from their bitter experience.

In all likelihood, the people of Eastern Europe will do just fine, despite some of the bad advice that may come from the West. Having lived through the dreary hopelessness of collectivism, they will eventually and unavoidably turn to free markets and private property. The transition to capitalism may take time, it may be painful, but it is inexorable.

The more pressing question is: How about us? Are we to learn anything at all from the disaster that befell hundreds of millions of people for so many decades? I posed this question to a friend of mine, a committed statist. Her answer was simple and not particularly encouraging: "What we have learned from the experience of Eastern Europe and the Soviet Union," she told me, "is that you need capitalism to make socialism work." In other words, capitalism must produce what socialism is to distribute. That, in essence, is the lesson many of our policy-makers draw from the cracking of the Iron Curtain and the wasteland we have discovered behind it: So long as you leave production in private hands, more or less, you can let the government do whatever meddling it cares to. The idea that things may be improved by decreasing government involvement in the economy—and in every other aspect of our lives—is still viewed as a quaint eccentricity, a pre-New Deal anachronism.

It is tempting to say that I am describing a phenomenon limited to a tiny liberal elite—a view popular only inside the Washington Beltway, in a few state capitals, and on college campuses. It's tempting, but it's not true. We, no less than any other nation, have the government we deserve. The fact is, the vocabulary of political dialogue in the United States is undergirded by a variety of statist assumptions: Solutions to social problems begin with government appropriations and the establishment of blue-ribbon government task forces, new agencies are needed to handle new problems or oversee new industries, and budgets of existing agencies cannot be cut without jeopardizing their missions.

Based on these assumptions, we believe that a successful President is one who gets most of his legislative program passed, a successful legislator is one who authors bills that reach the statute books, and a landmark Congress is one that passes a lot of laws. No one gets elected on a promise to do nothing; few incumbents campaign by listing laws they have managed to get repealed. When a problem arises—whether economic dislocation, a natural disaster, a dreaded disease, an infestation of rodents, or a water shortage—politicians fall all over themselves to get on television and explain how they plan to spend taxpayers' money to solve it. I can't remember a single time when a journalist or constituent asked a public official about a prob-

lem, no matter how trivial, and the politician answered that it wasn't any of his business.

In a society that prides itself on individualism, self-reliance, personal initiative, and independence, we consistently elect officials whose instinct is to solve our problems through government programs. Few people, it seems, have seen a connection between what's happening in Eastern Europe and what's going on here. Perhaps it's time to state the obvious.

Collectivism and Freedom: Natural Enemies

The lifting of the Iron Curtain has revealed societies that are the very antithesis of what Marxist ideology and its American apologists had predicted. The theory of collectivism, in one of its many variants, posits that people are naturally hard-working and productive, regardless of economic reward. If the government assures that people receive a decent living and if it allows them total freedom to choose their vocations, everything will get done through volunteer labor and, as the slogan goes, the fruits of production will go "from each according to his ability, to each according to his needs."

In light of recent events—or even simple common sense—it is difficult to understand how educated, supposedly intelligent human beings could cling to this notion. You don't need clairvoyance to realize that a system of total free choice divorced from economic incentives would produce a vast overabundance of restaurant critics, movie stars, and surfing instructors, but a drastic shortage of rendering-plant workers, highway-button layers, and septic-tank cleaners. On the consumption side, one would expect people to eat filet mignon instead of Spam, to drive Cadillacs instead of riding buses, and to shop at I. Magnin instead of K Mart.

Without a price system to allocate resources and create incentives, there is no way to match up supply and demand, talent and job requirements. One of the most serious problems facing Eastern European policy-makers may be grasping the fundamental role of the pricing system in spurring supply and tempering demand.

Just how little they understand the workings of the invisible hand was demonstrated to me in a conversation I had with an economist during my

visit to post-revolutionary Romania. I suggested that the most important thing would be for the government to get resources into private hands by sale, gift, or lottery—the initial allocation mechanisms mattered little. He agreed in theory, but was concerned over what would happen if all the land were in the hands of private farmers and one year they happened to grow too much rice and too little wheat to sustain the population. He concluded that this was a risk Romania could not take.

Even if one assumes a central authority with the efficiency of a computer and a superhuman ability to perceive everyone's abilities and preferences, there is no way to make it all work because things just can't be matched up. And, of course, they weren't. The Fabian notion that the state would wither away as everyone went about doing what they were supposed to and consumed no more than what they "needed" gave way in collectivist economies to perpetual shortages, mandatory 50-, 60-, or 70-hour work weeks, appalling medical care, and a police state of monstrous proportions. Massive resource misallocations, shoddy workmanship, and allocation of goods by favoritism, graft, and queueing became the hallmarks of the collectivist state. Collectivist agriculture was a disaster due to chronic labor and capital equipment shortages. And while the government officials attempted to control all aspects of the economy, they neglected the harm that industry and agriculture inflicted on the environment.

But, in the words of Joe E. Brown, nobody's perfect. Even if collectivist economies did not perform up to par, the trade-off might have been acceptable if they had achieved some of socialism's other goals. Collectivism, after all, promised brotherhood first and abundance only second. All might have been forgiven if collectivism had brought about a happier, more tranquil, less harried existence. It is better to be poor and happy than rich and miserable, although admittedly it's a close call. But it is precisely in this respect that collectivism had its most stunning failures. By every conceivable standard, collectivist states fell short of their expectations, failing to provide even a minimally acceptable quality of life to their citizens.

Consider the promise of equality. Collectivist theory teaches that differences in wealth and power must be leveled so that everyone stands on an

equal footing: the janitor and the company president, the peasant and the commissar, the septic-tank cleaner and the Secretary General. All citizens would call each other comrade because they would each be considered equally important in carrying out the glorious mission of the collectivist state.

Stratified Societies

To articulate the proposition, however, is to ridicule it. Few modern societies have been as stratified as those under collectivist rule. In the Eastern European countries that were under such rule, the same people controlled both the political and the economic power. This powerful elite demanded and enjoyed a high standard of living for themselves, leaving the rest of society with a standard of living that was appallingly low.

In the Soviet Union, for example, members of the party elite were and continue to be entitled to a variety of privileges, including better food, schools, and housing, in addition to the use of servants, cars, and party-owned vacation homes. They shop in special stores that stock higher-quality food, scarce consumer goods, and luxury items. The higher the official's rank, the higher quality special store he can enter. The Soviet model is a typical arrangement in collectivist economies.

No less striking were the inequities perpetrated on the basis of immutable characteristics such as ethnicity, religion, and gender. Stories about the official Romanian persecution of ethnic Hungarians are now commonplace. Less well documented, but far more pervasive, was the harassment by straw bosses at all levels against employees under their control.

An individual's job in a collectivist economy is often that person's only opportunity for earning a livelihood. Because a state-controlled economy does not allow for competition among enterprises in the same industry, an employee cannot just switch to working the same job for a competitor; a job change often requires a change in industry and the acquisition of new job skills. Because employees were largely immobile under the collectivist regimes, they were at the mercy of their supervisors' demands, reasonable or unreasonable. In most cases, the collectivist state reinforced the boss's tyrannical authority by making unemploy-

ment an economic crime against the state, often labeled "parasitism," which carried significant penalties. While employees had a right to fair treatment, at least in theory, the universal practice was to the contrary. Ethnic and religious discrimination was a well-known reality; sexual harassment a fact of life.

I recall vividly how I first learned the extent of this problem. During a trip back to Romania in the early '70s, I struck up a conversation with a man in a small town near Timisoara. He had two grown children, a son and a daughter. I asked whether they were going to the university. He said yes as to the daughter, but no as to the son. I asked whether his daughter was a lot smarter than his son. He said no, but added that it's far better to step with your boot into cow manure than to take off your boot and fill it with manure. I must have looked baffled because he explained: The son would take care of himself, but the daughter, unless she was armed with a superior education, would be constantly harassed for sexual favors by her superiors. I asked him how he knew. He responded that he was himself a supervisor.

Freedom: An Indivisible Concept

Collectivist societies, as we are now well aware, largely obliterated the liberties and privileges we consider essential in a civilized society: speech, religion, assembly, access to the courts, privacy of body and place of abode. This all-encompassing repression was a direct consequence of the collectivist economic systems. The governments gained complete and pervasive control over their citizens largely because they controlled all production processes, all channels of commerce, and all means of transportation. Every citizen knew that his job, food, home, medical care, and means of transportation—everything he needed to survive—were provided, and could be cut off, by the government. These societies perfectly illustrated the idea that freedom is an indivisible concept: Economic freedom is intimately related to, and is a prerequisite for, other types of freedom. Political and intellectual freedom cannot be achieved without economic freedom.

In Romania, for example, the economic system made it virtually impossible for an individual to publish or broadcast his views. Private citizens did not have access to printing presses and could not

obtain sufficient paper or ink. The government even outlawed private ownership of photocopiers and required registration of typewriters. And individuals certainly did not have access to broadcasting facilities.

Similarly, the Romanian people could not practice their religions—even clandestinely—because the government made sure they lacked the necessary texts and ceremonial articles. A further impediment to any semblance of religious life was the lack of leisure time. Between long work hours and the time spent scrambling for the rudiments of survival, laboring for the state on weekends, and attending political rallies, Romanians rarely had time for anything else.

The economic deprivation and lack of free markets under the collective regimes also interfered with personal privacy in ways that would shock Americans. In our society, individuals demand their own space and consider their homes to be their castles. But how much can personal privacy mean in Romania and other Eastern European countries, where several families often live in one apartment and share one toilet (which may or may not work)? In Romania under Ceausescu, the citizens never really knew when their phone lines were tapped, whether their workplaces and homes were bugged, or whether their mail had been read by government officials.

I learned the extent of this type of intrusion when I corresponded with friends in Romania during the early '70s. One day I received a letter written in Romania but postmarked in Germany. Not signed, the letter directed me to discontinue writing to friends in Romania because the correspondence was placing them in danger. I was baffled by the request because it did not specify which friends I should stop writing to. It was not until some years later, when I next visited Romania, that I learned what had happened: Each person I had been writing to had been questioned by the police about the correspondence. One friend became so concerned that he gave my address to people who were planning to visit Germany so they could tell me to stop writing. Even though the letter was to be sent from outside of Romania, he was reluctant to give his name.

Similarly, fundamental decisions regarding reproduction and sexuality couldn't be matters of individual choice because modern means of contraception were unavailable, even where permit-

ted by law. In short, state control permeated virtually every aspect of personal, family, and community life.

Far worse than the individual effects of these measures was the total loss of dignity visited upon the population. Life in a collectivist economy was one long struggle for survival. For the multitudes who were not members of the ruling elite, day-to-day existence meant long hours of menial work at low pay, followed by more long hours waiting in lines for such luxuries as bread, fresh meat, and toilet paper. Weekends were often spent doing "volunteer" work, repairing roads or clearing corn fields for the government.

At every turn, the individual was confronted with powerful, mean-spirited representatives of the state who threatened abuse if they weren't paid off in money or black market luxuries, such as coffee or Western cigarettes. Medical care, which was supposedly everybody's right, often could not be obtained at all, and never without greasing the palm of the dispensing physician or paramedic. Such power could only be wielded because all channels of authority originated in the state. There were no private alternatives, no way to circumvent the state-established and maintained power structure.

Another of the monumental failures of the collectivist system was education. While, in theory, collectivism assured everyone the right to pursue whatever career their talents warranted, the reality was much different. As part of the central planning process, the state determined each year how many doctors, lawyers, engineers, mathematicians, and architects would be needed. The number was usually far less than the number of young people wishing to enter the field.

The choke point for a young person's career hopes usually came in the summer following graduation from high school. Those students hoping for a college education applied for the few available university positions; admission decisions were ostensibly made by use of standardized test scores. In practice, many university slots, like everything else, were allocated to those whose parents had connections or were willing and able to bribe university officials with large sums of money or exotic luxuries. The few remaining spots went to the very ablest of the large groups of applicants.

The government denied the multitude who

were not lucky enough to get into the university any opportunity to work in their chosen field. For them, all possibility of professional development was cut off; they were relegated to life on an assembly line or some other unskilled or semi-skilled work. Every summer, tens of thousands of aspiring high school graduates saw their lives literally crumble before their eyes, any hope for a fulfilling career and economic improvement snatched away from them forever.

Examples of major and minor ways in which collectivist society frustrated individual development could easily fill several volumes. The degree of frustration, personal humiliation, and economic deprivation suffered by the many millions of people imprisoned behind the Iron Curtain is difficult to comprehend by those who have never lived under that system. Suffice to say that the reality of the system in operation crushed with a vengeance any idealistic aspirations collectivist planners may have had in establishing and promoting centrally planned societies.

It Couldn't Happen Here— Or Could It?

In surveying the rubble left by decades of collectivist rule in Eastern Europe, it is easy to forget that the system relied on a high-minded and idealistic premise, namely, that by placing power in the hands of the state and taking it away from individuals, one would achieve a more just, more prosperous, better-ordered society. Going at least as far back as Thomas More, there has been a pervasive and hardy notion that what individuals can do separately, by pursuing their own individual interests, the state could do much better if only it had the resources and the authority to make the same decisions in a centralized fashion. Many of the individuals who supported collectivism in Eastern Europe, and who worked and fought for its implementation, were firmly convinced that they were helping to found Utopia.

How, then, did things go so wrong so quickly? One could dismiss the entire collectivist experiment as a poor job of implementation, a good idea badly carried out. To do so, however, is to sell short the idealism and goodwill with which many collectivist societies were founded, and to shut one's eyes to what happened once the state took it upon itself to run every aspect of the social order.



The problem lay not with the implementation of collectivism, but with its central premise. Quite simply, the state cannot take on the job of making all, or even a substantial number, of the important decisions in a society. The government can make and enforce laws, it can police, it can adjudicate, but it cannot decide what is in everybody's best interests. People's talents, needs, aspirations, goals, and limitations are too diverse and conflicting for any central authority to take into account.

And even if it could, that power would carry the seeds of its own destruction. An essential aspect of life as a human being is the right and the power to make decisions about one's existence, to succeed or fail on one's own merits. Utopia carried its own resounding refutation. Even if one shared More's assumptions about what constitutes an ideal society, who would want to live there? A system that does not allow for failure also does not allow for the self-fulfillment that comes from striving; failure on one's own terms can be far sweeter than bland security. What purpose is there in living if all essential decisions from cradle to grave are made by someone else?

Concentrating power in one central authority carries with it more palpable dangers as well. As should be clear by now, the state cannot repeal the laws of economics; there is no fixed demand for shoes, bread, automobiles, leisure, or any other resource, and no fixed supply of people willing and able to engage in particular occupations. The only satisfactory way of matching up supply and demand for goods and services is through a pricing mechanism that allows individuals to take account of opportunity costs when making decisions that collectivism would assign to the state.

Finally, there is grave danger in placing too much power in the hands of a few individuals. Honesty and good will can only go so far in preventing abuses of power. The sad experience of the collectivist economies proves what should have been obvious all along: Unless a society has competing sources of power, those in control will take advantage of their authority to promote themselves and their friends at the expense of everyone else.

These lessons appear remote and irrelevant to our situation because we are a long way from a collectivist society. We rely, for the most part, on

capitalism to furnish goods and provide employment; we have a system of limited government, with a Constitution and laws to constrain our public officials; and the government power that does exist is balanced in many respects by the power of private entities, civic and commercial. We seem to be far indeed from the types of societies that we have seen crumbling in Eastern Europe.

Unfortunately, however, we appear to be headed in that general direction. We may be safe for some time and, indeed, our system may have enough safeguards to keep us from ever getting there completely. But to the extent we seem to be adopting some of the operating assumptions of collectivist societies, we risk making some of the same mistakes—mistakes that may cost us dearly in the long run.

Promises Without Premise

The architects of collectivism sought to achieve goals that are not all that different from those most people consider desirable. Collectivism promised prosperity and sought to achieve it by avoiding the “chaos” of capitalism and substituting the more orderly—and hence more “efficient”—system of government planning. Collectivism promised greater individual self-fulfillment by freeing persons of the economic pressures of a market society. Equality in wealth, status, and power among individuals is another goal central to a collectivist system; so is the right to be free from hunger, homelessness, or inadequate medical care. While one may reasonably dispute whether all of these goals are the proper objects of government control, few would disagree that they are desirable attributes of a modern society.

There is only a very small step, however, between recognizing a goal as desirable and concluding that it is one that government should promote. And it is only a very tiny step further to say that, if the goal is so desirable, perhaps we can shift the cost of achieving it to someone else in society. The two small steps are so simple, and by now so reflexive, that most policy-makers hardly bother to articulate them. Yet they are a prescription for a limitless expansion of government authority. There is an endless supply of problems we would love to have solved at the other fellow's expense. And the other fellow, of course, feels the same way.

The simple fact we should have discovered from our experience, and should have no remaining doubt about upon examining the shambles left by the collectivist societies, is that there is a limit to what government can accomplish. Even a government as powerful and intrusive as Ceausescu's Romania can control only a small fraction of the decisions in a society; individuals make many millions of decisions each day, adjusting their behavior in light of the government's actions. The more policy-makers seek to accomplish and the more heavy-handed their actions, the more likely they are to change existing incentives, triggering a series of behavioral adjustments. Every purported solution creates a ripple effect which, in turn, creates a new set of problems, sometimes more serious than those it attempted to solve.

Examples of this phenomenon in the United States are far too numerous to catalogue; a few will suffice. Occupational licensing is one of the most widespread and universally accepted forms of government regulation. In fact, some 800 occupations and professions are licensed by one or more states. A recent study by the Federal Trade Commission's Bureau of Economics concludes that much of this licensing is unnecessary and counterproductive. Some occupational licensing schemes do not achieve the goal of raising professional standards, yet they increase prices to consumers. Even when the licensing achieves the goal of increasing competence among providers of the service, consumers are not necessarily better off. As a recent FTC study found, “Price increases due to licensing may cause some consumers to ‘do without’ the service, or to ‘do it themselves.’”

The Consumer Pays

The costs to consumers—implicit and explicit—can be staggering. In the dental profession, for example, the out-of-pocket cost to consumers of restrictions on the use of dental auxiliaries such as hygienists—restrictions that do not enhance the quality of services—is estimated to have been as much as \$700 million in a single year.

The consumer welfare effect of occupational licensing tells only part of the story, of course. Denial of a professional license, even temporarily, can have a devastating effect upon the career of an aspiring professional. Imposing such burdens on individuals may be legitimate if we are convinced

that it would increase consumer welfare; such imposition is wholly unacceptable, however, when it results in a net decrease in consumer welfare. In the latter situation, of which there appear to be many, the attempt to do one right results in two wrongs.

Rent control, which has been imposed in a large number of communities, is another example of how well-intentioned regulation can have perverse effects. Despite some cynical suggestions to the contrary, I assume that most rent-control schemes are passed in a good faith effort to even the balance of economic power between landlords and tenants so as to achieve rentals that are fair to both parties. But good intentions cannot repeal the laws of economics. Rents are usually high for a reason: They represent the market-clearing prices for housing. Rent control does nothing to ameliorate the underlying supply and demand conditions, and often exacerbates the problem by decreasing the market incentive to increase the housing stock. At the same time, tenants in rent-controlled apartments are less likely to move out or switch to smaller units, thus overusing the limited supply of housing. The perverse effects of rent control are too well-documented by now to require much elaboration.

A scheme with similarly perverse outcomes was the odd/even gas rationing adopted by several states, including California, during the oil crisis of the mid-'70s. The scheme was simple: If your license plate ended with an odd number, you could buy gas only on odd-numbered days; if you had even-numbered plates, you could only fill up on even-numbered days. The goal was to decrease lines at the gas pumps. No one was really sure how or why it would work, unless one accepted the naive notion that the lines would be half as long because only half the cars could buy gas on any one day. Odd/even rationing made planning ahead more difficult, because one could not be entirely sure how much driving one might have to do on a no-gas day. Consequently, most drivers were reluctant to let their gas gauges go too low and tanked up more frequently—precisely the opposite effect from that intended. In addition, being able to buy gas on half as many days roughly doubled a driver's demand for gasoline on the days he was permitted to buy gas, resulting in a change in the make-up of the lines at the pumps but no decrease in waiting time. That government regulators did

not predict this result reflects a lack of understanding of the fundamentals of economics evocative of the crumbling economies in Eastern Europe. Odd/even gas rationing is perhaps the quintessential example of government action taken simply because everyone expected the government to "do something" about the problem.

The Collapse of the Savings and Loan Industry

One could go on and on, but perhaps the most stunning example of the dangers of government intervention in the economy and of the failure of government officials to understand the consequences of their actions is the recent collapse of the savings and loan industry. No doubt it will take many years to identify the culprits in this debacle; perhaps we shall never know who they are. But the one thing we do know is that this national disaster is the direct result of massive regulatory blunders.

At the heart of the regulatory scheme was a system of Federal deposit insurance which, as of 1980, insured deposits up to \$100,000. Deposit insurance seems like one of those great regulatory ideas that ought to have few, if any, detractors. Congress established the FDIC in 1933 in response to a wave of bank failures during the Depression. Bank failures, the rationale went, often were precipitated by loss of public confidence in otherwise sound institutions, resulting in bank runs—rushes by clients to withdraw their funds. Banks, of course, cannot pay off all of their depositors at once, as they keep only a fraction of deposited funds on hand; they invest most of their money in loans and other illiquid assets. Bank runs are thus often fatal, even when institutions are financially sound. Deposit insurance was meant to assure depositors that they would always be able to get their money back, thereby promoting the stability of financial institutions.

Deposit insurance, of course, was only meant to protect financial institutions from false runs by depositors—runs that are precipitated by panic rather than legitimate concerns regarding a bank's soundness. It was never meant to insure against normal business risks such as bad investments or dishonest managers. But as with all insurance systems, deposit insurance created a moral hazard problem because it allowed S&L executives to

spend other people's money without any downside risk. When the government created the insurance system, it thus took on a correlative duty to guard against this moral hazard by overseeing and monitoring the industry to make sure that S&Ls invested responsibly. The S&L crisis was the proximate result of a massive failure of such oversight. The reasons for this failure are complex. As we are beginning to learn, it was due, in part at least, to political pressure from elected officials seeking to protect troubled financial institutions in their states.

More generally, it was a failure of regulation. Having concentrated oversight over an entire industry—one holding hundreds of billions of dollars of other people's money—in a single agency that did not have the personnel or resources to monitor its activities, the government created the risk that a mistake could have disastrous consequences. It is not necessary to argue that this type of debacle was inevitable or even very likely; it is enough to point out that it could not have occurred had deposit insurance been left in the private sector.

These regulatory blunders provide their lessons at a very dear price. Estimates of the S&L bailout run as high as \$500 billion dollars and will probably go higher. To put this amount in perspective, the entire cost of World War II, adjusted for inflation, was only \$460 billion. Indeed, \$500 billion is greater than the total budgets of all of the 50 states (using fiscal 1987 figures, the latest available), about four times the 1988 profits of all of the Fortune 500 companies, and several hundred times the \$1.3 billion the National Cancer Institute spent on cancer research in 1989. What a colossal and tragic waste.

A Misguided Faith

These domestic regulatory failures reflect our misguided faith in the government's ability to protect society from economic harm, a premise different in magnitude, but not in character, from that which provides the impetus for collectivist societies. Such debacles remind me of the traditional illustration of the mathematical concept of geometric progression—a lake that is slowly being covered by algae. The lake's owner notices that the algae grows by doubling in area every day. The owner decides he has plenty of time to

deal with the problem and takes it up when the lake is half covered—only to discover that he has one day left before the lake is completely suffocated by the algae.

It may seem to us that our system is far from those recently discarded by the Eastern European nations, but our complacency may be no better justified than that of the lake owner. Governmental intervention into all aspects of our lives—and particularly into economic matters—is now so pervasive and so readily accepted that there is really very little that government cannot get involved in. At the Federal level, there are now 51 major regulatory agencies; before 1900 there were fewer than 10. Even after the New Deal there were fewer than 30. Until as late as the 1960s, the industries directly regulated by Federal and state agencies accounted for only one-tenth of GNP. Since then, a number of agencies have been created to pursue certain policy lines and regulate across all industries, for example, OSHA, EPA, and CPSC. These agencies constrain American businesses at every turn. All American firms must comply with a confusing array of regulations relating to their personnel and compensation policies, production processes and facilities, and products or services. The recent increase in environmental regulation has been particularly dramatic. The Environmental Protection Agency now accounts for nearly one-third of Federal regulatory agency spending. Its staffing has increased from 3,900 in 1970 to 15,300 in 1990, and its budget has increased accordingly.

The courts too have done their share of regulating business by means of the tort liability system. This method of shaping business behavior—settlements and damage awards in tort suits—is particularly pernicious because it is often at odds with regulations of other government agencies, is unpredictable in its application, and can impose burdens on society that far outweigh the benefits to consumers. The number of useful products or services that have been driven out of the market or made prohibitively expensive because of the risk of staggering tort liability verdicts is far from *de minimis*. The drag of our tort liability system on American businesses also may place them at a competitive disadvantage in both domestic and international markets.

Although our government is a far cry from the

all-encompassing state monoliths that have crumbled in Eastern Europe, one might be surprised at how much of our national wealth passes through the government's hands. Federal, state, and local governments together spend more than 40 percent of our national income; at the turn of the century they spent less than 10 percent. Federal spending on economic and social regulation has increased dramatically over the past two decades. In constant dollars, spending on both economic and social regulation tripled during this time. Our federal government has become the world's largest landlord and tenant, as well as its largest bank, with a loan portfolio equal to the combined portfolios of the nation's 70 largest banks. It also runs hundreds of hospitals, the world's largest data processing system, and the world's largest civilian fleet of cars, trucks, and buses.

The Costs Add Up

Some of what government does is good, and most of it is well-intentioned. But our ability to predict the full effects of governmental actions—much less the synergistic effects of hundreds of thousands of simultaneous government interventions—is very limited. Far too often there are unanticipated results and costs, despite the most careful efforts of government officials. And the costs add up: \$700 million lost annually on dental care, \$500 billion on account of the S&L crisis, and who knows what amount for each of the other numerous government intrusions and interventions into the economy. Assuming we are able to clean up the S&L mess without severe injury to our economy—something yet to be seen—how many more such shocks can we sustain without precipitating an economic catastrophe?

And what about the smaller, more subtle burdens on our economic structure as a result of layer upon layer of regulation? How long can we continue to be competitive in world markets when we are slowly asphyxiating our productive resources

with an endless stream of laws and regulations at the Federal, state, and local levels?

It is possible, of course, to exaggerate the problem. After all, we continue to have one of the world's most productive economies, although our lead over many other industrialized nations has dwindled significantly in recent years. What is alarming, however, is the widely accepted attitude that government can or must or will have answers for every problem. This very faith in the omniscience and omnipotence of government led to the establishment of the collectivist experiments we have seen crumble in Eastern Europe. Once this assumption is made, there are few logical stopping points short of total government control; inexorably, the tendency is to move in that direction. The sad experience of the hundreds of millions of human beings trapped behind the Iron Curtain until recently ought to give us pause. It ought to make us take a hard look at that assumption.

Conclusion

In the current spate of constitution-writing, we can only hope that Eastern Europeans will profit from the dark lessons of Utopia. For better or for worse, the people of Eastern Europe will reform their economies and re-examine the assumptions underlying their systems of government. Although the transition from collectivism to market democracy will not be easy, they have their own history and ours to look to for pitfalls and paradigms.

But to paraphrase President Kennedy, we should ask not what Eastern Europe can learn from us, but what we can learn from Eastern Europe. Once burned, the people of Eastern Europe are not likely to fall prey to the notion that all things can be achieved if only government gets involved. The question is, are we going to pay heed, or are we destined to make some of the same mistakes with some of the same consequences? □

Restraints on Power

NO MAN IS wise enough, nor good enough, to be trusted with unlimited powers.

—CALEB C. COLTON

IDEAS
ON
LIBERTY



Freedom and the Prospect for Soviet Economic Reform

by Dwight R. Lee

Economists who return from a visit to the Soviet Union, as I recently have, are seldom bashful about suggesting remedies for the sick Soviet economy. Most of them observe that bureaucratic control is stifling Soviet economic activity, and they propose that the incentives and flexibility of private markets be substituted.

Correct though this advice is, it is easier to give than to take. No matter how much Soviet citizens and their leaders have become interested in economic reform, the move to a market economy will be difficult.

The fundamental problem facing Soviet reformers is the connection between market institutions and tolerance for economic freedom. Without market institutions, the Soviets will be hard pressed to allow economic freedom. Without tolerating economic freedom, they won't be able to develop market institutions.

Some Superficial Problems

Most difficulties seen as hampering the transition to a Soviet market economy are overstated.

One perceived problem is the "ruble overhang." Soviet consumers have amassed large

holdings of unspent rubles because there are so few consumer goods. Although some rubles were confiscated recently in what was described as a currency reform, the fear remains that if Soviet consumers are allowed to spend all their money in free markets, explosive price rises will follow.

There is also the concern that the Soviet people have never lived in a market economy, and therefore won't be able to respond correctly to the incentives of prices and profits. Workers aren't accustomed to the disruptions of unemployment and job changes caused by shifting preferences and improving opportunities in market economies. After decades of depending on the state for subsidized housing, medical care, food, and almost everything else, Soviet consumers are supposedly unprepared to face the full-cost pricing and complex choices of the marketplace. Furthermore, Soviet citizens are seen as almost completely lacking in entrepreneurial spirit.

These concerns, though potentially troublesome in the very short run, are overstated as serious problems. Privatizing housing and other state-owned assets could soak up excess rubles, in addition to increasing the care given to what is now public property. Of course, temporary price increases are inevitable in a move from state subsidies to private markets, but market incentives would soon lead to dramatic reductions in the real

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costs of products to Soviet consumers by motivating significant increases in the quantity and quality of those products.

Also, there can be no doubt that people learn quickly to respond to the incentives, choices, and opportunities of the marketplace. South Koreans, Taiwanese, and Japanese, assumed by many to lack a market mentality, have demonstrated how quickly such a mentality can arise when given the opportunity. When workers find that they are rewarded for greater effort, they become more diligent. When consumers are faced with market prices and abundant alternatives, they quickly learn to make appropriate comparisons and sensible choices. And there is nothing like the potential for profit to stimulate entrepreneurial zeal.¹

The Fear of Freedom

Underlying all the problems associated with a transition from socialism to capitalism is a more fundamental issue that has been almost completely ignored. This concerns the interaction between market institutions and the tolerance for freedom that those institutions make possible.

Most Soviet citizens are eager for the economic improvements now recognized to depend on a market economy. Yet they continue to fear economic freedom, since in the absence of well-developed market institutions, such freedom can harm many innocent victims.

For example, one of Mikhail Gorbachev's more important attempts at economic reform has been to allow cooperatives: private businesses largely limited to the service sector and permitted to set their own prices in response to market forces. Predictably, cooperatives have met with much popular resistance, as they have been seen as acting without full accountability to the concerns of others. While cooperatives sell their products at market prices, they obtain many supplies at lower, controlled prices. This has led to resentment, public protests, and the destruction of cooperative property.² The Kremlin has responded by increasing its controls on cooperatives.

In an economy dominated by state control, consumers grow accustomed to mandated allocations of goods to local shops. The idea of suppliers having the freedom to desert traditional consumers to make more profitable sales elsewhere is considered intolerable. Not surprisingly, a num-

ber of Soviet republics have outlawed the shipment of goods beyond their borders by local enterprises.³

While unemployment may never be welcome, in a market economy the freedom of firms to lay off employees is tolerated because workers can relocate to where their skills have the greatest value. Unemployment is far more frightening in the Soviet Union because Soviet citizens cannot readily move—government directives rather than market wages play the most important role in allocating labor.

But even though it has recently become easier for Soviet citizens to receive political permission to relocate, their ability to do so is still extremely limited by a chronic housing shortage. The typical Soviet family considers itself lucky to have an apartment of 500 square feet, and it isn't uncommon for two families to share such an apartment. With long queues and political favoritism making it almost impossible for a family to obtain housing in another city, being laid off would be a genuine disaster for most Soviet workers. So in the absence of a free market in housing, there is little sympathy for the freedom of firms to lay off workers in response to changing market conditions. Yet such freedom is an essential feature of a market economy.

The Dilemma in Making the Transition to the Market

In the absence of a well-developed market economy, the fear the Soviets have of freedom is understandable. But this fear, and the reason for it, creates an agonizing dilemma for the Soviets as they attempt to make the transition from a socialist to a market economy. That dilemma can be stated simply: Tolerating freedom is difficult without market institutions, but developing market institutions is impossible without freedom.

The Soviet Union does not have the basic institutions required for the operation—and freedom—of a market economy. It lacks the type of banking system, legal structure, and commercial codes needed for the transactions and investment that are the lifeblood of the market. Neither does it have a stock market, which is essential for the rational allocation of capital formation that drives economic progress. These economic institutions, along with the political institutions of limited and



AP/WIDE WORLD

Mikhail Gorbachev and Boris Yeltsin.

stable government, are crucial to the social infrastructure that must be in place if improvements in the physical infrastructure are to be developed and utilized effectively.

If it were possible to impose market institutions by government fiat, then the Soviet government would be able to create an economy in which its citizens could begin benefiting immediately from a full measure of economic freedom. Unfortunately, market institutions cannot simply be decreed by political authorities.⁴ Market institutions have to emerge through a process of trial and error that requires time and freedom.⁵ The creation and operation of a market economy is a spontaneous and evolving process that can emerge only from freedom; it cannot be replicated by central direction.

Furthermore, while no economy can prosper without a well-developed system of market institutions, there is no one model of a market economy appropriate for every country. Markets are cultural artifacts, and the specific forms of market institutions suitable to one market economy are not suitable to other market economies. So while the Soviet Union can benefit from the general

example of the prosperous market economies, even if Soviet authorities could choose a set of market institutions as they now exist in another country and impose them from above, the results would be disappointing.

The unavoidable conclusion is that the transition from a socialist to a market economy is going to be painful for the Soviet Union. The freedom that is necessary if markets are to develop is disruptive until that development is considerably advanced.

While this conclusion can hardly appeal to those most optimistic about Soviet economic reform, it should not be taken as a counsel of despair. Freedom is always disruptive, even when disciplined by a well-developed market. And even in the absence of market institutions, freedom is productive over the long run because market institutions emerge from the exercise of freedom.

Economic progress always takes time. No economy has gone from poverty to prosperity overnight. All market economies progressed only over significant periods of time, and all did so through a process that was neither smooth nor painless. But they did progress. Market economies

have progressed far beyond that which can ever be possible under socialism.

After almost 75 years of rigid socialist control, it is now clear to all but the most ideologically blinded that prosperity in the Soviet Union—or in the independent republics that once formed the Soviet Union—can only be achieved by economic freedom and the market economies that will emerge from that freedom. The enormous talent and creativity of the Soviet people leave no doubt that, given freedom, they will quickly begin making the economic progress that has been denied them for far too long.

Some Important Lessons

The first lesson to be drawn is that the major industrialized countries should not attempt to assist the Soviet Union with financial aid.⁶ Indeed, foreign aid would more likely hinder rather than help the Soviet Union move to a free market. The benefits from making the transition far exceed the costs, but the benefits are a generation or more away while the costs are immediate and, for reasons already discussed, significant.

Mikhail Gorbachev and Boris Yeltsin, as with all politicians, are far more sensitive to immediate costs than to delayed benefits. By artificially propping up the flawed Soviet economy a little longer, such aid would let Soviet leaders continue to postpone granting the economic freedom required for genuine reform. Gorbachev has shown over six years of reluctance to start the painful process of moving to a market economy. He, or his successors, will start that process in earnest only when economic conditions deteriorate to the point where the temporary pain of freedom and reform is less than the permanent pain of the socialist status quo.

A second lesson is that, at a fundamental level, economic reform cannot be approached incrementally. The basic ingredient in reform is economic freedom, and the sooner the Soviet people are granted a full measure of that freedom the better. True, if a benevolently motivated government knew in advance exactly how particular freedoms would be used, then it might be possible for it gradually to permit more economic freedom in ways that allow for the benefits of freedom while minimizing the disruptions. But governments are seldom motivated by benevolence and never guided

by omniscience.⁷ So freedom has to be granted quickly and completely.

This is not to deny that economic change will be gradual. No matter how immediately or completely economic freedom is granted, the evolution of market institutions and the expansion of economic prosperity will take considerable time.⁸ But to recognize that the progress of reform will be piecemeal is not to argue for gradualism on the part of government. The more clear and decisive the policy of economic freedom, the more difficult it will be for the apparatchiks, who continue to infest the huge Soviet bureaucracies and have a vested interest in the socialist status quo, to derail movement toward a market economy.

Another lesson is that the move to a market economy in the Soviet Union, or any other socialist country, is not primarily a task for government. There is little government can do to directly facilitate a transition from a socialistic to a market economy. Markets will arise as a result of the freedom that requires little more from government than getting out of the way of people attempting to better their conditions through productive activity. So even if the Soviet government could be depended upon to use foreign financial aid efficiently to promote the transition to a market-based economy, little, if any, financial aid would be required. The only financial infusions that can be depended upon to promote prosperity in the Soviet Union are private investments that will be forthcoming in significant amounts only when the Soviet government's economic role is greatly reduced and, as a consequence, market institutions and arrangements have been allowed to develop.

Conclusion

The most precious thing provided by a market economy is not an abundance of material wealth, but freedom. Those of us with the good fortune to spend our lives in market-based economies have difficulty appreciating our freedom because it is always difficult to appreciate advantages one has never had to do without. Few people who benefit from markets and freedom recognize how precious their freedom is, and fewer still are aware of how crucially their freedom depends upon the institutions of the marketplace. For this reason, it is difficult for people in market

economies to understand the ambivalence toward freedom felt by those in socialist countries, such as the Soviet Union, and the severity of the problems faced in their attempt to move to a market economy.

There can be no doubt that the citizens of the Soviet Union desperately desire the freedoms that so many of us take for granted, as do the citizens of all repressive socialist regimes. Many Soviets have taken tremendous risks and made enormous sacrifices to escape the tyranny of their motherland and reach the freedom and opportunity of countries with established market economies.

Yet, at the same time, there is widespread reluctance by the Soviet people to accept significant increases in economic freedom within their own country. This cannot be understood unless one recognizes that the freedom so many of us take for granted is a freedom that is difficult to tolerate in the absence of market institutions. Lacking the institutions of the marketplace, it is impossible for the Soviets to immediately begin realizing the benefits from freedom available to those who live in market economies.

Unfortunately, acquiring the market institutions needed to discipline the exercise of freedom, thereby making it easy to tolerate, requires the exercise of freedom. The Soviets are understandably reluctant to allow freedom without workable markets, but the institutions required for workable markets can emerge only when freedom is allowed.

Overcoming this dilemma is not impossible, but neither is it easy. Making the transition to a market economy is going to be a disruptive and painful process for the Soviet Union. And there is little that can be done by other governments to facilitate the transition. Only when the Soviet government allows freedom, and the economic disruption that will initially go with it, can the process of moving toward a market economy begin in earnest in the Soviet Union. □

1. It should be acknowledged, however, that attitudes formed during several generations of socialism can be a barrier to a transition to a market economy. For example, James Buchanan argues, for reasons consistent with the thesis developed here, that the attitudes of Soviet citizens are such that they have a difficult time accepting much behavior that is standard in market economies. See James M. Buchanan, "Tacit Presuppositions of Political Economy: Implications for Societies in Transition," working paper. (Fairfax, Va.: Center for the Study of Public Choice, George Mason University, 1991).

2. Padma Desai, *Perestroika in Perspective: The Design and Dilemmas of Soviet Reform* (Princeton, N.J.: Princeton University Press, 1990), p. 156.

3. *Ibid.*, p. 170.

4. Even if it were possible for Soviet political authorities to impose workable market institutions, it would be naive to expect them to do so. Those with the greatest authority are those who have succeeded under the existing political and economic institutions. The changes occurring in the Soviet Union are not the result of an enlightened leadership dedicated to doing what is in the best long-run interest of Soviet citizens. Rather the changes are being forced on a leadership interested primarily in maintaining its power and perks by international economic forces that are relegating centrally planned economies to the ghettos of the global economy. See chapter 7 of Richard B. McKenzie and Dwight R. Lee, *Quicksilver Capital: How the Rapid Movement of Wealth Has Changed the World* (New York: Free Press, 1991). Also see, Gary M. Anderson and Peter J. Boettke, "Perestroika and Public Choice: The Economics of Autocratic Succession in a Rent-Seeking Society," working paper (Northridge, Calif.: Department of Economics, California State University, 1990).

5. For a useful discussion of the evolutionary process by which social institutions, such as those of the market, are created and reformed, see Karen I. Vaughn, "Can Democratic Society Reform Itself: The Limits of Constructive Change," in *For a Free Society in the Coming Decade: The N. Grotto Essay Prize Competition Winning Essays*, Mont Pelerin Society, 1982 General Meeting, Berlin. Although Vaughn's concern is with democracies, her discussion highlights important aspects of reform that apply to non-democratic societies.

6. In July 1991, at the G-7 conference in London, the seven major industrialized nations decided against giving the Soviet Union direct financial assistance. But the door was left open for consideration of future Soviet requests for financial aid. In the aftermath of the attempted coup, the pressure in the industrialized countries to give government aid to the Soviet Union has intensified.

7. And as Nobel prize winning economist Friedrich Hayek has informed us, "If we knew how freedom would be used, the case for it would largely disappear. We shall never get the benefits of freedom, never obtain those unforeseeable new developments for which it provides the opportunity, if it is not also granted where the uses made of it by some do not seem desirable. . . . It is because we do not know how individuals will use their freedom that it is so important." See F. A. Hayek, *The Constitution of Liberty* (Chicago: The University of Chicago Press, 1960), p. 31.

8. In arguing against a "big bang" approach to Soviet economic reform, Padma Desai points out that "Even a 'big bang' policy of simultaneous and instant policy announcements will necessarily encounter reality, and the rate of effective implementation on different components of the package will diverge, yielding piecemeal reform." (emphasis in original) See Desai, *op. cit.*, p. 182.

Puppets and Freedom in Czechoslovakia

by Doug Reardon

Alicia Souckova had a modest request to make when she marched through the impersonal hallways of the once all-powerful national committee of Prague's fifth district.

Little more than a year had passed since the revolution that ousted the Communist overseers of her country. For four decades their totalitarian state had dulled individuality and initiative, while alcohol sales helped deaden the system's failures. Those who still tried to rebel in 1968 had been crushed by Russian tanks.

The Communists' government and ideology had pervaded and attempted to control every aspect of Alicia's life. The national committee, the local state organ of self-serving party hacks and misdirected ideologues, had dictated where she could live with her daughter, when she could hope to have a telephone, and even what she could do for work.

Scarcely a year had passed since anyone who spoke out for freedom faced imprisonment, when Alicia resolutely appeared before the national committee in 1990.

Her request was modest. "I told them," Alicia smiled recently, "I want to make puppets."

Puppets. Three-headed green dragons, witches, and princesses.

If Alicia's request to the committee seems quaint, reflect also upon the courage required of her simply to declare her own freedom.

The 26-year-old is a divorced mother who supports her 6-year-old daughter by herself. Alicia had a job in one of the innumerable state planning bureaucracies, a job where attendance was about the only requirement to receive her monthly salary. Yet she was determined to quit, to end dependence on the state and risk starting her own business making puppets.

And in many ways, Alicia's experiences are illustrative of the profound changes, perils, and future in Czechoslovakia. For in her dreams of selling puppets, one can see the struggles of a nation coming to terms with freedom.

The tentacles of totalitarian government extended deep into society in the decades that passed after the Communists seized power in 1948. But the interim government of democratic parties that took power after the so-called Velvet Revolution in November 1989 has begun to uproot the inefficient and corrupt organism created by the Communists. Under President Vaclav Havel, a Czech playwright and former dissident, the temporary government has pledged to establish a democratic constitutional government and to create a fundamentally free market economy.

Government's role remains far from limited in scope. Alicia still had to seek the approval of the national committee to begin her enterprise in 1990, and the committee continues to regulate a great deal (rents, allocation of flats, local public health care, etc.).

However, great progress has been made in curtailing the state's interference in people's

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lives. In the case of Alicia's business, the state committee's role was reduced to the collection of a fee to issue her a permit rather than the power to ban activity altogether.

Moreover, a great deal of attention is being paid to repairing the damage wrought on the country by the Communists' disrespect for private property. As elsewhere in the world, after the Communists gained power, they used state organs, police, courts, the legislature, and often brute force in the orchestrated theft of property. Further, the state denied citizens even their right to own property beyond the most basic commodities.

Prague bears witness to the disrepair and misuse of resources that inevitably result when people have only an indirect stake in their living quarters, and property has no correlation to value. Once beautiful single-family homes and elaborate buildings predating the Communist seizures are now run-down, battered, and sadly haunting. There is a cobbler, who earns less than \$200 a month, occupying a state-owned store on Wenceslaus Square, the heart of a capital city with 1.2 million people. While the cobbler fiddles about on the valuable piece of prime real estate, nearby hotels, which rent rooms for nearly \$200 each night, are turning away customers for lack of space.

Fortunately, significant reforms are taking place to restore the bulwark of private property to society. Every week since January 1991 there have been auctions where individuals can bid for hundreds of small businesses and shops now owned by the state. The auctions soon will be increased to twice a week, and eventually every day, as the privatization process picks up speed. Soon large scale state-owned firms also will be put on the auction block, and the bidding opened to foreign firms. The country also has embarked on the complicated and trying task of restoring to the rightful owners the property seized by the Communists after 1948.

Despite noteworthy efforts, there are ominous clouds threatening. The mandate of President Havel's interim government runs out this spring. The political prospects for the economic reforms are not clear. It is against these foreboding skies that tales of individual initiative, like Alicia's puppet business, shine forth with promise of a bright future.

Fear of accepting responsibility is one of the gravest legacies of the pervasive state control of

life for two generations. Suddenly freed, many Czechoslovaks now are afraid to act as free men and women.

"They are deformed," Alicia said.

"Before people could just stay at their desks, and they always would have a job," she pointed out. "They don't have ideas. They know only to wait for what the government will say to them."

All but echoing Alicia's words, Vaclav Stevko, the union leader in a Czechoslovak arms factory, said in a recent interview, "We are willing to close down the defense industry . . . [but] somebody has to say what we shall do instead."

The defense industry exemplifies the quagmire of structural economic weakness and human dependency caused by the state. This legacy now threatens to slow down the transformation to a market economy and even to split the country.

Utterly impervious to the marketplace, Czechoslovakia's heavy industry was built up in the eastern, Slovak, region primarily to serve the Red Army and Warsaw Pact military alliance. Other industries developed in a similar fashion, namely, shielded from competition and driven by the whim of central planners.

Opposition to Reform

The economic reforms now pushed by the finance minister of the federal government, Vaclav Klaus, would force industries to stand on their feet in the marketplace. But there is considerable opposition to these reforms, especially in Slovakia. For example, Slovak officials estimate as many as 80,000 people would lose their jobs if arms production were to cease without a replacement.

Some politicians exploit fears of unemployment caused by the market-oriented reforms and rally Slovak nationalist sentiments for their own political gain, according to Vasil Hudak, a Czech specialist in political affairs at the Institute for East West Security Studies in Prague. Firebrand Slovak politicians like Vladimir Meciar have garnered substantial popular support by calling for greater independence from the federal government, even possible secession for the Slovak Republic, and by pledging to slow down the reforms. Meciar further promises to maintain a "social safety net" of income, housing, and health guarantees.

Decades of conditioning people to be depen-

dents of the state are hard to overcome. Yet there is much to be optimistic about when people like Alicia have thrown off the yoke and declined the sugar cube of dependence on the state.

"It was quite hard in the beginning because it wasn't sure," said Alicia.

She reports the puppet business now is going great guns. In a week, she can make enough puppets in her home to sell in shops and earn twice her former monthly salary at her old job in the bureaucracy. Recently she hired an em-

ployee to help her on a part-time basis.

"Now everyone is afraid . . . they must change," she said while tying red ribbons around one of the necks on her smiling green dragons.

"But I like this," she said, adding with some pride, "I'm an entrepreneur."

Of course, puppets won't solve all of Czechoslovakia's problems. But the spirit of enterprise, of freedom, and of independence which can solve these problems, does exist. People like Alicia already are cutting the strings. □

Of Skunks and Salmon

by James A. Maccaro

Environmental bureaucrats are trying to regulate Mother Nature, with disastrous results.

In New Hampshire, state officials attempted to attract recreational fishermen by reducing the state's skunk population. For a while, the plan seemed to work because it alleviated vacationers' fears of encountering the odorous beasts. Soon, however, anglers noticed that the fish population also was shrinking, and decided to vacation in neighboring states with more plentiful stocks.

State planners later learned that skunks control the snapping turtle population by eating their eggs. Without the skunks, the turtle population of New Hampshire grew almost unchecked. The overabundant turtles, in turn, feasted on fish eggs and thus decimated the fish population. Eventually, New Hampshire officials had to import skunks to re-establish the natural balance.

Another attempt to improve on Mother Nature's work occurred in Montana, where the state introduced mysis shrimp into rivers to feed the salmon which flourished there. However, the tiny shrimp soon consumed large amounts of

plankton, which is a major food source for salmon. As a result, the number of salmon spawning in Lake McDonald in Glacier National Park fell from 100,000 to a mere 200. Moreover, bald eagles, which were attracted to the park by the fish, now bypass it. From a peak of 639 in 1981, only 13 bald eagles were last counted in the park.

Because of the chain reaction started in a state bureaucrat's office, Glacier National Park has an abundance of minuscule shrimp, but few salmon and even fewer eagles. The park thus no longer attracts so many visitors, whose trips to the area to view the eagles greatly contributed to the local economy. From a peak of 46,000 tourists, only 1,000 visited during the 1990 fall season.

Government planners are no more successful in micro-managing the natural world than they are in regulating the economy. When government tries to correct perceived problems, it creates unforeseen results.

The economy, in common with the natural world, is not static. Thus, bureaucrats cannot tamper with it without creating imbalances in the overall system, whether the system be economic or ecological. The results will be counterproductive, whether the state attempts to control the level of wages and prices or of skunks and salmon. □

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Who Is a Self-Made Person?

by Tibor R. Machan

In the wake of Judge Clarence Thomas' nomination to the Supreme Court, some commentators challenged the idea of the self-made individual. Columnist Ellen Goodman, for example, rejected the idea that anyone is self-made, claiming: "The 'self' is an infinitely complex product. It's 'made' through an interaction of biology and environment, chances that come our way and those we take, coincidence and free will, reality and attitude." She proceeded to chide Americans because "we go on collectively nurturing people in the belief that they are self-reliant." Her conclusion? "The result of our lopsided view is that we end up living in a community that praises how little people need. We forget how much easier it is to grab hold of a bootstrap with a helping hand."

But surely no one who believes in self-reliance holds that people with a decent start in life aren't better off. What the idea of self-reliance means is that those who make the effort can take virtually any starting point and turn it into a success story.

No doubt, luck always has something to do with one's achievements in life, yet not so much as one might think. There are prerequisites for luck—the alertness and willingness to make the most of opportunities when they arise. The chances and coincidences the critics of self-reliance stress about human life are all subject to

our management. If we make the effort, we can take advantage of these factors. But not everyone will make that effort and apply himself or herself to make the most of a situation. There are talented people who let their gifts go to waste. There are those who suffer handicaps but develop themselves to their greatest capacity and even turn a liability into an asset.

It is difficult to give concrete examples of such cases without writing a biography. Only such a detailed account can reveal whether a person has made the most of the opportunities, has avoided the hazards, has navigated the maze that one finds along life's path.

Not all the beautiful women and handsome men have the good sense and alertness to capitalize on their natural assets; not all those who have artistic, business, or scholarly talents are putting them to good use. What a self-made individual has done is to apply himself—keeping at the task of using his talents, seizing opportunities, and avoiding hazards.

Unfortunately, millions of others have chosen to abdicate and let others take care of them—especially the government, which claims that it can raise people out of poverty, cure the sick, educate the ignorant, and so forth, with minimal effort from the people involved. This image of people as victims is necessary for tyranny to flourish, be it of the petty variety we are experiencing in the United States or of the massive sort we find in Iran, Iraq, North Korea, and, for too long, throughout human history.

In a recent letter to *The New York Times*, a Soviet economist observed that what most ails his nation is the belief by too many of its people that they are helpless, in constant need of assistance from their intellectuals and politicians. At the same time, many American intellectuals want to reject the idea of the human individual as capable of making a personal project of his or her life. The idea of personal responsibility and initiative, in both cases, is the target.

But the idea of self-reliance is America's gift to the world, and is responsible for the enormous improvement in the lives of millions of people who have incorporated even a small portion of it into their thinking. One can only hope that those who reject this idea, who want to crush it before it gets any further path, do not succeed. □

Philanthropy in a Cold Climate

by Peter Frumkin

Soviet Communists have long maintained that the needs of the people can be met only through the state. Now, however, this tenet has weakened, and a new breed of charitable organization is blossoming in cities across the Soviet Union.

American grant-makers have been heartened by the development of Soviet philanthropy. *Foundation News*, the magazine for American foundation professionals, trumpeted on its cover the optimistic headline, "Glasnost's Biggest Surprise: A Charitable Sector Is Born in Russia." Over the past two years, several groups of American grant-makers have organized tours of the Soviet Union.

Part of the reason that so much interest is being expressed in Soviet foundations stems from the fact that private philanthropy can be a powerful force for social change, one that—in the United States, at least—often differs radically in approach from government. In fact, philanthropy's private, non-governmental character is considered one of its greatest virtues. By standing outside the public sector, private philanthropy is free from the pressures of public opinion and can engage in experimental and controversial projects that government would never be able to undertake for legal or political reasons.

Because it is free to innovate, American philanthropy has brought competition to civic life. Leading by example, private philanthropy has taught government a lesson or two about what works and what doesn't in the area of social policy. Often,

innovative private programs have proven more effective than similar programs run by government. And in many cases, the competition between public and private spheres has led to the wholesale re-evaluation of public policy.

Does Soviet philanthropy fulfill a similar role? Do Soviet grant-makers fund innovative programs? Are the new foundations really independent from government? To answer these questions, let's examine some of the major new players in Soviet philanthropy.

Philanthropy, Soviet Style

The cutting edge of Soviet-style philanthropy can be found on a shady street in Moscow's historic Arbat district. In offices paid for by Armand Hammer, stylish furniture from Stockholm and Apple computers from California abound. These plush surroundings are the headquarters of the International Foundation for the Survival and Development of Humanity, one of the most prominent of the new Soviet independent organizations.

What does the International Foundation aim to accomplish? Its lofty goals center on "the promotion of scientific, international projects and public activities aimed at joint efforts to enter the Twenty-first Century without the danger of nuclear war, in an atmosphere of mutual trust and understanding, and with a concern for the preservation of the environment and for the enhancement of the human condition." The foundation has an impressive international board of directors, including the Reverend Theodore Hesburgh, president emeritus of Notre Dame; Robert S. McNamara, former Secretary of Defense; and

Jerome Wiesner, president emeritus of MIT. In many respects, however, the real moving force is board member Yevgeni Velikhov, vice president of the Soviet Academy of Sciences, who enjoys Mikhail Gorbachev's enthusiastic support.

After many delays, the International Foundation has begun to dispense funds. Among its earliest grants was 15,000 rubles to support the compilation and publication of a collection of essays from world literature on the subject of nonviolence. Other grants include a 100,000-ruble gift to fund joint American and Soviet studies of global climate change, and a 34,000-ruble contribution to permit the study of "topical problems in humanitarian ethics."

With its cooperative and global vision, the International Foundation is unable to spend its money studying domestic issues, such as the Soviet penal system or Soviet religious life. When board member Andrei Sakharov suggested that such domestic concerns should be included in the foundation's agenda, his idea was rejected by the other board members.

Like most new organizations in the Soviet Union, the International Foundation operates without an endowment. The foundation raises money in both rubles and hard currency and gives it away without seeking to build up a large reserve fund. This mode of operation is dictated partly because Soviet banks pay very low interest rates and partly because the funds trickle in little by little rather than arriving in the form of one large donation.

Yet there are exceptions: The Foundation for Social Inventions has 8 million rubles in the bank. Founded by Gennady Alfrenko, a special correspondent of *Komsomolskaya Pravda*, the foundation operates as an incubator and funder of ideas that have social implications. Alfrenko solicits ideas and donations in his *Pravda* column and then makes grants to those applicants whose projects have the greatest potential.

Alfrenko receives over 100 letters a day from his readers, yet he operates the foundation alone. Projects for which funds have been solicited by Alfrenko include the Samantha Project, named in memory of the famed child diplomat Samantha Smith who sought to promote East-West dialogue. The plea that ran in *Pravda* read in part:

Death did not stop Samantha's heart. It beats in the breasts of millions of her contemporaries.

For them, Samantha is still alive—they have not acknowledged her death. They carry on Samantha's cause, the struggle for the continued existence of this planet. They preserve Samantha's truth: War will never originate in the land of the Soviets.

The Samantha Project should join together our youthful fighters for peace, child internationalists. The Project's tasks are to acquaint foreign children with life in our country, with our country's love of peace. Our children will become guides for our guests. To do this they must have a profound knowledge of our people and of our history. By studying these, our Soviet children will have an intensified patriotic, international education. Each contribution to the Project's bank account must be accompanied by a description of how the money was earned.

Not all of the new Soviet philanthropies are so unabashedly politicized. For those in the Soviet Union who have a taste for the arts, there is the new Soviet Cultural Foundation. Its primary mission is to protect and restore architectural monuments within the Soviet Union. It also tries to bring back to the motherland important Soviet works of art located abroad. The foundation thus seeks to act as a kind of national trust for historic preservation.

The Soviet-American Foundation Cultural Initiative has an agenda that is as vague as it is ambitious. Founded by the Hungarian-born millionaire George Soros with a \$3 million grant, the Cultural Initiative has set as its goal the promotion of culture, construed broadly to include not only art and literature, but also the sciences, education, and medicine. The Cultural Initiative is a grant-making body that has dollars as well as rubles to dispense. Like its American counterparts, the foundation has a board of directors that reviews grant proposals and allocates funds.

Because it was founded by a foreign financier, the foundation has strict standards for accountability and openness. And yet the very fact that a foreigner is involved in philanthropy within the Soviet Union has raised some eyebrows. Soros has tried to make clear his motives for getting involved in philanthropy in the USSR: "I wanted to be personally involved in promoting openness and independence in Soviet culture. Being a businessman, I have a realistic view of things and I know that in the Soviet Union every dollar matters, so I can use my money

more effectively here than in the U.S. where everything is much more expensive."

While Soros' concern about independence and openness is healthy, it extends only to the hard currency side of the Cultural Initiative. For while Soros donated several million dollars, the foundation also received a sizable contribution in rubles from the Soviet Peace Fund, a public organization set up in 1961, that in 1987 received 273 million rubles in "donations" from Soviet worker collectives and individual citizens.

Even if these organizations are less than fully independent of the Soviet government, it is important to remember that Soros, Velikhov of the International Foundation, Alfrenko of the Foundation for Social Inventions, as well as many others involved in Soviet philanthropy, are pioneers of sorts. After all, the Communists until recently dismissed charity as a form of bourgeois trickery designed to get the proletariat to postpone class struggle and revolution.

Then and Now

New Soviet scholarship on philanthropy clearly documents the changing perception of charity. Vitali Tretyakov, deputy editor of *Moscow News*, is the author of a monograph on the topic, *Philanthropy in Soviet Society*, published in 1990 by Novosti. To demonstrate how far the Soviet Union has come, Tretyakov describes how the definitions of the words "philanthropy" and "charity" have changed over the years. In the *Concise Dictionary of Foreign Words*, published in 1950, philanthropy is defined as follows:

PHILANTHROPY. Charity; a means the bourgeoisie uses to deceive workers and disguise parasitism and its exploiter's face by rendering hypocritical, humiliating aid to the poor in order to distract the latter from class struggle.

The 5th volume of the second edition of the *Great Soviet Encyclopedia*, also published in 1950, defines charity in similar terms:

CHARITY. Aid hypocritically rendered by representatives of the ruling class in an exploiter society to a part of the poor population in order to deceive the workers and divert them from class struggle.

Tretyakov notes that the contempt of earlier generations is no longer to be found by 1987 in Sergei

Ozhegov's *Dictionary of the Russian Language*:

PHILANTHROPY. Bourgeois charity, aid to and protection of the poor.

CHARITY. In bourgeois society: generosity of private individuals in giving to the needy.

While philanthropy and charity are still defined as phenomena found only in a class society, Tretyakov believes that the progress in Soviet attitudes toward charity is important. And, in some respects, he is right. Attitudes are changing—now all that is needed are concrete actions.

The most crucial task is to draw clear lines between the public and private spheres. Many of the most important Soviet foundations that purport to be independent, non-governmental organizations are in fact connected in one way or another to the government: Some have public officials on their boards, others operate with funds that come directly or indirectly from the state.

All the while, the number of smaller, less well-funded independent charitable groups within the Soviet Union continues to rise. Since many, if not all, of these organizations are trying to raise money from Soviet citizens, it is almost certain that a fund-raising industry will soon develop in the USSR. And while such a development may lead in the short run to an increase in charitable giving in the Soviet Union, it also will bode well in the long run for the cause of freedom. For once Soviet citizens realize that their savings can be put to useful private purposes, effective alternatives to government programs may become more clear.

What can be done to promote the development of philanthropies in the USSR that are truly independent from government? Most important, American policy-makers, foundation directors, and educators—to whom leaders in the Soviet charity movement look for advice and guidance—must hold the new Soviet foundations to a rigorous standard when it comes to their autonomy. The new Soviet foundations must distance themselves from the state while defining for themselves a mission in Soviet society that justifies the term "independent sector."

If such steps are taken, the Soviet Union might eventually become hospitable to those habits of the heart that are so intimately connected to individual freedom. For the moment, however, an authentic independent philanthropic sector is only a distant aspiration for the Soviet people. □

Rustic, U.S.A.

by T. Franklin Harris, Jr.

There is a lot of talk nowadays about democracy. Everywhere it seems that democracy and freedom are regarded as one and the same. Even further, there are the constant rantings about "economic democracy." It is very disconcerting to classical liberals like myself to see democracy equated with freedom. Unbridled democracy is just as tyrannical as any dictator or king. The bloody past of ancient Greece serves as proof of this fact. So, whenever I am confronted with someone who thinks democracy and freedom are synonymous, I tell them the story of my hometown, which I shall call Rustic, U.S.A.

Every few years a group of citizens in Rustic starts a petition asking for a referendum to legalize the sale of alcoholic beverages within the city limits. Alcohol sales in Rustic have been illegal since before Prohibition. The result has been a lack of nightlife and a small bootlegging industry in which a number of local officials have allegedly been involved.

As the petition asking for the referendum circulates, the forces opposing legal alcohol sales mobilize. Concerned townsfolk band together—making speeches, buying newspaper and radio advertisements—all in an attempt to prevent Rustic from being transformed into a "den of iniquity."

The war of words between the opposing sides escalates until the day of the referendum. After much wailing and gnashing of teeth, the proposal to allow for legal alcoholic beverage sales is invariably defeated, just like the last time. The voter turnout is invariably larger than for Presidential

elections. Witness democracy in action. Once again democracy has trampled over individual freedom—or, as P. J. O'Rourke recently put it: "We [have used] our suffrage to steal a fellow citizen's property rights."

The majority of the citizens in Rustic, if asked, will display great disdain for intellectuals. Consequently, most aren't interested in the philosophical arguments that distinguish between true freedom and mere political freedom—that is, the right to vote. They don't see the great contradiction in choosing as a group to take away the right of individuals to choose.

Buying alcoholic beverages, like purchasing any product, is a matter of voluntary choice. A person enters a package store of his or her own free will and exchanges currency for liquor. No force is involved. No one puts a gun to the buyer's head.

Conversely, the owner of the store voluntarily went into business. He or she freely chooses to exchange a product for money. There is no threat of harm, physical or otherwise.

Furthermore, those who wish neither to buy nor sell liquor are free to refrain with no threat of punitive action. There is a reason why this process is known as the "free" market. All the participants, and even the nonparticipants, are, to use Milton Friedman's phrase, free to choose.

Economic democracy, the subjection of voluntary transactions to the political process (of which the Rustic referendum is only a small example), robs people of freedom. The majority of the voters in Rustic decided to strip everyone, including themselves, of the freedom to engage in whatever type of commerce they want so long as they

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respect the unalienable rights to life, liberty, and property of their fellow citizens.

This is not to say that the people who opposed the legalized sale of alcohol don't speak of rights. Quite the contrary, they are always bringing up the "right" of the community to set standards.

But communities are not organic creatures as some would have us believe. There is no such thing as a single set of community beliefs. Fundamentally, a community is nothing but a collection of individuals, each with his or her own set of beliefs, and consequently, standards. As such, the community itself has no rights. There are only the rights of the individual members. Thomas Jefferson did *not* write that all *communities* "are endowed by their creator with certain unalienable rights."

Democracy is no way to run a government, which is why the Founding Fathers seldom used the word "democracy." The United States was founded as a republic, with elected representatives governing within the limited confines of the Constitution. It wasn't until the rise of Populism and Woodrow Wilson's declaration that the United States should "make the world safe for democracy" that the unalienable rights of individuals took a back seat to simple majoritarian rule. Prohibition, if you remember, was part of the Populist agenda.

The great problem with unlimited political democracy is its tendency to spill over into the economic realm. The United States is openly encouraging the creation of free markets in Eastern Europe, but the East Europeans seem to be drifting toward economic democracy. However, this isn't surprising given that the U.S. is their model of a free market. Economic democracy in America is not confined to simple wet/dry referendums. Voters and their representatives regulate everything they can get their red tape on.

The Last Laugh

To illustrate the absurdity of economic democracy, even on a small scale, allow me to relate my own experience with the Rustic referendum.

I was 18 years old and exercising my right of suffrage for the first time. I am proud to claim fellowship with the few people who went down to defeat that day by voting for legal liquor sales. It was a moral victory at least.

As I left the polling place, I thought about what I had done. By voting I was exercising awesome



power, made all the more awesome by the fact that the Constitutional restraints on government power are continually being chipped away. This is the same power that Alexis de Tocqueville warned us about over a century ago—the same power that sentenced Socrates to death.

At the age of 18, I was entrusted with the power to control the lives of other people. This is a power that society, in its democratic wisdom, thinks I am ready for. And yet, even if the referendum had passed, I, being under the age of 21, wouldn't have been allowed to take advantage of it. I was below the legal drinking age!

This is the cruel joke of "economic democracy": It presumes to say that people can make decisions for others, yet are incapable of making decisions for themselves.

The joke has been played on the people of Russia, on the people of the United States, and on the people of the world. Instead of making the world safe for democracy, as President Wilson said, it seems we must make the world safe *from* democracy.

Yes, the joke has been told the world over, and nobody appears to be laughing.

It's enough to drive one to drink. □

Not Up to Snuff

by Evelyn Pyburn

I lived most of my early life in housing that any regulator or housing administrator would have razed upon sight. I would have been viewed as a victim of inadequate housing even though my family and I had no idea we were so seriously deprived.

In my ignorance I would suggest that the days spent in such housing were among the best of my life.

We lived in an original homestead house—only slightly revised over the years—on a farm way out in the hills of Montana. Not until I was about 8 or 9 did they even run electricity to the property.

Oh, yes, there was an outhouse. My brothers and I carried wood and watched my grandmother and mother cook on a wood-burning stove. Among our daily chores was to pump water from the well and carry it into the house. I have never found water that tasted as good, as cold or sweet.

I remember watching my grandparents play dominoes by lantern light—my eyes so tired I could hardly keep them open, only to fall asleep at the table and find in the morning that someone had carried me to bed.

Early on winter mornings, Grandpa would let me sit on his lap with my bare feet dangling in front of the open oven of the kitchen stove, as the first fire of the day began warming the house.

Sometimes little drifts of snow could be found piled delicately on the window sill in the living

room. The house whistled, moaned, and howled when a fierce wind blew; and the rain pattered musically on the roof.

Some bats lived in the roof near the chimney. Their occasional squeaking was nothing more than household background sounds, and we would watch them fly about in the summer evening sky. As a child it never occurred to me that there might be houses without bats.

Changes came with time. First electricity, and then one day the gas line was brought through. Running water was put in. And then the day came when my family actually built a new house.

When the old homestead house was burned (taxes on it were astronomical)—we, grown children, watched sadly with tears in our eyes.

No doubt about it, I was thoroughly deprived as a child, and I wouldn't trade a moment of it for the fanciest and most lavish house in the world.

None of that fits into the regulators' books, however, and most would never comprehend how I could have grown up feeling sorry for everyone else because they didn't have what I had.

How greatly my view of the world differed from so many others never dawned upon me, until one day, as a reporter, I was interviewing a newly named housing expert. He started rattling off the numbers of substandard homes that existed in Gallatin, Meagher, and Park Counties. As I put the numbers into perspective, I realized that he was talking about a lot of homes. I knew all those communities well and I couldn't visualize that many substandard houses. So I was prompted to ask exactly what constituted a "substandard home" in his book.

As he began describing the government's broad criteria for substandard housing, I was, at first, astonished and then began to smolder, as I realized he was calling every home I had ever lived in "substandard." Not only mine, but that of almost every one I had ever known in our rural community and probably most of the homes that comprised all the small towns roundabout.

I still think of all those hard-working, proud people, and how affronted they would feel had they any idea that what they worked so hard for, and loved so dearly, was offhandedly categorized as "substandard" by a bureaucrat who lived in an urban ticky-tacky without the slightest idea of what it took to acquire and maintain that old homestead of my grandparents. □

Evelyn Pyburn is editor of the Big Sky Business Journal in Billings, Montana, where an earlier version of this article first appeared.

BOOKS

THE EMERGING BRITISH UNDERCLASS

by Charles Murray

London: The Institute of Economic Affairs; available from Laissez Faire Books, 942 Howard Street, San Francisco, CA 94103 • 1990 • 96 pages • \$9.95 paper

Reviewed by William H. Peterson

In extending our charity we must endeavor to distinguish the really deserving; for those who willingly and professionally seek the charity of others forfeit all self-respect, and, in being content so to live, sacrifice personal dignity.

—MANCHESTER UNITY (British charitable organization), 1938

In 1984 Charles Murray published *Losing Ground*, an indictment of America's welfare state. In that book Murray offered statistical proof on the counterproductivity of social engineering and relief measures such as Aid to Families with Dependent Children—that on balance and over time public welfare compounds rather than relieves social despair and destitution. An underclass emerges, persists, grows from one generation to another, with all manner of perverse repercussions.

Now Murray follows up his American analysis with a pared-down study of the British welfare experience and comes up with a similar finding—the rise of a British underclass, the growth of a culture of poverty, of what I call “the professional poor”: those who forgo livelihoods and openly feed at the public trough as a way of life.

Here he is careful to differentiate between the British poor and the underclass. The Bible observes that the poor shall be “always with you.” Similarly, Murray sees that some people will ever be at the bottom, that a bottom in any statistical vertical range of incomes has to occur by definition, that the dynamics of life, history, and economics will necessarily shuffle incomes up and down, that some historians have a point in noting a cycle “from shirt-sleeves to shirt-sleeves in three generations.”

The subsidized underclass is something else. So

what gives this latest Murray study special bite is not just his seeing that the underclass is swelling in England, but his observation that three British phenomena which have turned out to be early-warning signals for the American underclass are being insufficiently recognized. This is evident in commentaries by four British sociologists (one of whom is a Labour Member of Parliament) which are included in this volume. The three phenomena are: illegitimacy, violent crime, and labor-force dropouts.

Illegitimacy has escalated in Britain—from 5.1 percent of births to single women as a percentage of all births in 1958 to 25.6 percent in 1988, a five-fold increase in just 30 years. This rising illegitimacy is strikingly concentrated in the underclass, in communities without fathers in the traditional sense. The fewer the fathers, argues Murray, the greater the tendency of children to “run wild,” to abandon schooling and employment, or to become criminals.

Naturally enough, crime also escalates—from 27 crimes of violence per 100,000 population in 1958 to 314 in 1988, with again the preponderance of that crime concentrated in the slum neighborhoods, in males in the second half of their teens.

So school and labor-force dropouts are also on the rise. For to many in the British underclass, work is an aversion. Murray relates an illustrative anecdote. Recently contractors carrying out extensive renovations in a British low-income housing project were obliged to hire local youths for unskilled labor as part of a legislated work-experience program. Thirteen youths were hired. Ten actually showed up on the first day. By the end of the week, only one was still at work.

What Murray is describing is a vicious circle. He sees these social problems as interconnected, as reinforcing one another, with both the dole and drug abuse increasing significantly. He writes:

Young men who are subsisting in crime or the dole are not likely to be trustworthy providers, which makes having a baby without a husband a more practical alternative. If a young man's girl friend doesn't need him to help support the baby, it makes less sense for him to plug away at a menial job and more sense to have some fun—which in turn makes hustling and crime more attractive, marriage less attractive. Without a job or family to give life meaning, drugs

become that much more valuable as a means of distraction.

Not a pretty picture in Britain. Nor in America. So what to do? In this first-rate study Dr. Murray pleads for central governments in London, Washington, and elsewhere to get out of the way, to return to "authentic self-governing communities" that reward responsibility and stigmatize irresponsibility.

What he is really saying, I think, is that the West has to return to first principles, to basic values such as self-accountability, self-worth, *private* charities, marriage, families, limited government, private property, the sovereignty of the individual. Social engineering is an oxymoron. The welfare state everywhere is bankrupt. □

Dr. Peterson, Heritage Foundation adjunct scholar, holds the Lundy Chair of Business Philosophy at Campbell University, Buies Creek, North Carolina.

PROSPECTS FOR GROWTH: A BIBLICAL VIEW OF POPULATION, RESOURCES, AND THE FUTURE

by E. Calvin Beisner

Crossway Books, 9825 West Roosevelt Road, Westchester, IL 60154 • 1990 • 282 pages • \$9.95 paper

Reviewed by Doug Bandow

Although collectivism has ignominiously collapsed not only in Eastern Europe but in the Soviet Union as well, it survives in America among environmentalists and within the church. There may, indeed, be no area where theological thinking is more muddled than the environment, with the emergence of pantheism with a Christian gloss.

That people are concerned about the environment is hardly surprising. The popular image is one of impending disaster. Writes E. Calvin Beisner:

This poor world. It's overpopulated. Exploited. Polluted. Unorganized. Nothing short of radical and stringent new measures will prevent catastrophes. Left to themselves, people . . . breed mindlessly, multiplying geometrically to their own destruction. They rape the earth, stripping it of its resources, leaving nothing for future generations. They poison air, water, and land, heedless of their own safety.

So runs the conventional wisdom. Although powerful critics of this apocalyptic view—Kent Jeffreys, Julian Simon, Fred Singer, Fred Smith, and R. J. Smith, among others—have not been silent, none of them has really spoken to America's religious community. Happily, Beisner, a prolific writer from Pea Ridge, Arkansas, has helped fill the void. *Prospects for Growth* provides a welcome antidote for both the doomsayers who would wreck the economy and the tree-huggers who would have us worship the earth.

In Beisner's view, the most fundamental problem is theological: "Theology, in all its departments, supplies the guiding principles by which to answer all the pragmatic problems of political economy." God has created the earth and given man dominion over it. He is to act as steward, "to cultivate it and keep it." (Genesis 2:15) Exactly how we are to do so is not spelled out in Scripture, however, so Beisner moves on to what he calls the "foundational principles of civil government and economics." His conclusion is that freedom is better than statism: "the free market excels over the controlled market in regard to both Biblical ethics and productivity."

After laying this basic groundwork for assessing environmental problems, Beisner turns to specific issues. He begins with the lurid predictions of deadly overpopulation, which he rightly dismisses for being fanciful. "In fanning the flames of the population scare, statistics are more misleading than fun." He shows that the United States and the world are not overcrowded and that predictions of certain doom in the future don't take into account the behavioral changes and technological developments that will inevitably occur. He concludes that "what we learn from history is that over the long haul and on the average, per-capita health, economic well-being, and psychological well-being tend to improve faster than population grows."

Beisner backs up this assertion with separate chapters on population and both living standards and economic growth. He is particularly adept at demolishing the 18th-century Malthusian view that continues to dominate the thinking of such scaremongers as Stanford's Paul Ehrlich, whose erroneous predictions of mass famine in the 1970s haven't stopped him from making new doomsday forecasts for the future. In sum, Beisner writes:

. . . population growth yields short-term losses

but long-term gains. . . . Over their lifetimes, people tend to produce more than they consume; higher population density makes possible greater economic efficiencies from division of labor, economies of scale, and capital application; more people mean more and faster increases in knowledge and its application through discovery, innovation, and invention. These long-term benefits of population growth so far outweigh the short-term costs that economic production has consistently outgrown population. There is no reason to think this trend has ended or will end in the foreseeable future.

Equally trenchant is his discussion of natural resources. Improved productivity and continuing innovation—leading to both substitution of one substance for another and transformation of economic processes altogether—have resulted in what he calls “multiplying returns” from resources. As a result, natural resources are actually becoming more abundant. This fact is reflected in the steady increase in the estimated reserves of everything from copper to oil to zinc; between 1985 and 1990 alone proven international petroleum reserves jumped by *400 billion barrels*. Moreover, resource prices have been consistently falling.

Finally, Beisner takes on the myriad of environmental “problems” that are said to beset us. Although he acknowledges that pollution is a legitimate issue, he finds that the environment has been getting cleaner, not dirtier. And, relying on the latest scientific evidence, he debunks some of the most outrageous scaremongering, particularly acid rain, ozone depletion, radon, and global warming.

All in all, he concludes, we need to defend the “paramount principles” of “life, liberty, and property.” The practical reasons are obvious enough: “To the extent that life, liberty, and property are protected, economic growth will abound; to the extent that they are undermined, economic growth will subside or even reverse,” he writes. But even more important is the moral dimension. For “in the final analysis, government planning—whether of population, resource use, or the economy—amounts to nothing but brute force.” And that, he explains, violates “the Biblical principle of liberty.” □

Doug Bandow is a Senior Fellow at the Cato Institute and the author of The Politics of Plunder: Misgovernment in Washington.

QUICKSILVER CAPITAL: HOW THE RAPID MOVEMENT OF WEALTH HAS CHANGED THE WORLD

by Richard B. McKenzie and Dwight R. Lee

The Free Press, 866 Third Avenue, New York, NY 10022
1991 • 315 pages • \$24.95 cloth

Reviewed by Gary M. Galles

The effects of taxation (or regulation, which is taxation in disguise) can be understood by analogy to the children’s game of dodge ball. In search of revenues, governments throw various types of taxes at their citizens. Those who can relatively easily dodge the tax burden by changing their behavior (e.g., through moving their assets, exploiting tax loopholes, or entering the underground economy) aren’t hit very hard or often, making them poor targets for taxation. Those who find it difficult to dodge because such behavioral changes are more costly (e.g., producers with large existing physical plants, which are difficult to relocate) are tempting taxation targets, and can become seriously bruised as increased taxes fuel the growth of government at their expense. These citizens would like to be able to switch over to a less taxing game of dodge ball run by some other government, if only they could move at a low enough cost.

The central argument of *Quicksilver Capital* is that technological changes are dramatically tilting the game of tax dodge ball in favor of the dodgers, by making capital in all forms more mobile, which limits the power of governments to tax citizens without giving them sufficiently valued services in return. “As a consequence, governments have lost much of the monopoly power that undergirded their growth in earlier decades. . . . governments have had to compete against one another by seeking more efficient policies in order to retain the physical and human capital that is now so crucial to modern production processes and to the tax bases on which governments depend.” The optimistic upshot is that the myriad of inefficient government policies are beginning to shrink away, and with them burdens on the governed. Attempts to act otherwise are becoming self-defeating, quickly driving the “quicksilver” tax base away to more hospitable shores.

McKenzie and Lee begin by delineating the changes in technology, particularly the quantum

leaps in computer sophistication and the consequent reduced scales of efficient production, that drive their premise that capital is being transformed from political captive to quicksilver. Then they demonstrate the growing international integration of goods, services, and capital markets that is consistent with their mobility argument, followed by what seems to be every piece of domestic and international evidence on government expenditures, reduced tax rates, regulations, and privatization that supports their hypothesis. Throughout, they reiterate the power of increasing capital mobility to reshape the fiscal world by taking power from government, and the often dramatic differences between their interpretation and policy prescriptions and the more pessimistic ones of others.

The book is well written for lay audiences, and anyone not already well informed on these issues could hardly fail to learn something. (Though beyond their description of the technological tidal wave taking place, little new will be found by those well versed in the field. The authors' 1987 book *Regulating Government*, excerpted in the February 1987 *Freeman*, does a better job in dealing with many of the growth-of-government issues.) However, despite a plausible argument that is highly attractive—implying a declining scope for government in areas where it had no business in the first place—their conclusion that we are headed for a world of Slim-Fast governments is ultimately unconvincing.

The biggest problem with their argument that capital's ability to move to other locations is putting government on a diet is that such a strong claim is not clearly consistent with the evidence. For instance, despite repeated claims of the power of their quicksilver capital insight to change the world, the authors themselves back away from such assertions to the much more modest conclusion that "We have only argued that greater capital mobility and production sophistication have constrained the growth of governments. Though there is a good chance that governments will actually start contracting on many fronts, the prospects of that outcome are uncertain. To date, the evidence only supports constrained growth relative to national income."

If the only solid evidence they can muster to support their hypothesis is that governments are growing more slowly than they used to, much of their presentation needs tempering. (If a 600-

pound man goes from gaining three pounds a week to "only" two pounds a week, we won't soon be calling him "Slim.") This evidence seems far more consistent with increased capital mobility being one influence constraining governments, but not the dominant one. The reductions in the highest marginal tax rates they cite, similarly, seem more consistent with undoing previous tax rates so high that countries were "around the bend" on the Laffer curve of high-income citizens, thereby losing tax revenues, than with a reduction in the size of government because capital is becoming more mobile.

Also seemingly inconsistent with the argument that capital can easily move to avoid taxation, leading government to tax it more lightly, is the tax treatment of capital in the United States in recent years. Capital gains and corporate taxes have risen dramatically, alternative minimum taxes have been imposed, state and local business levies have jumped, and property tax increases have been limited more by populist political rebellion than by capital migration. It seems that either capital is less mobile than McKenzie and Lee maintain, sharply restricting the power of their entire argument, or that the well-known short-sighted bias of governments is leading them to sacrifice possible future gains from attracting as yet uninvested capital in favor of exploiting the large stock of already sited, "captive" physical capital. (Remember that even if one tries to sell such capital and leave, greater government exactions will be capitalized into lower sales prices, making avoiding such burdens quite difficult.) In addition, the market restrictions and other favors of interest-group politics, which, according to their argument, should have been reduced, hardly have been dying out.

My overall evaluation of the book is best summed up by Nobel prize winner James Buchanan's dust jacket comment that "Their arguments [of reduced monopoly power of governments everywhere] are surely convincing, up to a point. But I shall keep my fingers crossed, and I shall advise all classical liberals to keep their rhetorical powder dry." Their analysis is plausible, and there is hope that increasingly mobile capital will become a greater constraint on the power of government in our lives. However, any substantial reduction in governmental power will wait until more people realize that organizing individuals through the coercive power of government rather

than through the voluntary cooperation of markets seldom generates more valuable information, creates more wisdom, or produces better incentives for decision-makers to promote the well-being of others. Too few citizens have thought about these issues carefully enough to understand how small the list of logically defensible roles for government is. What is needed is straight thinking in this area, because so long as people believe in ever more roles for government, government will grow. □

Professor Gary Galles teaches in the Social Science Department at Pepperdine University, Malibu, California.

LIBERTY OF CONSCIENCE: ROGER WILLIAMS IN AMERICA

by Edwin S. Gaustad

William B. Eerdmans Company, 225 Jefferson Avenue SE, Grand Rapids, MI 49503 • 1991 • 229 pages • \$14.95 paper

Reviewed by Russell Shannon

By and large, immigrants to the United States have been attracted by economic opportunities. Yet, in the early colonial days, North America was primarily a refuge from religious oppression. In fact, many who came to these shores quite literally *escaped*, most notably the Pilgrims, who fled the English government of James I, a Christian king as determined to prevent emigration to avoid inhospitable policies as the modern Communist regimes controlling the vast areas of China and the Soviet Union.

Nonetheless, many colonial governments commanded as much religious conformity as the regimes the settlers had abandoned. As a result, some settlers felt so stifled, or caused such discontent, that they were forced to flee even farther. Among these was Roger Williams, whose story is masterfully told in a new biography by Edwin S. Gaustad.

By the time Williams, a graduate of Cambridge and a private chaplain to a Puritan leader, left for America with his wife in 1630, Charles I was king, and colonization was being encouraged rather than thwarted. But once established in his new homeland, Williams almost immediately found himself at odds with most other Massachusetts settlers on two issues.

First, he believed that the Ten Commandments should be considered not the basis of civil law, but, rather, as guides to individual behavior. In his view, civil authorities should have no jurisdiction over essentially spiritual matters. Dismayed at prevailing practices, Williams drew a sharp distinction between "Christianity," which drew directly on the teachings and principles of Jesus, and "Christendom," which for him involved what Gaustad calls "a polluting mixture of politics with religion."

In his prolific writings, Williams pointed out that England, in the last century or so, had passed through a variety of theocracies, both Catholic and Protestant, each proclaiming divine sanction and each requiring a religious conformity that Williams bluntly termed "spiritual rape." Human reason suggested to Williams, in Gaustad's words, "that coercing one religion upon all is like making one suit of clothing for everyone to wear, one size of shoe to fit every foot." Such rigidity, Williams pointed out, had perverse practical consequences, for it adversely affected the economic climate. As he noted, after the Dutch abandoned religious persecution, Amsterdam prospered because of the energetic people it attracted.

For expressing his radical views, Williams was forced to leave Massachusetts. With some friends and supporters, he established a settlement at Providence, in what is now Rhode Island. However, things didn't go much better there, because the people who joined him were not only religious individualists but also political individualists, frustrating efforts to raise taxes and provide for the common defense. (It should be recalled that this independence endured: Rhode Island was the last of the 13 original colonies to ratify the Constitution.) Further, there was constant conflict with both Massachusetts and the new settlements in Connecticut over land rights, forcing Williams to spend much time, at his own expense, in England trying to resolve the disputes.

It was in the matter of land rights that Williams found a second profound disagreement with many of his fellow settlers. He flatly denied that the English king had the right to dispose of land held by the peoples referred to as Indians. Instead, he insisted that the settlers should pay these prior inhabitants. Because of such views, Williams got along well with the Indians, considering them in many respects more civil and courteous than people from his native land. He set up

a successful trading post and bargained with the Indians for the land he sought. Nevertheless, despite Williams' intense efforts at establishing amicable relationships, conflicts between the settlers and the natives eventually erupted in horrible bloodshed.

Yet Williams left his mark. Clearly his beliefs, though controversial at the time, lie at the very heart of our more modern concepts of liberty and property. In the last part of his book Gaustad traces the evolution and impact of these views. In his own time, Williams shared ideas with John Milton. These ideas were the predecessors of the political beliefs of John Locke, not to mention the expressions of religious freedom later espoused by James Madison and Thomas Jefferson.

In more recent times, Gaustad points out, in the 1967 Supreme Court decision that prohibited state-

mandated prayers in New York public schools, Roger Williams is noted in a favorable footnote reference: It is in part from Williams that we derive the notion that the state should not dictate our prayers. However, Gaustad expresses alarm at more recent Supreme Court decisions, in which some justices, most prominently William Rehnquist, have expressly repudiated the principles so brilliantly asserted by Williams, Jefferson, and Madison.

In the spirit of Roger Williams, Gaustad concludes with a somber warning: "Religion has the power to persuade, never the power to compel. Government does have the power to compel, but that government is wisest and best which offers to liberty of conscience its widest possible range." □

Professor Shannon teaches in the Economics Department, Clemson University.

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PERSPECTIVE

On Innovation

Innovation—changing resource use to reflect new knowledge, new opportunities, or new problems—can substantially increase the sustainable output from a given resource. But change always brings painful transition, and if those orchestrating the change cannot personally benefit (for example, by growing richer), then they will be less willing to fight through the changes or indeed to take the initial risk.

Typically, an entrepreneur has only to convince a few investors that his or her innovation has promise. By contrast, in democratic politics, the change is financed by taxpayers so the majority of all relevant decision-makers in the political system must be brought along. But those decision-makers, unlike investors, personally have little to gain by taking a chance on an innovation until it has a proven track record or broad backing by voters.

Innovation, by its nature, is risky. In the private sector, the risks are diversified because the entire society is not committed to a single, agreed-upon course of action. Individuals commonly disagree on what the future holds, as well as on what should be done about it. In an economy, as in an ecological system, diversity of approaches is probably a survival characteristic. Nothing in theory prevents government from being innovative. But the battle is harder and the rewards are smaller.

—RICHARD L. STROUP, writing in the Spring 1991 issue of *Population and Environment*

Who Is to Blame?

Many of us are all too quick to blame politicians in Washington or at our state capital for the problems that we face as a nation. This is absolutely wrong. You cannot blame politicians. You might blame them for not acting like statesmen, but 99 percent of the blame rests with each of us. Politicians are doing precisely what we send them to Washington and our state capitals to do, namely to use the power of their office to take that which belongs to another American and then to bring it back to us.

—WALTER WILLIAMS,
speaking at Saint Vincent College,
February 5, 1991

Dead Souls

Forget what you have heard and read about lazy, thieving Soviet workers. It is the socialist system that is rotten, not the people. The old Soviet socialist system was unproductive because it was a mass of disincentives. Moscow dictated the salary of a Norilsk miner far in the North and of a cotton grower deep in the South. You got what some bureaucrat said you should get rather than a market-clearing wage. This led to bad labor discipline; the fired drunkard immediately crossed the street and went to another factory for the same small salary.

Yet factory managers fought to swell their payrolls. To squeeze more money out of the bureaucracy, each company tried to fake the number of working hands it needed. Unneeded workers were known as "dead souls"—after Nikolay Gogol. There were some 12 million of them in the Soviet Union.

—VLADIMIR KVINT, writing in the
May 27, 1991, issue of *Forbes*

Culture Begins at Home

Conservatives hardly are agreed on the proper role for government in culture; in my opinion the burden of proof of the benefits of government intervention lies with those who advocate such intervention, not with those who oppose it. But whatever the role of government should be, conservatives should be clear about one thing: people should not be forced into certain kinds of cultural expression, and out of others. What conservatives ask for from culture, they must ask for in the culture of their own lives. In the formation of culture, conservatives should not talk about "them," but about "us." In this, as in so many other matters that affect our lives, culture begins at home. We must always remember that it is only through example, not through compulsion, that a freely chosen culture can be formed.

—SAMUEL LIPMAN, publisher
of *The New Criterion*,
speaking at The Heritage Foundation,
June 14, 1991

Underpriced Resources

Why are there underpriced resources available in the market? Because of ignorance. If every participant knew exactly what the factors of production are worth, there would be no profits or losses. But no one knows for sure what anything is worth, that is, what the rational, market-clearing price of anything ought to be. It is the continual quest for better information about the proper pricing of factors of production that is the driving force of the capitalist system. It is not just goods and services that are for sale in the free market; it is also accurate information about prices. We pay dearly for accurate information. Sometimes we pay dearly for inaccurate information. (If we had better information to begin with, we wouldn't.)

—GARY NORTH, writing in the June/July 1991
issue of *Biblical Economics Today*

The Moral Basis of Society

Within the business community, if you don't have a moral basis for entering into economic transactions it's going to be very difficult to carry them on. You need trust; you need a sense of the dignity of the individual. . . .

One of the issues that the Soviet Union and Eastern Europe are facing is how they rebuild their moral and ethical basis for actions so that they can have market economies. Simply going to those economies and saying "All you need is freedom, private property rights and prices" is not enough. You have to have a moral basis for a society to function.

—P. J. HILL, from an interview
in the November/December 1991
issue of *Religion & Liberty*

Reader's Digest

Reader's Digest recently reprinted two *Freeman* contributions by Donald G. Smith. Don's September 1991 *Freeman* article, "How to Be an Individual," was reprinted in the January 1992 *Reader's Digest* as "If You Want to Make a Difference." And his July 1991 *Freeman* Perspective, "Anyone Can Do It," was carried as a "Point to Ponder" in November 1991. We have *Digest* reprints of "If You Want to Make a Difference." Let us know if you would like one or more copies.

The Shoemaker of Los Baños

by John Stull

Each year, the Lions Club in our small southwestern Missouri town of Hartville (population 593) puts on a large fireworks display on the Fourth of July. The organization collects money from the community and, with a generous contribution of its own, has a show to which people come from far and wide. The club shoots off its display from crude mortars on a bluff directly below our house. This is almost the exact position of one of the cannon with which young Confederate General John Sappington Marmaduke shelled the town on a cold January day in 1863. Thus, the rockets' red glare has some historic meaning in this community, and, this past year, there was the added fillip of President George Bush's morning parade and speech in the nearby town of Marshfield.

Our front porch provides a ringside seat for the festivities, and we always have a barbecue prior to the show. Our guests sit in chairs or on the old stone steps. This year, I happened to be in the step group, and in the light of one of the star showers, I chanced to glance back. No child was showing greater delight than my friend Bill Detzer, age 93. It suddenly occurred to me that Bill must have a built-in, personal celebration of Independence Day, going on all the time. He was the only person in our group that night who had lost—and re-

gained—his freedom. As Bill himself phrases it, he was a guest of the Imperial Japanese Army for three years, two months. He was made a prisoner of war less than a month after the Japanese invaded the Philippines in December 1941.

From the exultant look on his face, it was obvious Bill was enjoying the fireworks—and something more. It was more than a show to him, it was being there—something the rest of us took for granted. To use the words from one of George Washington's speeches, Bill was exalting the just pride of patriotism and rejoicing in the name *American*.

It came to me that of all the people I know, Bill seems to enjoy life the most. He steps out smartly into his days, and his sense of humor is relentless and unimpaired. He lives now in Monterey, California, but he braved the bad weather and flew back here last Christmas alone. His godson, Oliver Max, accompanied him on the Fourth of July visit. Bill goes wherever he chooses to find the action he likes, age no issue.

After years of friendship, seeing that look of almost transcendent joy in Bill's face made me really want to know his wellspring. Did he have this edge of enjoyment in spite of, or because of, the Imperial Japanese and his years of incarceration at bayonet point? In a day or two, following our July 4 celebration, we had a long talk, one-on-one, man-to-man. We talked about the way it was when everyday, common freedom was only a

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memory and forlorn hope to Bill. Fifty years has dulled the pain but not yet made it possible to talk about some facets of the ordeal; still he told me enough based on an acute memory.

Bill's Philippine experience began in 1903. The liner on which he and his mother were traveling entered Manila Bay on Christmas Eve of that year. His father, Carl Detzer, was the fiber expert for International Harvester and was in the islands to secure the best hemp for the new self-binding machines to use in harvesting wheat and other grains. The Detzer family stayed in Manila for four years, and Bill attended the American School on Calle Nozalayta, where he learned Spanish along with English and a smattering of Tagalog.

Later, when his father was transferred, he studied at Kings College at the University of London. When war was declared in 1914, the family returned to the United States, and Bill attended the Stevens Institute of Technology in Hoboken, New Jersey, and subsequently graduated with a mechanical engineering degree. After this, he worked in a bank, invented a special type of centrifugal pump, acted as a rental agent for an uncle working in the Hollywood film industry, and he became very active in the Los Angeles Junior Chamber of Commerce, where he headed a number of important committees.

Finally, he realized that though he was making a lot of money, he wasn't going where he wanted. He decided to take a job in the Philippines, of which he'd always had fond memories. With a new future facing him, he embarked on the *Silver Teak*, arriving in Manila on December 3, 1933, almost exactly 30 years since his first visit. After several years working with a company who were agents for Bethlehem Steel, an opportunity came for Bill to work for Bethlehem Steel directly, and he became their Far East Representative. For seven years, Bill lived the exciting life of a man about the Orient, sometimes returning to the States on Pan American's glamorous clippers, sometimes traveling in a more leisurely manner by ship. Business took him to Japan a few months before the war, when there was a great deal of antagonism toward Americans.

However, Bill believed, in spite of stringent U.S. sanctions against Japan, that the situation would be resolved and wouldn't escalate into shooting. He learned how wrong he was when a friend

phoned at 4:00 A.M. on December 8, 1941, to tell him about Pearl Harbor. The attack on the Philippines came just hours later. There was a great deal of frustration and bitterness as everyone began to realize an invasion was just a matter of time.

With the quixotic idea of preserving some property belonging to a friend, Bill declined to take a Navy cutter ferrying people to Corregidor. This probably saved his life, as after the fort surrendered, the large group of which he would have been a part was put on an unmarked ship and, en route to Japan, was sunk by Allied bombers.

Manila was soon declared an open city, and on January 2, Bill and the other Americans, British, and remaining Allied nationals were rounded up and listed as "enemy aliens." Several thousand men, women, and children were herded together at the Royal and Pontifical University of Santo Tomás, founded by the Dominicans in 1611.

Fighting for Survival

The long fight for survival began for Bill Detzer at the Santo Tomás Internment Camp. Although he went through hell, he was one of the lucky ones. The "In Memoriam" list compiled after the war is long for those who entered the camp. It isn't even complete because the Japanese buried bodies in vacant lots, backyards, even the sea, with no record.

The situation was appalling from the start. A few days after arriving in Santo Tomás, the prisoners were horrified to find a large sign: "INTERNEES IN THIS CAMP SHALL BE RESPONSIBLE FOR FEEDING THEMSELVES." Told to take a few days' supply of food when they left for the camp, the prisoners were soon depending on friends on the outside, foodstuffs put up for sale in the camp, the Philippine Red Cross, and what they could grow themselves. After six months, the Japanese began to make a minimum food allowance. At 6 feet 1 inch, Bill weighed 190 pounds when he went to Santo Tomás and 123 pounds when he was freed in February 1945.

On May 14, 1943, the Japanese moved 786 single men and 12 Navy nurses 70 kilometers away to the Agricultural College at Los Baños. The reasons given for the move didn't seem valid. Speculation was that so many unattached men posed a threat. The war had definitely turned against the conquerors, and they were jumpy.

The day the men and nurses were to leave, they were awakened at 5:00 A.M. as the loud notes of "Time to Get Up" blared throughout Santo Tomás. The deportees were loaded on trucks as the loudspeakers resounded again—"Anchors Aweigh" and "The Stars and Stripes Forever." The songs, of course, were supposed to be an added humiliation to people transported like cattle.

After arriving at Los Baños, Bill embarked on the most remarkable events of his captivity. Although a prisoner behind two high fences with coiled barbed wire in between, under constant surveillance of vigilant guards, he contrived to meet the Bethlehem Steel payroll. He knew exactly what he was risking—torture and death.

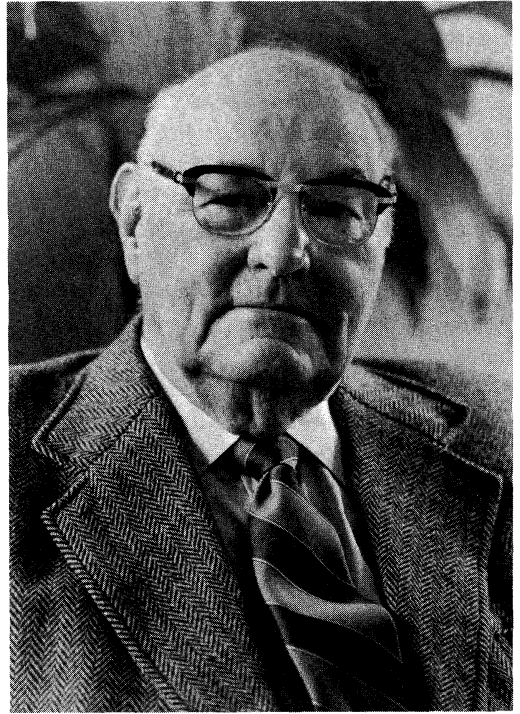
It came about this way. On the strangely effective, but maddeningly spotty grapevine that twisted from the outside through both Santo Tomás and Los Baños prisons, Bill heard that his former company staff was in dire straits, on the verge of starvation. The much touted Japanese Co-Prosperity Sphere and the Orient for the Orientals didn't include most Filipinos. Bill was horrified to learn that working for an American company had made them doubly suspect. He resolved to help these people as best he could.

But what could he do? The answer came through his new profession—camp shoemaker.

The opportunity had presented itself when Bill suffered heat prostration while working in the garden at Santo Tomás. He was assigned to inside work and, after talking it over with friends, decided shoemaking had the greatest possibilities. He began at Santo Tomás and continued at Los Baños. The work was done under the crudest conditions with old tire sidewalls, the material provided. Of five shipments sent by the Red Cross, only one reached the prisoners. Fortunately, this included a few items that made Bill's new vocation a bit easier.

If shoes were beyond prison repair but could be salvaged with better equipment, the Japanese would let Bill send them out to a Filipino cobbler shop. The shoes were inspected both going out and coming back. Nevertheless, through the shoes, Bill sent and received messages and dispersed large sums of money.

His first step was to contact a Chinese friend, Yu Khe Jin, owner of Yutivo Sons Hardware in Manila. Mr. Yu was the largest buyer of steel in the Philippines and the best customer of Bethlehem



Bill Detzer

Steel. Mr. Yu made approximately five million Philippine pesos available to Bill. With this money, Bill paid the Bethlehem staff, including the office boy, as though they were still working. It was a tricky, harrowing enterprise, and Bill was fearful not only for his own sake but for everyone else involved in the operation. After the war, from the meticulous records kept by Bill, Bethlehem Steel reimbursed Mr. Yu for the full amount.

Liberation!

Santo Tomás was liberated early in February 1945, but Los Baños still was behind enemy lines. There was a strong rumor that before giving up this camp the Japanese planned to massacre the Los Baños prisoners. By then, these numbered over 2,000. Acting on the rumor, General MacArthur authorized a daring raid. On February 23, 1945, in a coordinated effort, paratroopers of the 11th Airborne, amphibious tanks, and Filipino guerrillas led by American officers converged on the camp.

The attack from land, water, and sky was a complete surprise, and 250 Japanese were eliminated within minutes. Miraculously, none of the prisoners received more than a few superficial

wounds. However, both rescuers and rescued were still behind enemy lines, so it was important to get out of the area as fast as possible. That night, Bill slept on the hard stone floor of the old Mutinglupa National Prison outside of Manila, on the featherbed of freedom.

The horrors Bill experienced have not completely receded and, of course, never will. However, when I asked if there were any benefit from living in hell, Bill thought for a moment and replied: "Oh, yes! A special kind of friendship." Bill keeps in touch with Yu Khe Jin and his children in Australia and Vancouver, as well as with the surviving Bethlehem Steel employees he paid via the shoes. Until their deaths, he stayed in close contact with the three men who shared his quarters at Los Baños—Abbott Shoemaker, Henry S. Carpenter, and Steve Arick—all of whom went on to successful business careers. After a year and a half of recuperation in New York City, Bill returned to the Philippines for Bethlehem Steel, where he remained until retirement.

It is no wonder that Bill Detzer enjoys each moment. He learned the art at the hardest possible school. What impressed me the most in my long talk with him was his bold use of the slight freedom he had enjoyed while in prison, and the far-reaching results. All he had were the shoes, Mr. Yu, and the cobblers. I asked if he had tried to bribe the Japanese guards, and he replied, "No, they were incorruptible." The collaborators had to be silent and totally circumspect, since the window of opportunity was minuscule and might be shut at any minute, with appalling ramifications. However, even a minuscule amount of freedom sometimes will serve if not to solve a situation, at least to ameliorate it.

From talking with Bill, it seems clear that many prisoners survived the camps because of the *use* they made of the marginal amount of freedom permitted by the Japanese. Even when so appallingly diluted, this freedom was strong enough to make a life-or-death difference in the whole conduct of the camps. By applying their freedom, the prisoners

rose above the order imposed by Japanese bayonets, and were able, in large measure, to avoid chaos and its resulting despair. Through a group-appointed prisoner committee, the internees were allowed to govern themselves within Japanese rules. Although the rules were often outrageous, grim, and encompassed every facet of life, this mere trace of self-determination maintained self-respect and the hope and dignity engendered by self-respect.

The prisoners were ill-used, ill-housed, ill-clothed, ill-washed, plain ill, and so ill-fed that before their rescue, they came to look like scarecrows. Nevertheless, their own self-government kept the majority of them from falling into complete helplessness, total despair, or unthinkable barbarity, preying on each other. Bill says there is no way to describe the titanic efforts made by the Internee Committee, nor is it possible to count their accomplishments, fabricated almost solely by determination and zeal. Several of the leaders had been top executives in prestigious companies before they met this ultimate test of their management skills by using every small niche left open by their captors. The freedom of the small clefts grew to a maintained and definite identity, and with this identity, thousands of internees found the will to survive as human beings.

Bill saw men wrapped in barbed wire and shot. In spite of this knowledge of what the Japanese were capable of, he made his company's payroll, maneuvering the whole endeavor from a tiny pocket of freedom, taking what he considered a justifiable risk to achieve a worthwhile goal. It was a long time ago, but Bill Detzer still has those things with which he left Los Baños—special friendships, a sense of accomplishment, and appreciation. For almost 50 years, he has taken nothing for granted. No wonder his face lights up in the rockets' red glare. He knows not only the words but the meaning of life, liberty, and the pursuit of happiness. In his darkest hour, he learned freedom is not static. It is what you make of what you have. □

What Does Affirmative Action Affirm?

by Wendy McElroy

Recently I learned that a friend of mine had been passed over for tenure at an Ivy League school. This was surprising to me. He had been teaching at the university for several years and was immensely popular, not only with the students but also within the department. With a book and several journal articles to his credit, his qualifications were in good order. So what was the problem?

He explained it to me: He was a white male in a department that needed more visible women and minorities. Never mind that the woman hired had less experience and fewer credentials. Never mind that the university had been grooming him for the position. (Indeed, the department head couldn't even look him in the eye while breaking the news.) Never mind that my friend is now so embittered that he tells his male students to forget pursuing a degree in the humanities, because credentials and quality don't matter anymore. If they are white and male, he insists, there will be no place for them in academia.

I hope he is overstating the case. But I understand his bitterness. It is difficult not to rail against unfairness when there is next to no recourse against it.

If my friend were a woman, he could sue the university for unfair employment practices under Title VII of the Civil Rights Act of 1964. This section of the act states that it is unlawful for an employer "to fail or refuse to hire or discharge any individual, or otherwise to discriminate against

any individual with respect to his compensation, terms, or privileges of employment because of such individual's race, color, religion, sex or national origin."

But to bring such a suit, he would have to belong to a class protected by Title VII—he would have to be a woman or a minority. As a male from German-Irish ancestry, he isn't simply excluded from protection; he is, in fact, the person against whom protection is being offered. Why is this protection necessary? My friend has always been sex-blind when it comes to his students and colleagues. Why, then, do women have to be shielded from him?

Because, it is argued, women have historically been discriminated against in employment. Since white males (as a class) have benefited from this injustice, they must now (as a class) bear the brunt of adjusting the balance.

But something about this "class analysis" goes against the grain. It isn't merely that it negates any individual actions or responsibility; it is more that "discrimination in pursuit of equal treatment" seems to violate our common sense. This contradiction leads wayward feminists, like me, to ask: What exactly is affirmative action? And what is being affirmed?

Affirmative action has been defined as follows: "According to C.F.R. 1608, [affirmative action] is reasonable action, taken on reasonable bases after reasonable self-scrutiny leading to a business's belief that it has practiced discrimination in the past, or has chosen its employees from a labor pool that was limited by racism or sexism. The EEOC dilates on this in 44 Federal Register 4422, saying that affirmative action is a policy chosen to over-

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come the effects of past or present barriers to equal employment opportunity." (Dana Shilling, *Redress for Success*)

These are the words. They mean that, if a company realizes it has been discriminating, it should remedy the situation. On ethical grounds, most of us would agree; although many of us would question the wisdom of enforcing the policy by law.

The Spirit of Affirmative Action

The spirit of affirmative action seems different from its words, however. To understand this spirit it is necessary to examine the roots of the issue in the context of the feminist movement.

First, I wish to acknowledge the truth of affirmative action's main claim: Historically, women have been the victims of discrimination. During the 19th century, they were excluded from universities and unions, barred from professions such as medicine, and—upon marriage—often lost all title to whatever pittance they were allowed to earn. During the 20th century, the legal barriers confronting women fell, one by one. Certainly there are vestiges of legal inequality, but the instances are few—for example, women and men often receive different sentences for the same crime.

The cry for affirmative action makes no sense if the goal is simply equal treatment before the law. And, indeed, this is not the ideal being championed. Equal justice before the law and equal access to political power have long been entrenched as American ideals. Affirmative action introduces a new concept of equality—social equality.

This concept became popular during the cultural turbulence of the 1960s. Sixties reformers demanded far more than the removal of legal barriers based on sex or race; they called for equal access to the basics of life, such as adequate housing and food. Access to the basics was presented as the right of every American.

The fact that the law allocated these goods only to specific classes of Americans—e.g., blacks—was justified on two grounds. First, it was argued, they were the victims of another class of Americans, predominantly white males. Second, only by assuring equal access to such consumer goods as education could the disadvantaged compete fairly with white males.

In essence, the '60s called for a primitive form of socio-economic equality.

What of women in this new world? Although legal barriers to women had largely fallen, it was argued that the ill effects of history still impacted on modern women. The lingering injustice was especially blatant in the marketplace, which continued to undervalue women's work. The removal of legal barriers hadn't cured this exploitation; the institution of legal protection was required. It was necessary for the law to prefer women in order for the marketplace to treat them fairly.

In her essay, "Affirmative Action: History of an Attempt to Realize Greater Equality," Mary C. Thornberry explained:

Broadly speaking, affirmative action measures include a whole range of special steps designed to overcome the consequences of past and present discrimination. These include compensatory and remedial training, validations of tests and criteria for jobs or university admission, the development by employers of recruiting procedures aimed at women and minorities as well as other qualified applicants, provision of child care centers and remedial programs to remove handicaps in employment, and related measures to help the disadvantaged realize their potential. . . . In order to overcome the effects of past practices which resulted in discrimination, companies must now seek out those who were formerly ignored.

Why should an employer accept these requirements? Because the costs of swimming against affirmative action can be very high. Although preferential policies are not always mandated by law, they have been well established through judicial rulings. In 1980, for example, a court ordered the Ford Motor Company to give \$13 million in back pay to women and minorities. Attorneys' fees alone can bankrupt a company. In a sex discrimination case against the University of Minnesota, attorneys' fees came to \$1,475,000. The successful plaintiff later abandoned academia to become a lawyer.

The Justification for Preferential Treatment

Thus the marketplace, in self-defense, has adopted a de facto quota system that protects it against charges of discrimination. How, in the name of fairness, have we arrived at a system that

openly discriminates on the basis of sex? Fundamentally, three arguments have been offered: 1) social good, 2) compensatory justice, and 3) the ideal of equality.

The social good, or utilitarian, argument states that society will be enriched by advancing women. This is a relatively lightweight justification, since advocates of affirmative action generally concede that they would push equality even if it lowered the overall good of society. Moreover, it is easy to point out the disastrous long-term consequences to society of using a quota system rather than merit to allocate jobs. Affirmative action drives a wedge between individual worth and economic success. How does this benefit society?

Indeed, affirmative action might well increase the very evil it seeks to cure: prejudice. In order to fill their quotas, employers will promote women too quickly or into inappropriate departments. When these women fail, it will be seen as confirmation of the inadequacy of their sex. When other women succeed on their own, it will be assumed that they were coddled by preferential policies. And what of the men who are discriminated against? Their understandable resentment might well be translated into a heightened sexism—just as my friend's rejection has embittered him toward all of academia.

The argument from compensatory justice claims that anyone who causes injury to an innocent person should remedy the damage. The injured party should be compensated. Affirmative action goes one step farther, however. It claims that descendants of the injured parties deserve compensation as well. After all, the descendants (modern women) still live with the consequences of past discrimination. This is an argument for righting historical wrongs.

My objections to correcting the past fall into two categories: First, the people receiving compensation are not the victims. Second, the people paying compensation are not the perpetrators.

Let us consider the first objection: The women who receive the fruits of affirmative action are not the same women who suffered through centuries of injustice. Human mortality assures us of this. To maintain, decades later, that the "fallout" of injustice is also an actionable offense is to stretch the traditional conception of compensation to the breaking point.

In essence, to demand compensation for the

great-grandchildren of social injustice is to confuse a commendable compassion with a legal claim. We are all victims or beneficiaries of our ancestors. But this is not a matter for legal theory; it is an accident of nature. In other words, it is neither just nor unjust; it merely *is*. Thus, the question becomes: If there is no injustice, how can there be a legal claim for compensation?

Let's now turn to the second objection: Those who are made to pay compensation—the employers, white men as a class, and taxpayers—are not the ones who committed the injustice. Overwhelmingly, the perpetrators, like the victims, are dead. And I do not believe that guilt can be inherited. Herbert Deane in his book *Justice—Compensatory and Distributive* states this objection clearly:

Present members of society are being asked to assume the responsibility not only for unjust acts in the present or the recent past in which they may have had no share, but also for acts of discrimination which were performed, long before they were born, and when their fathers and grandfathers may not have been Americans at all, but may have been suffering persecution and discrimination, for example, in Eastern Europe. We are, in other words, asked to accept the principle of collective guilt that is at least in part inherited from some of the ancestors of some contemporary Americans.

The third common argument for preferential treatment is a moral one, based on the ideal of equality. But what sort of equality is being championed? Social equality? Economic equality? Equality before the law?

The relevant question is: When does a difference between people become an inequality? If my hair is brown and yours is blonde, presumably this is a difference between us. But, if we live in South Africa and my skin is brown while yours is white, this is an inequality. Why? Because a normative judgment is attached to the difference. In particular, the South African government considers white-skinned people to be superior and grants them privileges under the law. This is inequality.

Traditionally in America, equality is said to exist when people receive the same treatment under the law or have the same access to political power. This focuses on the individual and his or her relationship to the state. But equality promoted by affir-

mative action demands equal access of women or minorities to wealth and opportunity. This focuses on classes of people and their relationship to other classes, or to society in general. These two concepts of inequality are incompatible.

For example, in pursuit of equality, affirmative action takes no notice of the status of individuals within a given class, such as "man." Indeed, there is not even a distinction made between individual women. Thus, the privileged daughter of a Rockefeller is considered as much a victim of society (or white males) as the poorest black woman.

Moreover, the equality demanded by affirmative action destroys what has been one of America's traditional safeguards of freedom—the protection of the peaceful individual against intrusion by the state. In the name of social justice, virtually all conduct is open to regulation by the government. In the name of class equality, individuals lose their right to make their own decisions.

There is an irony here. The best safeguard against discrimination of any kind is the very mechanism that affirmative action is destroying: the free market unhampered by state control. The free market tends to limit discrimination simply because discrimination costs money by alienating customers and reducing the pool from which trained personnel can be drawn.

My favorite example of how the free market limits discrimination comes from the civil rights movement in the '50s and '60s. In Montgomery, Alabama, a black woman was arrested for sitting in the front of a bus, rather than in the back. What responsibility did the bus company have for this

injustice? For many years, bus companies in the south had refused to enforce laws that required them to discriminate against blacks. A customer was a customer. The company in Montgomery had been among those who refused to discriminate. Only when streetcar conductors began to be arrested for noncompliance did bus companies obey the law.

The marketplace is no more just than the society in which it operates, but it does operate along different principles. Entrepreneurs compete in the market to try to get customers and the best employees. Profits and losses are the bottom line. Thus, the free market tends to be blind to color and sex. It is a great leveler of prejudice.

* * * * *

Unfortunately, theorizing can bring little solace to my friend, who is debating whether to abandon the one career that has meant anything to him. There is no encouragement I can give him. What he says is true: No matter how good he is or how much he cares, doors are slammed in his face because he is a white male. I cannot encourage him because I feel almost as outraged as he does.

It makes me realize that I have been too polite. I think I will practice being angry and indignant, in preparation for the next time a feminist acquaintance extols affirmative action. Someone has to get blunt and tell such feminists to put up or shut up about equality and suffering and justice. Because, so far, all I've seen of affirmative action is discrimination, viciousness, and sloppy thinking. It is the sort of policy that gives feminism a bad name. □

The Mischief of Regulation

The modern conviction, the fruit of a thousand years of experience, is, that things in which the individual is the person directly interested, never go right but as they are left to his own discretion; and that any regulation of them by authority, except to protect the rights of others, is sure to be mischievous.

—JOHN STUART MILL, *On the Subjection of Women* (1869)
quoted in "Government Is Women's Enemy" by Sharon Presley
and Lynn Kinsky, in *Freedom, Feminism, and the State*.

IDEAS
ON
LIBERTY



The Gender Gap

by Cynthia D. Lee and Dwight R. Lee

As of 1980, American women had possessed the right to vote for 60 years through the provisions of the 19th Amendment to the United States Constitution.¹ Until that year, women had voted in national elections much the same way men had voted. Beginning in 1980, however, a phenomenon that became known as the gender gap appeared, when women voted for the Democratic Presidential candidate in noticeably larger percentages than men.

Women's groups have applauded the gender gap as evidence that women are beginning to display the solidarity to assert themselves politically. Eleanor Smeal, past president of the National Organization for Women, writes in her book, *Why and How Women Will Elect the Next President*: "The 'women's vote,' a powerful new voting bloc, will make the difference in political contests. There is no doubt."²

The hope that women, by rallying around common political interests, would exert decisive influence over government policy has a long history, beginning before the Civil War when the women's suffrage movement started. Suffragists believed that a sisterhood was necessary for the good of society—a sisterhood that would exercise a more positive political influence than that exercised by the then male-dominated electorate. The suffragists claimed that a sisterhood would bring peace and prosperity to all, that "war, imperialism, and vice would be reduced or eliminated"³ if women could vote.

Implicit in this claim is the belief that women have interests different from those of men. Therefore, with suffrage, they, as well as society, would be better represented in the political process. Supposedly, once women obtained the right to vote, they would unite and vote as a bloc, creating a gender gap. In fact, no such gender gap appeared as the immediate result of women's suffrage.

The women's suffrage movement itself did not enjoy wide support among women. Millions of women sat silently on the sidelines or joined anti-suffrage organizations. It was a small minority of women who fought for over 70 years to obtain the right for women to vote, and once this right was obtained very little changed at the polls. The great sisterhood did not arise. Most women stayed away from the polls, and those who did vote didn't do so as a bloc. As political writer William L. O'Neill observed, in the national elections of 1936, "only about half as many women as men registered to vote and when they went to the polls they voted as their husbands did."⁴

Political Reality vs. Feminist Fantasies

Has a gender gap finally arrived that reflects a growing solidarity of women in support of women's issues? Notwithstanding the pronouncements of feminists such as Eleanor Smeal, there is no evidence that women are being led like lemmings in political support of a "women's agenda." Indeed, it is insulting to women as intelligent and independent citizens to suggest that a sisterhood of political solidarity can ever be a realistic possibility.

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Certainly there are important differences between men and women, and it would be naive to assume that all the political interests of women are identical to all the political interests of men. Yet there was, and still is, more overlap in the political interests of the sexes than is suggested in the writings of the suffrage pioneers and modern-day feminists. At some point in their lives, the majority of women are coupled with men. Whether the couple contracts their relationship formally through marriage, or informally through an arrangement of "living together," it can be argued that in matters of general interests, these women are advantaged by the same general political and economic climate that serves the interests of men—and vice versa. Only when we begin to consider narrowly focused interests are we likely to find significant differences between the interests of men and women.

If the role of government is largely limited (as it was in the United States until roughly the 1930s) to protecting the borders, controlling crime, enforcing the general laws of commerce, and providing a basic infrastructure (i.e., creating an environment in which people can pursue their personal objectives in productive cooperation with one another), then the detailed differences in the concerns of women and men are not politically relevant.

Some women are married, while others are not. Some women are employed outside the house, others are not. Some women have children, others do not. Some women live in rural communities, others do not. The interests of some women are tied—either through their own employment or that of their husbands—to the profitability of exporting firms, while the interests of other women are tied to the profitability of importing firms. Therefore, when government attempts to address the specific concerns of one group of women it necessarily does so at the expense of other groups of women.

Special Interests Compete

The natural response to a government that stands willing to cater to the interests of narrowly motivated interest groups is the formation of a multitude of special interest groups, each competing for the largess and privileges that government can provide only at the expense of other interest groups and the general public. The prospects of such a competition can be expected

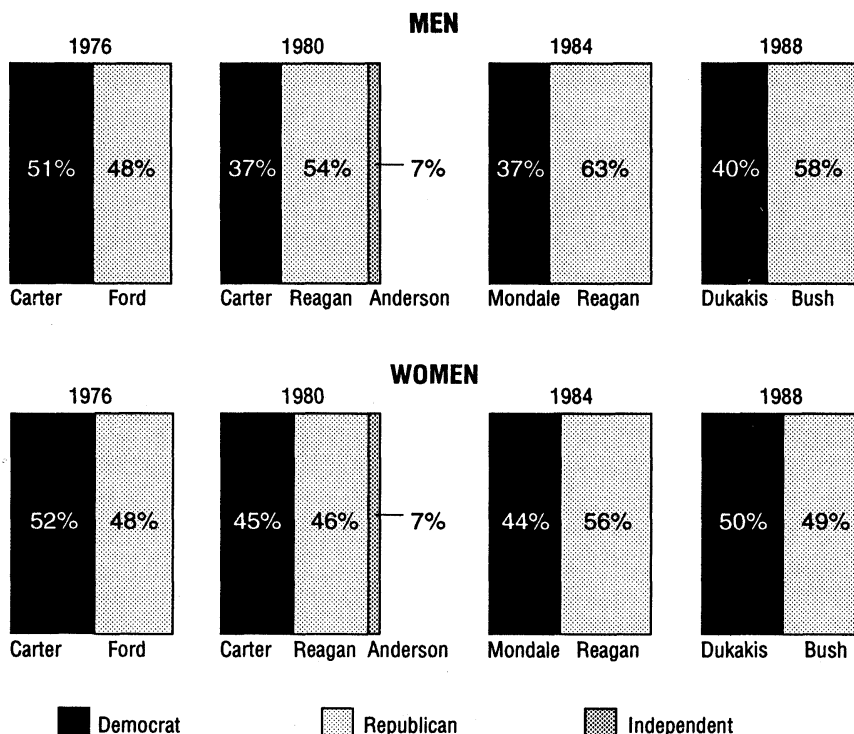
to do little to motivate political solidarity among women.

Indeed, as the political environment becomes increasingly characterized by special interest competition, the control that can be exercised over government through voting becomes weaker. As a bloc, voters can grant, or withhold, the power government needs in order to pursue laudable sounding but vaguely defined objectives. However, even here the control is tenuous since it is typically exercised by voting for one of two candidates for a public office who both make appeals for votes with vague promises to support all that is virtuous and to oppose all that is evil. And once power has been granted for government to pursue some objective, voters have almost no control over the effectiveness of that pursuit. Relatively small groups, each with an overriding concern and tightly organized around that concern, will exploit government programs with laudable goals by lobbying aggressively and persistently for those programs to be designed, staffed, and implemented in ways that promote their particular objectives. So the more government concerns itself with the narrowly focused interests that allow differences between the interests of men and women to become politically visible, the less important the vote is in determining political outcomes.

It is true that women activists, who have a long pre-suffrage history of political lobbying, are more effective when lobbying over women's issues if they can inform politicians that they represent a bloc of women voters who will remember how the politicians vote on those issues. But, as argued previously, if those issues are general, with widespread support among women, they are probably issues that would be widely supported by men as well. On the other hand, if an issue arises out of narrow concerns that can activate a bloc of women to vote in unison, then almost surely this united vote favors government activity that harms the interests of many other women.

Thus, the hope that women would join together in a sisterhood and exert their influence by voting as a bloc should have been seen as an impossible dream. But some impossible dreams never die. As Carol Mueller writes in her book, *The Politics of the Gender Gap*, "There were hopes . . . in the early 1980s that this new 'gender gap' would fulfill the long-delayed dream of suffragists that women would vote as a unified bloc."⁵

GENDER DIFFERENCES IN PRESIDENTIAL VOTING 1976-1988



The 19th Amendment was ratified on August 18, 1920. In the fall 1920 election of Cox versus Harding, women did not vote in mass numbers and certainly not in a bloc as the suffragists had argued they would. After the dismal showing of 1920, the League of Women Voters set up a "get out and vote" campaign for the 1924 elections. The net gain of women's votes in the 1924 elections was a paltry 1 percent.⁶

Until the 1980s, women continued to vote much like men, except in smaller percentages. But with the Presidential election of 1984, there was an upsurge of renewed hope. For the first time in a national election, exit polls revealed that more women voted than men, and that women (as they had for the first time in 1980) voted Democratic in significantly larger percentages than men.

Eleanor Smeal had predicted that "the women's vote will be the decisive factor in the 1984 Presidential elections."⁷ While the women's vote in the 1984 Presidential election wasn't decisive, it did appear a trend was beginning: that indeed, there was a difference between men and women in their choice of candidates. However, feminists ignored

the fact that women didn't vote as a bloc even with Geraldine Ferraro running for Vice President on the Democratic ticket.

Given the election results of 1980 and 1984, women were widely expected to hold the balance of power in the 1988 Presidential election. The *Congressional Quarterly* speculated on April 2, 1988, "if this year's White House contest turns out to be a close one, as still seems possible, a recurrence of the 'gender gap' could spell the difference between victory and defeat." Although a gender gap of sorts did exist in the 1988 Presidential election, as in the two previous Presidential elections, this gap had no effect on the outcome and suggests, if anything, that women are less likely to vote in a bloc, of the type envisioned by feminists, than are men.

In the 1976 Carter/Ford election, men and women supported the two candidates in almost identical proportions.⁸

In the Carter/Reagan 1980 election, with John Anderson running as an independent, 37 percent of males voted for Carter, 54 percent for Reagan, and 7 percent for Anderson. Among female vot-

ers, 45 percent voted for Carter, 46 percent for Reagan, and 7 percent for Anderson. "The most dramatic split between men and women in the history of modern election polling emerged this year," according to the *National Journal*.⁹

In the 1984 Mondale/Reagan election, 37 percent of males voted for Mondale and 63 percent voted for Reagan, while 44 percent of females voted for Mondale and 56 percent voted for Reagan.¹⁰

In the 1988 Dukakis/Bush election, 40 percent of males voted for Dukakis and 58 percent voted for Bush. Fifty percent of females voted for Dukakis and 49 percent voted for Bush.¹¹

In 1986, Bella Abzug and Mim Kelber wrote: "The most important story of the 1980 election results . . . was that a new and distinct political phenomenon—the gender gap was revealed; it showed a marked difference between women and men in their candidate choice."¹² Feminists declared that the 1980 Presidential election revealed a gender gap for the first time in history, and that this would be a precedent for ensuing elections. Clearly the analysis of voting behavior from 1976 to 1988 shows that this isn't so. There is no evidence of the trend the suffragists and modern-day feminists have long hoped for. Women are not becoming more powerful at the polls by rallying around a common political agenda and voting in a bloc.

In fact, in the 1988 Presidential election, women were virtually split in partisan voting 50-50. As reported in the *National Journal*, "The gender gap represents one of the great ironies of the 1988 election. . . . Women were about evenly split, while men gave Bush a solid margin of 18 points. The gender gap controlled the outcome of this year's election, but not in the way feminists had predicted. Men elected Bush."¹³ In the national elections of the 1980s men have shown more political soli-

darity than have women, who have shown practically none.

Women, as individuals, are far too diverse and independent to ever be pigeonholed politically, and expected to perform at the demand of a united sisterhood. The idea of women voting in a bloc in support of "women's issues" is insulting to the intelligence, independence, and individuality of women. Feminists have based their hope for political power on the expectation that women will use their vote to respond in mindless lockstep to some mythical political interest women supposedly have in common. This hope will continue to be frustrated. □

1. Several states granted women the right to vote in local, state, and, in some cases, Presidential elections long before the 19th Amendment to the Constitution in 1920.

2. Eleanor Smeal, *Why and How Women Will Elect the Next President* (New York: Harper & Row, 1984).

3. Carl N. Degler, *At Odds: Women and the Family in America from the Revolution to the Present* (New York: Oxford University Press, 1980), p. 2.

4. William L. O'Neill, *Everyone Was Brave* (Chicago: Quadrangle Books, 1969), p. 271.

5. Carol M. Mueller, ed., *The Politics of the Gender Gap: The Social Construction of Political Influence*, volume 12, Sage Yearbooks in Women's Policy Studies (Newbury Park, Calif.: Sage Publications, 1988), p. 16. See specifically "The Empowerment of Women: Polling and the Women's Voting Bloc," pp. 16-36.

6. Mildred Adams, *The Right to be People* (New York: J. B. Lippincott, 1967), p. 188.

7. Smeal, p. 8.

8. These findings emerged from a detailed Election Day survey of 14,836 persons as they left the polls, conducted by CBS News, and from similar surveys by NBC News and other news organizations. *National Journal*, November 6, 1976, pp. 1588-90.

9. *National Journal*, November 8, 1980, pp. 1876-78.

10. *National Journal*, November 10, 1984, pp. 2130-32. It is interesting to note that fewer women voted for the Democratic Presidential candidate in 1984 than in 1980, surely a great disappointment for feminists who expected Geraldine Ferraro, the first female major-party Vice Presidential candidate, to mobilize the female vote.

11. *National Journal*, November 12, 1988, pp. 2853-55.

12. James David Barber and Barbara Kellerman, eds., *Women Leaders in American Politics* (Englewood Cliffs, N.J.: Prentice Hall, 1986). See specifically "The New Gender Gap," by Bella Abzug with Mim Kelber, p. 247.

13. *National Journal*, November 12, 1988, p. 2854.



The Illusion That's the Welfare State

by Tibor R. Machan

I write this essay in a small town near Gdansk, Poland, where I am lecturing for a week on political philosophy. On my way here I stopped over in Hamburg to visit with my mother and uncle and other family members. During this visit, there was lots of talk about current geopolitical and economic affairs. My uncle, mother, and I all hail from one of the formerly Communist countries, and it is fascinating to speculate on what will happen in our homeland and the other Eastern and Central European nations now that the Soviet empire has receded.

It is important to stress one thing—the East has experienced not so much socialism, let alone Communism, as a modern version of feudalism. By Marx's own account, no move toward socialism was possible in greater Russia and the nations it colonized without either a prior capitalist stage or the conquest of the West. Barring such miraculous developments, these countries could only play at socialism, even in Marxist terms.

What in fact happened here was the revival of something akin to mercantilism: the vigorous practice of command economics. The main difference is that mercantilism didn't denounce commerce, it merely made it public policy. In the command economy, in contrast, there is a theory that is used to guide the economy in a specific direction, namely, industrialization and anti-consumerism. The theoretically determined collective needs of society as a whole are to be served.

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It is this kind of system that is to be blamed, whatever modern name is given it, for the incredible impoverishment of all these countries. It also may be blamed for throttling traditional ethnic and religious enmities that by now probably would have worked themselves into a more moderate tone. Instead Eastern Europe and the Soviet Union are just now experiencing what Western Europeans have largely gotten out of their systems and for which they have substituted a more-or-less liberal social order.

We may debate how best to explain recent events in Eastern Europe, and I have made my own efforts to do that. What is certain is that Poland, Hungary, Romania, and the rest are poor, as is, of course, the Soviet Union. This state of deprivation had been engineered until recently with the aid of a somewhat plausible Big Lie: that the West is a major military threat. Modern communication technology blew that barefaced deception out of the water. So the political economy of austerity that command economies generate no longer could be shoved down people's throats. Thus the recent market-oriented revolution throughout the region.

But what now? In the course of my discussions with relatives, my cousin Nicola argued that the East needs to transform its command system into a welfare state. Her motives had more to do with a sense of justice and compassion than with economic analysis. Nevertheless, she gave expression to ideas that are being avidly considered among Eastern Europeans, mostly in response to the

advice of Western experts sent there by labor unions, governments, and academic institutions. Most of these are trying to persuade Eastern European and Soviet authorities to establish a welfare state, or what is referred to in Europe as social democracy, as a substitute for the discredited command economy.

Social democracy amounts to the kind of order in which the bulk of the social problems of a country, including those arising in the economy, education, arts, sciences, agriculture, industry, and technology, are managed by means of democratic discussion and, ultimately, a vote. In the United States, this kind of order is the democratic welfare state, although those who wish to increase its scope refer to it as economic democracy or even democratic socialism. It is generally believed, at least by those who aren't mere opportunists interested in political and economic power, that such a system would be more just and kind than a purely free market.

A Benign Alternative?

The arguments put forward are the usual ones maintaining that capitalism is callous, heartless, mean, and neglects some of the essential elements of a decent society. The free market is supposedly too individualistic and discourages community service; it thrives too much on competition and too little on cooperation. The welfare state is alleged to be the more humane system, and in the wake of the evident unworkability of the command economy, a democratically administered socialism is submitted as the preferred alternative.

This message is being sent toward the East by many, and only a few are holding out for pure capitalism. Yet even among those who support a radical turn toward the free market, the most prominent and heeded are those who assert that the need for pure capitalism is only temporary. Once a country becomes economically solvent, they argue, the welfare state may well be the more benign alternative.

Janos Kornai, Hungary's foremost economist, who also teaches at Harvard University, suggests this in his book, *The Road to a Free Economy* (W. W. Norton, 1990). He points out that the only workable solution to Eastern European woes is an immediate switch to a free market system throughout the entire region. No welfare

state is possible in these societies, since unlike most Western countries where the welfare state has been established, these nations lack the resources to sustain welfarism.

To clarify Kornai's argument, it may be useful to draw an analogy. Kornai seems to be saying that welfarism seriously debilitates a society, much as disease weakens a living being. The welfare state is unhealthy, certainly economically, but even politically. Still, people may be willing to put up with some drain on their productivity, and indeed may flourish in the face of heavy taxation, so long as they have a good shot at becoming prosperous and retain a hope of making further progress.

Not all ailments knock out an organism; some merely produce a setback. If the basic system of private property and free trade isn't abolished, welfare states can be tolerated. As in the case of certain physical ailments, the welfare state need not be immediately disabling. Yet, as with such nonfatal ailments, the welfare state is in constant need of extra support—a permanent crutch, as it were.

In the former Soviet bloc, the patients have no strength left. They must go on a disciplined regime of recuperation and cannot afford to be dragged down by the parasite of welfarism. But what about after substantial recovery?

What is crucial is that the welfare state—the likely economic outcome of economic democracy—can carry on only while there is a source of extra strength. A good example is deficit spending, which is often a consequence of welfare programs. It subjects people, including yet unborn ones, to involuntary obligations to produce over and above their wants and needs sometime in the future. And for a while most of us will put up with this, on top of our own personal debts and liabilities.

Lessons from the Laffer Curve

But as the Laffer Curve proposes, one can tax people for only so long, to only a certain extent. If each year one is taxed just a bit more, and one can, with increased effort, recover these losses, the system can last for a while. But since the welfare state tends to be perpetual and constantly expanding, there is an unavoidable result: It cannot last.

It is important to remember that personally chosen charity to those in temporary need doesn't function this way. If left to individuals and volun-

tary groups, responding to an emergency doesn't create a constant drag on the system. Moreover, in privately responding to such emergencies there is better knowledge of who needs and deserves support, where the help will do the most good, and so on. As with moral advice, so with moral support (even of the economic variety): knowledge of details is essential.

In many robust Western economies—getting less and less robust each year, however—the Laffer Curve thesis has not yet seen its full impact. After all, human beings used to endure much worse abuse than the welfare state imposes on them. They have survived—with some degree of health and well-being—slavery, serfdom, dictatorships, tyrannies, fascism, and even socialism. The welfare state may appear to be a mild example of political and economic misguidance and injustice. And it makes some people feel good about themselves, even as it frees them from personal moral responsibilities by imposing a share-and-share-alike policy on their communities.

We have a great opportunity for the West to learn from the experiences of the East. Unfortunately, however, many intelligent people have become skeptics and will follow their wishes more readily than the products of logical analysis. Such analysis produced, for example, the conclusion that socialism cannot create economic well-being. Ludwig von Mises and, later, F. A. Hayek demonstrated through elaborate logical and conceptual economic reasoning that the system will

fail. Mises did this in his book *Socialism* published as far back as the 1920s, followed by Hayek's initial scholarly development of the idea and his more popular statement in *The Road to Serfdom*.

Unfortunately, there is such extensive anti-rationalism in Western intellectual circles that these scientific proofs tend to be widely ignored, and only major human tragedies seem to be heeded sufficiently to alter a course of action motivated by wishful thinking. Thus, perhaps if Eastern European societies follow Janos Kornai's advice and implement a fully free market system—not the hodgepodge mixed system we find in France, Germany, England, Japan, and the United States—it may demonstrate with factual, historical examples that welfarism is a false ideal.

Sadly, millions of people are unwilling to give genuine capitalism a chance, perhaps in part because they have become so comfortable in this halfway house of the welfare state that they are scared to leave it behind. So the East may be prevented from really fixing its problems, even though many know that without a true free market they will linger in economic and cultural malaise.

Maybe, though, we won't need to find out by historical example how much of a failure the welfare state is. Maybe there are enough tough-minded folks in the East, such as the Russian citizen who was recently quoted in *The New York Times*: "Now there are no owners. Nothing belongs to anybody. And from that simple fact come all the problems." □

Free Markets, Free People

The proper aim of economic life is an over-all aim: the use of limited human and material resources in such a way as to serve most effectively the needs and desires of all the people. This aim tends to be achieved automatically in a regime of free markets where the people's needs and desires can express themselves in price offers to which producers are forced by economic necessity to conform.

When political authority, even with the best of intentions, interferes with this self-regulating flow of goods and services, it sets up chains of cause and effect which it can neither foresee nor control except by constantly widening its authority. The final outcome is a regimented society from which all objective and valid guides to human effort have vanished, along with human freedom.

—*The Guaranty Survey*, March 1956

IDEAS
ON
LIBERTY



Why Socialism Causes Pollution

by Thomas J. DiLorenzo

Corporations are often accused of despoiling the environment in their quest for profit. Free enterprise is supposedly incompatible with environmental preservation, so that government regulation is required.

Such thinking is the basis for current proposals to expand environmental regulation greatly. So many new controls have been proposed and enacted that the late economic journalist Warren Brookes once forecast that the U.S. Environmental Protection Agency (EPA) could well become "the most powerful government agency on earth, involved in massive levels of economic, social, scientific, and political spending and interference."¹

But if the profit motive is the primary cause of pollution, one would not expect to find much pollution in socialist countries, such as the former Soviet Union, China, and in the former Communist countries of Eastern and Central Europe. That is, in theory. In reality exactly the opposite is true: The socialist world suffers from the worst pollution on earth. Could it be that free enterprise is not so incompatible with environmental protection after all?

I. SOCIALIST POLLUTION The Soviet Union

In the Soviet Union there was a vast body of environmental law and regulation that purported-

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ly protected the public interest, but these constraints have had no perceivable benefit. The Soviet Union, like all socialist countries, suffered from a massive "tragedy of the commons," to borrow the term used by biologist Garrett Hardin in his classic 1968 article.² Where property is communally or governmentally owned and treated as a free resource, resources will inevitably be overused with little regard for future consequences.

The Soviet government's imperatives for economic growth, combined with communal ownership of virtually *all* property and resources, caused tremendous environmental damage. According to economist Marshall Goldman, who studied and traveled extensively in the Soviet Union, "The attitude that nature is there to be exploited by man is the very essence of the Soviet production ethic."³

A typical example of the environmental damage caused by the Soviet economic system is the exploitation of the Black Sea. To comply with five-year plans for housing and building construction, gravel, sand, and trees around the beaches were used for decades as construction materials. Because there is no private property, "no value is attached to the gravel along the seashore. Since, in effect, it is free, the contractors haul it away."⁴ This practice caused massive beach erosion which reduced the Black Sea coast by 50 percent between 1920 and 1960. Eventually, hotels, hospitals, and, of all things, a military sanitarium collapsed into the sea as the shoreline gave way. Frequent landslides—as many as 300 per year—have been reported.

Water pollution is catastrophic. Effluent from a chemical plant killed almost all the fish in the Oka

River in 1965, and similar fish kills have occurred in the Volga, Ob, Yenesei, Ural, and Northern Dvina rivers. Most Russian factories discharge their waste without cleaning it at all. Mines, oil wells, and ships freely dump waste and ballast into any available body of water, since it is all one big (and tragic) "commons."

Only six of the 20 main cities in Moldavia had a sewer system by the late 1960s, and only two of those cities made any effort to treat the sewage. Conditions are far more primitive in the countryside.

The Aral and Caspian seas have been gradually disappearing as large quantities of their water have been diverted for irrigation. And since untreated sewage flows into feeder rivers, they are also heavily polluted.

Some Soviet authorities expressed fears that by the turn of the century the Aral Sea will be nothing but a salt marsh. One paper reported that because of the rising salt content of the Aral the remaining fish will rapidly disappear. It was recently revealed that the Aral Sea has shrunk by about a third. Its shore line "is arid desert and the wind blows dry deposits of salt thousands of miles away. The infant mortality rate [in that region] is four to five times the national average."⁵

The declining water level in the Caspian Sea has been catastrophic for its fish population as spawning areas have turned into dry land. The sturgeon population has been so decimated that the Soviets have experimented with producing artificial caviar.

Hundreds of factories and refineries along the Caspian Sea dump untreated waste into the sea, and major cities routinely dump raw sewage. It has been estimated that one-half of all the discharged effluent is carried in the Volga River, which flows into the Caspian Sea. The concentration of oil in the Volga is so great that steamboats are equipped with signs forbidding passengers to toss cigarettes overboard. As might be expected, fish kills along the Volga are a "common calamity."

Lake Baikal, which is believed to be the oldest freshwater lake in the world, is also one of the largest and deepest. It is five times as deep as Lake Superior and contains twice the volume of water. According to Marshall Goldman, it was also "the best known example of the misuse of water resources in the USSR."⁶

Factories and pulp mills have been dumping hundreds of millions of gallons of effluent into Lake Baikal each year for decades. As a result, animal life in the lake has been cut by more than 50 percent over the past half century. Untreated sewage is dumped into virtually all tributaries to the lake.

Islands of alkaline sewage have been observed floating on the lake, including one that was 18 miles long and three miles wide. These "islands" have polluted the air around the lake as well as the water in it. Thousands of acres of forest surrounding the lake have been denuded, causing such erosion that dust storms have been reported. So much forest land in the Lake Baikal region has been destroyed that some observers reported shifting sands that link up with the Gobi Desert; there are fears that the desert may sweep into Siberia and destroy the lake.

In other regions the fact that no compensation has to be paid for land that is flooded by water projects has made it easy for government engineers to submerge large areas of land. "As much land has been lost through flooding and salination as has been added through irrigation and drainage in the Soviet Union."⁷

These examples of environmental degradation in the Soviet Union are not meant to be exhaustive but to illustrate the phenomenon of Communist pollution. As Goldman has observed, the great pollution problems in Russia stem from the fact that the government determined that economic growth was to be pursued at any cost. "Government officials in the USSR generally have a greater willingness to sacrifice their environment than government officials in a society with private enterprise where there is a degree of public accountability. There is virtually a political as well as an economic imperative to devour idle resources in the USSR."⁸

China

In China, as in Russia, putting the government in charge of resource allocation has not had desirable environmental consequences. Information on the state of China's environment is not encouraging.

According to the Worldwatch Institute, more than 90 percent of the trees in the pine forests in China's Sichuan province have died because of air

pollution. In Chungking, the biggest city in southwest China, a 4,500-acre forest has been reduced by half. Acid rain has reportedly caused massive crop losses.

There also have been reports of waterworks and landfill projects severely hampering fish migration. Fish breeding was so seriously neglected that fish has largely vanished from the national diet. Depletion of government-owned forests has turned them into deserts, and millions of acres of grazing and farm land have been devastated. Over eight million acres of land in the northern Chinese plains were made alkaline and unproductive during the "Great Leap Forward."

Central and Eastern Europe

With Communism's collapse, word has begun to seep out about Eastern Europe's environmental disasters. According to the United Nations Global Environment Monitoring Program, "pollution in that region is among the worst on the Earth's surface."⁹ Jeffrey Leonard of the World Wildlife Fund concluded that "pollution was part and parcel of the system that molested the people [of Eastern Europe] in their daily lives."¹⁰ Evidence is mounting of "an environmental nightmare," the legacy of "decades of industrial development with little or no environmental control."¹¹

Poland. According to the Polish Academy of Sciences, "a third of the nation's 38 million people live in areas of ecological disaster."¹² In the heavily industrialized Katowice region of Poland, the people suffer 15 percent more circulatory disease, 30 percent more tumors, and 47 percent more respiratory disease than other Poles. Physicians and scientists believe pollution is a major contributor to these health problems.

Acid rain has so corroded railroad tracks that trains are not allowed to exceed 24 miles an hour. The air is so polluted in Katowice that there are underground "clinics" in uranium mines where the chronically ill can go to breathe clean air.

Continuous pumping of water from coal mines has caused so much land to subside that over 300,000 apartments were destroyed as buildings collapsed. The mine sludge has been pumped into rivers and streams along with untreated sewage which has made 95 percent of the water unfit for human consumption. More than 65 percent of the

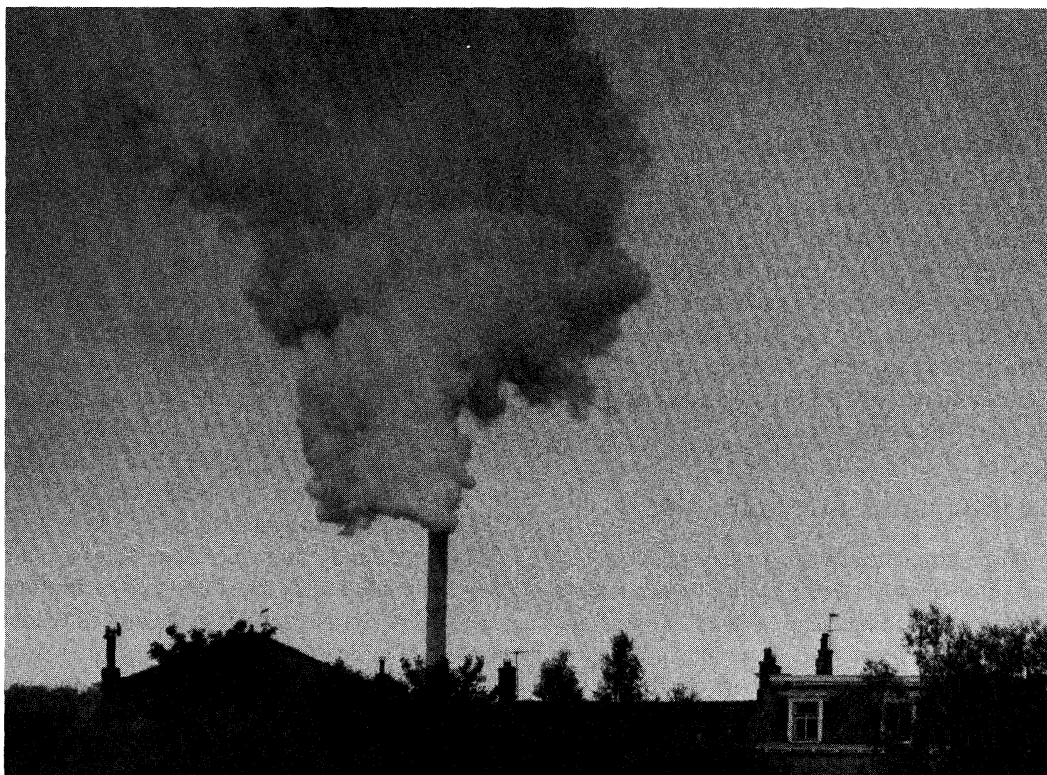
nation's water is even unfit for industrial use because it is so toxic that it would destroy heavy metals used by industry. In Cracow, Poland's ancient capital, acid rain "dissolved so much of the gold roof of the 16th century Sigismund Chapel that it recently had to be replaced."¹³

Industrial dust rains down on towns, depositing cadmium, lead, zinc, and iron. The dust is so heavy that huge trucks drive through city streets daily spraying water to reduce it. By some accounts eight tons of dust fall on each square mile in and around Cracow each year. The mayor of Cracow recently stated that the Vistula River—the largest river in Poland—is "nothing but a sewage canal."¹⁴ The river has mercury levels that are three times what researchers say is safe, while lead levels are 25 times higher than deemed safe.

Half of Poland's cities, including Warsaw, don't even treat their wastes, and 41 animal species have reportedly become extinct in Poland in recent years. While health statistics are spotty—they were not a priority of the Communist government—available data are alarming. A recent study of the Katowice region found that 21 percent of the children up to 4 years old are sick almost constantly, while 41 percent of the children under 6 have serious health problems.

Life expectancy for men is lower than it was 20 years ago. In Upper Silesia, which is considered one of the most heavily industrialized regions in the world, circulatory disease levels are 15 percent higher than in the general population, cancer rates are 30 percent higher, respiratory disease is 47 percent higher, and there has been "an appalling increase in the number of retarded children," according to the Polish Academy of Sciences. Although pollution cannot be blamed for all these health problems, physicians and scientists attach much of the blame to this source.

Czechoslovakia. In a speech given on New Year's Day of 1990, Czechoslovakian President Vaclav Havel said, "We have laid waste to our soil and the rivers and the forests . . . and we have the worst environment in the whole of Europe today."¹⁵ He was not exaggerating, although the competition for the title of "worst environment" is clearly fierce. Sulfur dioxide concentrations in Czechoslovakia are eight times higher than in the United States, and "half the forests are dead or dying."¹⁶



BILL BONGIORNO

Pollution, eastern Germany.

Because of the overuse of fertilizers, farmland in some areas of Czechoslovakia is toxic to more than one foot in depth. In Bohemia, in northwestern Czechoslovakia, hills stand bare because their vegetation has died in air so foul it can be tasted. One report describes the Czech countryside as a place where "barren plateaus stretch for miles, studded with the stumps and skeletons of pine trees. Under the snow lie thousands of acres of poisoned ground, where for centuries thick forests had grown."¹⁷ There is a stretch of over 350 miles where more than 300,000 acres of forest have disappeared and the remaining trees are dying.

A thick, brown haze hangs over much of northern Czechoslovakia for about eight months of the year. Sometimes it takes on the sting of tear gas, according to local officials. There are environmental laws, but they aren't enforced. Sulfur in the air has been reported at 20 times the permissible level. Soil in some regions is so acidic that aluminum trapped in the clay is released. Scientists discovered that the aluminum has poisoned groundwater, killing tree and plant roots and filtering into the drinking water.

Severe erosion in the decimated forests has

caused spring floods in which all the melted snow cascades down mountainsides in a few weeks, causing further erosion and leading to water shortages in the summer.

In its search for coal, the Communist government has used bulldozers on such a massive scale that they have "turned towns, farms and woodlands into coarse brown deserts and gaping hollows."¹⁸ Because open-pit mining is cheaper than underground mining, and has been practiced extensively, in some areas of Czechoslovakia "you have total devastation of the land."¹⁹

East Germany. The new German government has claimed that nearly 40 percent of the East German populace suffers ill effects from pollutants in the air. In Leipzig, half the children are treated each year for illnesses believed to be associated with air pollution.

Eighty percent of eastern Germany's surface waters are classified as unsuitable for fishing, sports, or drinking, and one out of three lakes has been declared biologically dead because of decades of untreated dumping of chemical waste.

Much of the East German landscape has been

devastated. Fifteen to 20 percent of its forests are dead, and another 40 percent are said to be dying. Between 1960 and 1980 at least 70 villages were destroyed and their inhabitants uprooted by the government, which wanted to mine high-sulfur brown coal. The countryside is now "pitted with moon-like craters" and "laced with the remains of what were once spruce and pine trees, nestled amid clouds of rancid smog."²⁰ The air in some cities is so polluted that residents use their car headlights during the day, and visitors have been known to vomit from breathing the air.

Nearly identical problems exist in Bulgaria, Hungary, Romania, and Yugoslavia. Visiting scientists have concluded that pollution in Central and Eastern Europe "is more dangerous and widespread than anything they have seen in the Western industrial nations."²¹

II. UNITED STATES: PUBLIC SECTOR POLLUTION

The last refuge of those who advocate socialistic solutions to environmental pollution is the claim that it is the lack of democratic processes that prevents the Communist nations from truly serving the public interest. If this theory is correct, then the public sector of an established democracy such as the United States should be one of the best examples of environmental responsibility. But U.S. government agencies are among the most cavalier when it comes to environmental stewardship.

There is much evidence to dispute the theory that only private businesses pollute. In the United States, we need look no further than our own government agencies. These public sector institutions, such as the Department of Defense (DOD), are among the worst offenders. DOD now generates more than 400,000 tons of hazardous waste a year—more than is produced by the five largest chemical companies combined. To make matters worse, the Environmental Protection Agency lacks the enforcement power over the public sector that it possesses over the private sector.

The lax situation uncovered by the General Accounting Office (GAO) at Tinker Air Force Base in Oklahoma is typical of the way in which many Federal agencies respond to the EPA's directives. "Although DOD policy calls for the

military services to . . . implement EPA's hazardous waste management regulations, we found that Tinker has been selling . . . waste oil, fuels, and solvents rather than recycling," reported the GAO.²²

One of the world's most poisonous spots lies about 10 miles northeast of Denver in the Army's Rocky Mountain Arsenal. Nerve gas, mustard shells, the anti-crop spray TX, and incendiary devices have been dumped into pits there over the past 40 years. Dealing with only one "basin" of this dump cost \$40 million. Six hundred thousand cubic yards of contaminated soil and sludge had to be scraped and entombed in a 16-acre, double-lined waste pile.

There are plenty of other examples of Defense Department facilities that need major cleanup. In fact, total costs of a long-term Pentagon cleanup are hard to get a handle on. Some officials have conceded that the price tag could eventually exceed \$20 billion.

Government-owned power plants are another example of public-sector pollution. These plants are a large source of sulfur dioxide emissions.

The federal government's Tennessee Valley Authority operates 59 coal-fired power plants in the Southeast, where it has had major legal confrontations with state governments who want the Federal agency to comply with state environmental regulations. The TVA has fought the state governments for years over compliance with their clean air standards. It won a major Supreme Court victory when the Court ruled that, as a federal government enterprise, it could be exempt from environmental regulations with which private sector and local governmental power plants must comply.

Federal agricultural policy also has been a large source of pollution, in the past encouraging overutilization of land subject to erosion. Powerful farm lobbies have protected "non-point" sources of pollution from the heavy hand of regulation placed on other private industries.

III. POLICY IMPLICATIONS

These examples of environmental degradation throughout the world suggest some valuable lessons. First, it is not free enterprise per se that causes environmental harm; if so, the socialist world would be environmentally pristine.

The heart of the problem lies with the failure of our legal institutions, not the free enterprise system. Specifically, American laws were weakened more than a century ago by Progressive Era courts that believed economic progress was in the public interest and should therefore supersede individual rights.²³

The English common law tradition of the protection of private property rights—including the right to be free from pollution—was slowly overturned. In other words, many environmental problems are not caused by “market failure” but by government’s failure to enforce property rights. It is a travesty of justice when downstream residents, for example, cannot hold an upstream polluter responsible for damaging their properties. The common law tradition must be revived if we are to enjoy a healthy market economy and a cleaner environment. Potential polluters must know in advance that they will be held responsible for their actions.

The second lesson is that the plundering of the environment in the socialist world is a grand example of the tragedy of the commons. Under communal property ownership, where no one owns or is responsible for a natural resource, the inclination is for each individual to abuse or deplete the resource before someone else does. Common examples of this “tragedy” are how people litter public streets and parks much more than their own yards; private housing is much better maintained than public housing projects; cattle ranchers overgraze public lands but maintain lush pastures on their own property; the national forests are carelessly over-logged, but private forests are carefully managed and reforested by lumber companies with “super trees”; and game fish are habitually overfished in public waterways

but thrive in private lakes and streams. The tragedy of the commons is a lesson for those who believe that further nationalization and governmental control of natural resources is a solution to our environmental problems.

These two pillars of free enterprise—sound liability laws that hold people responsible for their actions and the enforcement of private property rights—are important stepping stones to environmental protection. □

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Who Conserves Our Resources?

There is no effective method of determining the economic requirements of the people when the free market is not allowed to reflect them, nor can force solve the problem of conservation. It is a false panacea that is centuries old, advocated by those who desire power over others whom they neither trust nor respect.

—RUTH SHALLCROSS MAYNARD

IDEAS
ON
LIBERTY



Why Perestroika Failed

by Peter J. Boettke

When Mikhail Gorbachev came to power in 1985, he inherited a political and economic mess. The Novosibirsk report prepared by Soviet sociologist Tatyana Zaslavskaya, published in the West in the spring of 1984, already had revealed the deep structural problems confronting the Soviet leadership. The years of Communist rule had choked the economy—stifling innovation and destroying initiative—and produced political cynicism born of overt corruption of the ruling elite. Gorbachev knew full well the extent of the situation he inherited.

But after six years in power and despite much talk about renewal and restructuring, the economy is worse off and the Soviet Union no longer exists as a political entity. As a program of economic restructuring, perestroika must be judged as an utter failure. Glasnost to be sure produced a political and cultural awakening of sorts unknown during the 74 years of Communist rule, but perestroika failed to deliver the economic goods. Why?

One of the main reasons perestroika failed was because it wasn't tried. During his six years in power, Gorbachev introduced at least 10 programs for the "radical restructuring" of the Soviet economy, not a one of which was implemented. Instead, economic reform was limited to inconsistent and incoherent half-measures. The law on individual economic activity, the law on state enterprises, and the various price-reform proposals, for example, amounted to nothing more than half-measures incapable of producing

the desired economic results even if they were implemented in an ideal environment.

Conceptually, economic reform is a fairly simple matter. Private property in resources must be established and protected by a rule of law; consumer and producer subsidies must be eliminated; prices must be freed to adjust to the forces of supply and demand; responsible fiscal policy should be pursued that keeps taxation to a minimum and reins in deficit financing; and a sound currency must be established. Introducing such reforms—even within Western economies—is anything but simple. And the major problem is not just a conceptual one of designing the appropriate sequence or plan of reform.

One of the most important insights derived from academic research in modern political economy is the potential conflict between good economics and good politics. In democratic regimes, where politicians depend on votes and campaign contributions to remain in office, research has shown that the logic of politics produces a short-sightedness with regard to economic policy. Popular economic policies are those that tend to yield short-term and easily identifiable benefits at the expense of long-term and largely hidden costs. Deficit financing and inflationary monetary policy are but two examples from Western economies.

In the formerly Communist political economies, this argument about the logic of politics can be intensified. The benefits of public policy fell mainly on the only constituency that mattered: the party bureaucracy. From the nice dacha to special access to stores, the party elite were the primary beneficiaries of the system. Economic reform

promised to disrupt this system and yield very real short-term costs.

If market reforms had been introduced sincerely by Gorbachev, the short-term prospects would have been higher prices as consumer subsidies were eliminated, unemployment as inefficient state enterprises were shut down, and overt income inequality as new entrepreneurs took advantage of opportunities for economic profit. In other words, structural economic reform promised short-term and easily identifiable costs to be borne mainly by the party bureaucracy, and long-term and largely hidden benefits in terms of increased economic efficiency and consumer well-being. The logic of reform was in direct conflict with the logic of politics, and politics won out.

Economic Reality Prevails

Even though the ruling elite fought economic reform at every step, they could not repudiate economic reality. The Soviet economy had exhausted its accumulated surplus in terms of natural resources and Western technology and was unable to continue to develop. The economic situation grew worse under Gorbachev, and the demands for structural reform grew louder and more threatening to the old system. Glasnost, in addition to the events of 1989—from Tiananmen Square to the Berlin Wall—mobilized the intellectual and cultural elite. As a Russian saying went, “We are still on the leash and the dog dish is still too far away, but now we can bark as loud as we want.”

The failed August 1991 coup was the last gasp of the main beneficiaries of Soviet rule: the privileged

apparatchiks and ruling elite. For 60 hours the world first shuddered, then gasped as the coup unraveled, and finally cheered as the ordeal ended. But the coup was a precondition for the beginning of real reform of the system. Otherwise, the party bureaucracy would still have held a degree of legitimacy and power that no longer exists. The displacement of dominant interest groups, as Mancur Olson argued in his *Rise and Decline of Nations*, is a prerequisite for systemic political and economic reform.

The paradox of government, as James Madison so eloquently pointed out, is that a workable constitution must first empower the institution of governance with the ability to govern its citizens, and then force it to govern itself. As the leaders of the former Soviet republics debate their future economic and political ties and the legal frameworks that will govern their societies, they must bear in mind the most important lesson of the 74-year history of Soviet Communism—when politics is allowed to dominate economics as an organizing principle, political and economic irrationality result.

A workable constitution must protect against unwarranted political intrusions (even in the name of democracy) into the operation of economic forces. The law must establish “rules of the game” that protect the economic freedom of the people. Only in this manner can hope and prosperity come to a people who have been blessed with natural resources, but who have lived with the curse—first under the czars and then under the Communists—of bad rules that failed to restrain the political whims of the ruling elite. □

Coming Next Month . . .

- “How Many Laws Are Enough?”
by James L. Payne
- “Kafka’s Bureaucratic Nightmares”
by Jack Matthews
- “The Mythology of State Spending”
by John Hood

Czechoslovakia on the Hudson

by Robert Zimmerman

The invitation from friends in Prague finally ended many years of procrastination. "Come! We will put you up, show you our country." It was an offer I couldn't turn down. I packed my bags, and off I went to the formerly Communist country of Czechoslovakia. What could be more different from New York City?

Imagine my surprise when I discovered that, of all places, Czechoslovakia reminded me most of my hometown of New York.

The first night I stayed in Sazava, a small town 60 miles from Prague. My friend, nicknamed "Buffalo," had an apartment in an abandoned monastery. Outside, the building was drab and appeared poorly maintained. Inside, the apartment was sophisticated and elegant, large enough with its high ceilings and wood floors for Buffalo to fix it up.

I suddenly felt as if I weren't in Czechoslovakia, but in a renovated Manhattan loft! As in a loft, because the original architecture was intended for other purposes, Buffalo's quarters were spacious and made for a nice apartment.

In the city of Brno, we walked along what once had been a major shopping avenue, then we turned into a side street to find the home of another of my hosts. The shopping avenue was quiet and mostly empty. Many storefronts were boarded up, and those that were open were doing little business. The side street was lined with the dilapidated

facades of tenements. I kept thinking of the South Bronx and other poor areas of New York, where the shopping districts are abandoned, storefronts are covered, and the tenements are crumbling.

After hiking for several days in the backwoods of Moravia, we returned to the outskirts of Prague, where we stayed in the home of Denny, Hannah, and their three children. As with most buildings in Czechoslovakia, the outside was run-down. The Communists had subdivided the house into four small apartments, so Denny and Hannah's two-bedroom apartment was cramped. Since they didn't own the apartment, gained no benefit if they improved it, and paid a ridiculously low rent set by the government, they suffered things as they were, praying that the government might someday heed their requests for maintenance.

It was just like a typical Manhattan tenement! Rent control makes the building unprofitable, and neither the tenants nor the landlord performs any maintenance.

For two days I visited lovely Prague. The Vltava River winds its way through the city. On the east is the Oldtown Square; on the west is Prague Castle. Crossing the river is the Charles Bridge, a pedestrian walkway filled with vendors, performers, and tourists. This is the center of the city's street life.

Statues of famous people line the stone railing on each side of the bridge. The statues are black with soot and dirt, but the Communist government, instead of cleaning them, painted the better-looking ones black so they would match.

Mr. Zimmerman is a feature film producer in New York City.



ROBERT ZIMMERMAN

Vendors, Charles Bridge, Prague.

Gee, I thought, just like New York. In the 1980s the city government painted fake window shades and plants on the bricked-up windows of abandoned buildings, trying to hide its failure to renovate these crumbling structures.

As we strolled through the city, thousands of people crowded the streets. Vendors and street performers were everywhere; the action went on late into the night. Yet most buildings were shut, and there were few bars, restaurants, or nightclubs. The entertainment and commerce were on the street.

I thought of the 2nd Avenue flea market in Manhattan's Lower East Side, where the stores are often closed or abandoned, and the sidewalks stay crowded with hundreds of vendors. There is one difference: In New York you are accosted by people asking for change; in Prague you are accosted by people asking you to change money.

On my last day in Czechoslovakia we stopped off for a few hours in Plsen. Many buildings in the town center had been abandoned, apparently for a long time. Less than three blocks from the main square we saw several empty lots overgrown with trees. One empty building had holes in the roof and rusty scaffolding around it.

I had been told by Czechs that World War II damage still can be seen in some cities. I found this implausible, until I visited Plsen. If the empty lots and damaged buildings were not left over from World War II, they had been there for at least several decades.

I have seen such abandoned buildings in only one other place. You guessed it. In New York City valuable buildings are often left to decay, sometimes for decades.

Similarities and Differences

Not everything I saw in Czechoslovakia reminded me of New York. For example, it wasn't easy to find a restaurant. In Prague we walked for almost 40 minutes to find a place to eat lunch. The restaurants were either full, too expensive, closed, or too far away.

Yet I was disturbed by what I found in common. The connecting thread is that real estate in both Czechoslovakia and New York is controlled by the government, either by regulation or direct ownership.

Why did Prague look like the East Village, with street vendors and boarded-up storefronts? Now



ROBERT ZIMMERMAN

Vendors, Washington Square Park, New York City.

that Czechs are free to start their own businesses, they are quick to do so. Unfortunately, the new government still controls all real estate, and so the only place to open a shop is on the sidewalk. In New York, licenses, regulations, and building codes raise the cost of real estate so much that a poor person can't afford to set up shop legally. It's easier to open a table and sell books.

Why do buildings in New York and Plsen remain unused for decades? The same laws, taxes, and regulations that discourage new businesses in New York have destroyed many old businesses. The city takes over the real estate, and we have the government as landlord, just as in a Communist country. And as in Czechoslovakia, the government cannot do the job. It would rather paint fake repairs than fix things.

And, finally, why did Czechoslovakian homes remind me of the living quarters New Yorkers have to deal with? New York has rent control, strict zoning laws, and complicated building codes. Czechoslovakia has total government ownership of real estate. Both remove freedom of choice from the citizenry, and both distort the real estate market. People have to improvise unorthodox ways to live, or tolerate miserable ones.

Hence, people move into unlikely places (a factory loft, an abandoned monastery), getting around government restrictions as best they can. Or, worse, they live in overcrowded apartments in badly maintained buildings because rent controls have created housing shortages.

There is, however, a major difference between Czechoslovakia and New York. In Czechoslovakia I sensed an enormous optimism and pride. These are people who know what was wrong with their society for the last 40 years, had no control over it until the Velvet Revolution in 1989, and now are freely working to bring about change. Slowly, they are returning the land to private hands.

Upon returning to New York, I realized that things are different here. Since the 1940s, the city has grown more and more socialistic. Even with municipal bankruptcies, a failed school system, unsafe and inefficient mass transit, stifling taxes, and a legal structure that strangles old and new businesses alike, there is still no Velvet Revolution in New York City. As I said to my Czech friends: "It seems we have both been cursed with a Communist government. *You*, however, haven't been stupid enough to keep voting for it." □

Human Rights, Animal Rights, and Friends of the Earth

by Sylvester Petro

For some human beings, the urge to move from one state of being to another expresses itself in turning over; for others, in productive activity. The first of these responses to uneasiness is normally neutral, from the point of view of social welfare; the second, either neutral, or, in the case of production for exchange, a contribution to society. We may for convenience call both "Friends of the Earth," to coin a phrase. They do no one any harm and may even do some good.

For still another class of human beings, the response to uneasiness, the desire for some *je ne sais quoi*, is categorically different. It expresses itself in aggression: physical assault, theft, domination. There are also (at least) two varieties of aggression: overt and covert, violence or fraud, work-the-con-yourself or get-the-legislature-to-do-it-for-you-while-pretending-to-serve-the-common-good.

The covertly aggressive spirit is widespread among human beings. There is a little larceny in all of us, it is said. In consequence whereof the wrong-headedness of our governments, and especially of the Congress of the United States, is an across-the-board phenomenon. Yet, nowhere is the clash between government and society more odious and insidious than in the Endangered Species Act. This Act provides for the expropriation, sequestration,

or in some cases confiscation of property if its normal human use would risk the extinction of an "endangered species."

Thus, in the news recently we read that the government has banned logging for human purposes of thousands of forested acres, in order to save the spotted owl, allegedly because it faces extinction. Again, the U.S. Fish and Wildlife Service is proposing to prevent developers from building houses (for human residence) on miles of California coast because the California coastal gnatcatcher fancies it as a hunting ground and might just possibly become extinct if the builders try to alleviate housing conditions for human beings on that stretch of land.

And then there is the cataclysmic case of the kangaroo rat. As reported in a *Wall Street Journal* editorial (September 4, 1991), "The Stevens kangaroo rat recently became one of the largest 'land-owners' in California when a 30-square-mile stretch of land worth \$100 million was declared off-limits to development in order to protect the rat."

The editorial continues: "Nancy Kaufman, a Fish and Wildlife Service official, defended the move by saying that humans have reached the limit on how far they can intrude on the environment. We guess that means a lot of people in the future will have to double up in apartments Soviet-style. Ms. Kaufman isn't all that concerned about human habitats: 'I'm not required by law to analyze the housing-price aspect for the average Californian.'"

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But what of the loss of \$100 million in land to Californians who already pay more for housing than just about anyone else in the country?

“The Rights of Animals”

The Endangered Species Act is advanced and defended on one or another version of the contention that “animals, too, have rights.” This notion is supposed to justify the enormous costs and other burdens that the environmental and ecological programs impose, especially on the poor and the underprivileged—the people for whom, unlike most of the members of the Sierra Club and the Audubon Society, pennies count.

Making *any kind* of sense of the animal-rights idea—moral, social, economic, or juridical—is impossible.

After all is said and done, animals are not and cannot be parties in any intelligible sense in these affairs. Animals are physically capable of doing many kinds of harm to human beings, but they are incapable of expropriating them. Human beings can be expropriated only by other human beings. In the Endangered Species Act as administered by such secure human beings as Ms. Kaufman, what we have is environmentalist zealots imposing their will, by way of a perverted government, on the rest of the people. It may not be common theft, but that is only because it is so uncommon an enormity, resting on one of the deadliest beliefs of our times, the belief that paper laws *legitimize* theft.

It is true that our legislatures are elected and that the laws they pass, when constitutionally valid, are binding on the people. At the extreme limits, however, the power of Congress extends only to laws that provide for the general welfare, and the notion that the term “general welfare” in the Preamble of the Constitution of the United States includes the welfare of endangered wild animals is absurd. Endorsement by the Supreme Court of unconstitutional legislation, I would add, does not change the Constitution. The Constitution is not whatever the Supreme Court may choose to say it is. There is a constitutionally dictated amendment process which does not include amendment by the Supreme Court at all, or even by Congress merely by legislation.

The analysis doesn’t change if we engage the anomaly, “animal rights,” in serious legal analysis,

instead of dismissing it out-of-hand as a theft and a fraud, a scam by the idle rich and the idle well-to-do in order to preserve the earth as a plaything, a place to dally in. We must insist at the outset, however, that it is an anomaly. For wild animals do and can do nothing to create the entitlements called moral, juridical, or social rights. Rational exchange with them is out of the question. They are “free spirits”—or, better yet, *free loaders*, moochers on Mother Nature’s generosity and on the virtuous laboriousness of the only children who have ever reciprocated the generosity of the divine Earth-Mother—human beings.

Wild animals exploit the earth, love it and leave it, despoil and befoul it. That is all they have ever done, eon after eon, and all they will ever do—unchanging, unceasing exploitation. Beavers build dams, chopping down trees to do so. But has anyone ever seen a beaver *plant* a tree? Weyerhaeuser plants dozens for every one it cuts. I have planted quite a few myself, by the way.

Wild animals can never earn rights, but human beings can. If my neighbor takes my land or tries to force me to do with it what he wants rather than what I want, I can go to a court of equity and get an injunction to stop his encroachment on my rights. He and I both have duties vis-à-vis each other, as well as rights. He can enjoin me from using my land in a way that denies him the normal use of his land, as I have the power to do conversely. The great formula of Roman law, *sic utere tuo ut alienum non laedas*, [use your own property in such a manner as not to injure that of another] rules in inter-human disputes. But no court will help me when rabbits nibble my lettuce, birds punch holes in my tomatoes just as they ripen, and huge, ugly ants do away with my figs before I can enjoy the fruits of my efforts.

On what rational grounds, then, can people talk about “animal rights”? And yet there is such crazy talk. No wonder we put businessmen in jail while we turn thieves and crooks loose because they are “victims of society.” The same twisted logic is at work there.

I know that some human beings have been pure exploiters in some of their relationships with the good earth, mother of us all. However, the wanton exploitation we all deplore has occurred mainly in primitive pre-capitalist society and conditions. Over time, as man has advanced along with the growth of private property rights, of capitalism,

and of free markets, human beings have tended more and more to care for the land, to coddle, even to embellish it. It is not mere legalese which describes home, barn, and fence as real property "improvement."

Fanatical environmentalists and hypochondriacal ecology zealots (ecocondriacs?) do their fellowmen a grave injustice in accusing them of maltreatment of the earth, and they are profoundly stupid and insensitive in failing to understand that the best friend the environment has ever had has been the right of private property. Property owners tend to be careful about their property.

If the so-called environmentalists were acting in good faith and had any sense, they would be pushing for the sale of all public property, national forests and parks included, to private parties. The national debt would be reduced a little, and Mother Earth would mate with constant lovers instead of being tied up by bureaucrats and forced into one-night stands with the frivolous. It would make an honest woman of her.

All the days and years of our lives, all the periods of human history, have been peculiar and unique; but surely these times are more so. The other day Mikhail Gorbachev and Boris Yeltsin were on television, telling us how terribly tragic the 70 years of Communism have been. The essence of that tragedy lay in Communism's negation of the basic human right, the right of private property. And yet, while reformed Communists are lamenting that negation, our governments and our ecocondriacs keep erasing more property rights day by day and year by year.

Sooner or later, if we don't do something about our progressively destructive legislatures and bureaucrats, there will be no more left of that mother of all rights, the right of private property, in the United States than there was in the Soviet Union. There will be no rights at all, let alone animal rights. And Mother Nature will be saddened, with no one to love and cherish her, for love of nature is as exclusively human as reason is, and they both do best where the right of private property orders human affairs. □

A Species Worth Preserving

by John Kell

What if you broke your leg in a tumble from a hammock? Would your pain and inconvenience be any less if you learned that few people break their legs this way? Probably not. You feel pain as an individual; knowing that total human suffering has increased only a tiny bit won't make you feel better.

Whether a broken leg is a major event depends on your perspective: Do you look at how it affects the individual or how it affects the collective?

Mr. Kell is a biologist and writer living in Blacksburg, Virginia.

Public policies also can be examined from these perspectives.

For example, many environmentalists want wolves to be reintroduced to Yellowstone and Glacier National Parks, which are within the animal's historical range. Many ranchers oppose the idea because they fear that wolves will kill their livestock. Some environmentalists counter with the argument that wolves will kill less than 1 percent of the livestock in the affected area.

A fraction of 1 percent may seem small, and ranching as an industry wouldn't be greatly affect-

ed, but the income of a particular rancher could be seriously impacted. If a rancher lost a few head of cattle to a wolf, it would comfort him little to know that those were the only livestock killed by wolves in the whole state that year.

When environmentalists argue that wolves would have little impact on the livestock industry, they are thinking of the industry as a whole and not of individual ranchers. The rancher, on the other hand, is thinking about his particular herd and income. One is thinking collectively, the other individually, and each wonders how the other can be so unfeeling and irrational.

Is there any way these groups can come to view the problem from a common ground? What if environmentalists try to understand how wolves affect individual ranchers, and offer to compensate those who lose animals to wolves? This might help ranchers feel less threatened by the reintroduction of wolves.

Such a solution is being used by Defenders of Wildlife, an environmental group trying to reduce opposition to the reintroduction of wolves in Montana. They raised a \$100,000 compensation fund through donations, a benefit concert by James Taylor, and sales of a print featuring a family of wolves above a geyser basin in Yellowstone.

Defenders of Wildlife has paid \$11,000 in compensation since 1987. These didn't involve kills by reintroduced wolves, but were caused by a population that started naturally when wolves moved into Montana from Canada in 1979. Even so, Defenders of Wildlife felt the payments were needed to check the spread of an anti-wolf mentality.

Defenders of Wildlife hopes that the fund will be enough to run the program for 10 years. By that

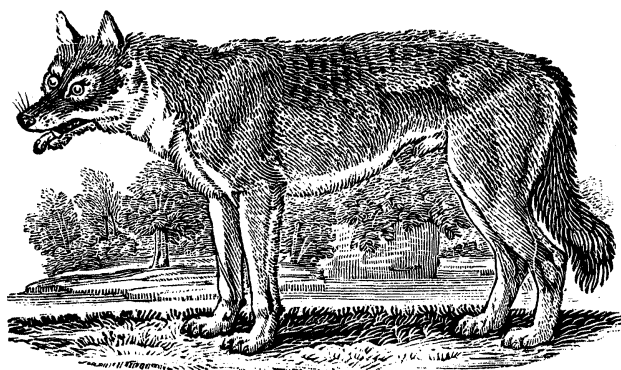
time they hope the wolf population will be large enough so the species can be removed from endangered status; shooting of problem wolves by animal control officers would then be permitted.

This isn't the first time that conservationists have turned to private funding to protect the environment. Ducks Unlimited, The Nature Conservancy, and Trout Unlimited have been buying habitat for years. But only recently have environmental organizations assumed financial responsibility for the actions of wild animals. The Great Bear Foundation in Montana started a program in 1985 to compensate ranchers for stock killed by grizzlies.

Like an insurance company, Defenders of Wildlife doesn't want to pay out more than it must, so they are educating ranchers to reduce the risks of losing livestock. They even bought a guard dog for one rancher who had lost cattle.

Environmentalists in other parts of the country are considering similar compensation programs. In the American Southwest, there are plans to restore the Mexican wolf. Conservationists have formed several coalitions and are trying to win public support for the reintroduction. Terry Johnson of the Arizona Game and Fish Department says: "A compensation fund is crucial to Mexican wolf reintroduction. Without it there is no hope for support or even neutrality from the ranching community."

Wolves seem to generate more animosity than the other large predators—grizzlies, mountain lions, and black bears—that run wild in Montana. The reintroduction of wolves is still opposed by many, and their future in Yellowstone is uncertain. One thing is certain. Environmentalists who are willing to bear the costs of their actions are a species worth preserving. □



Sports: The Great American Surrogate

by Donald G. Smith

There are many who trace the birth of big government to Franklin Roosevelt. While there is some merit in this, serious investigation will prove that the New Dealers were pikers when it comes to all-pervading, suffocating, nose-in-your-business big government.

The real monster was born in 1953 with the Department of Health, Education, and Welfare, now Health and Human Services. HEW turned out to be a masterpiece of unwieldy bureaucracy that would grow to more than 100,000 employees and yield the Department of Education as a spinoff, like something to do on a slow day.

We have now completed nearly four decades of *really* big government, and it is clear that we are no better off for it. It is interesting, though, to note the parallel course of organized sports in this period. As the federal government has expanded, we have also seen the sports explosion: domed stadiums, Monday Night Football, seven-figure salaries, huge signing bonuses, and incredible television contracts. While federal, state, and local governments have been regulating just about every aspect of everyday life, the sports industry has grown to enormous size.

In baseball we saw the first two-million attendance figure in Milwaukee in 1954, followed by three more years in which this figure was reached. It was finally topped by the Los Angeles Dodgers, who eventually passed the three-million mark and then set a record of 3,600,000 in 1982. Major league baseball has expanded from 16 to 26 teams—soon to be 28—and only four of the pre-1953 stadiums

are essentially as they were. The rest are either new or have been extensively remodeled.

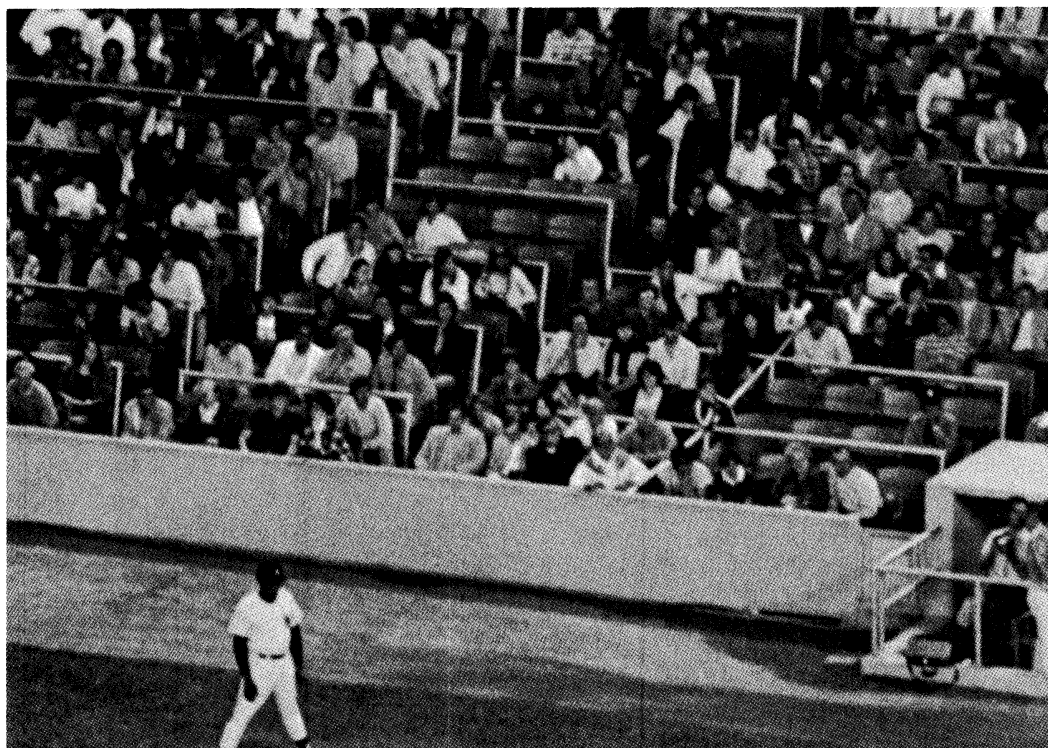
Professional basketball was really born during this period, although it dates back to 1898. It was, however, a game played in high school gyms and National Guard armories until after World War II, when two leagues merged to form the NBA. The sport would soon feature the highest paid athletes in the world and present them in the Forums, Omnis, and Spectrums of today.

College football, already a force to be reckoned with, has shown phenomenal growth during this time, and more than twice the number of schools are fielding teams as in the “golden age” of Thorpe and Grange. It is playing before packed stadiums every week. The same is true in professional football, with the Super Bowl being the top television attraction of the year.

All of this has happened since the formation of HEW and its attendant big government. The parallel just cannot be ignored. Is there a connection? I think so, and the logic is that success invariably follows need. It is a simple truism that the better mousetrap is bought by people whose old traps aren't doing the job.

With sports we see a definite need fulfilled. In another time, but well within the memory of middle-aged people, business was conducted by certain rules, unwritten but well understood. There was a system of rewards and punishments that benefited the industrious and worked to the detriment of the indolent. There was a way of doing things that was known and accepted, even by the losers. Now all this has been swept away in a big, mushy world of affirmative action, OSHA,

Mr. Smith, a frequent contributor to The Freeman, lives in Santa Maria, California.



DOVER BOOKS

discrimination suits, and protests for every conceivable cause. While never black and white, a onetime world of easily distinguishable dark and light grays is now a mélange of smoky middle-gray, where good isn't really all that good and bad isn't really bad at all, just misunderstood.

This is where sports enters the picture with something that we understand, represented by two teams competing under the same rules and resulting in a winner and a loser. It gives us back our dark and light grays. Anyone who has spent a frustrating day trying to cope with a mountain of regulations can come home, turn on the television set, and see something that is clear-cut and understandable: honest, straight-on competition.

First, he sees a team in which the coach or manager is allowed to play his best people. No one starts because he came from a broken home, nor are there any rules requiring representation by sex, race, or place of birth. This alone can be enormously satisfying after a day in the business world.

In sports we see clear and easily understood rewards and punishments. Grab a face mask and you are penalized; carry the ball over the goal line and you get a touchdown. A player can run as fast, jump as high, and throw as far as human limitations will allow, and there is no one to bring him down

to the level of those who aren't as good. People are free to excel.

We also see a true evaluation of worth. A .300 batting average says something. No one gets extra points for growing up in a tough neighborhood. Statistics are a record of performance. Twenty wins tells us that a man can pitch, and forty homers says that he has power. He is paid accordingly, and everyone understands why one player makes more than another.

The simple truth is that organized sports fills a need in the American competitive psyche that is lacking in the business world. What government has taken away, the Yankees, Bears, and Lakers have put back. We are a people who want to see good work rewarded, transgressions punished, and books balanced. We have turned to sports to find these things. It is a world that people understand and a world that people want. A touchdown is a touchdown, a home run is a home run, and a slam dunk is two points for the slammer.

Sports is our substitute, a surrogate for the world we lost when someone decided that the Department of Health, Education, and Welfare was a good idea. Athletic competition has become a replacement for the world we once knew and that many of us sorely want back. □

BOOKS

GALILEO'S REVENGE: JUNK SCIENCE IN THE COURTROOM

by Peter W. Huber

Basic Books, 10 East 53rd Street, New York, NY 10022
1991 • 304 pages • \$22.95 cloth

Reviewed by Doug Bandow

Much has been written about the litigation explosion in recent years, including Peter Huber's *Liability: The Legal Revolution and Its Consequences*. But Huber, a Senior Fellow at the Manhattan Institute, uses his latest book, *Galileo's Revenge: Junk Science in the Courtroom*, to explore one particularly important facet of the perversion of modern tort law—what Huber calls “junk science,” the use of dubious experts and flawed research to generate huge verdicts.

Junk science, Huber writes, “is the mirror image of real science, with much of the same form but none of the same substance”—the astrologer versus the astronomer. While mainstream scientists are appalled by the resulting “hodgepodge of biased data, spurious inference, and logical legerdemain” as well as “outright fraud,” lawyers, he argues, have welcomed the opportunity for legal alchemy, turning “scientific dust into gold.” And courts, which once strictly limited expert testimony, have increasingly treated the most idiosyncratic witnesses like respected authorities.

Examples of what Huber terms courtroom malpractice are legion. Decades ago came a string of lawsuits attributing cancer to bumps and falls. These cases died out, only to be replaced with suits blaming chemicals for causing cancer and other ills, cars for accelerating without reason, drugs for spawning a variety of ailments, and delivery procedures for inducing cerebral palsy. A Philadelphia psychic even won a million-dollar judgment as compensation for her alleged loss of powers due to a CAT scan. The judge tossed out that verdict, and defendants have won many other cases. But the social cost of junk science remains high: massive judgments, unending attorneys’

fees, lost product sales, drugs withdrawn from the market, and attention diverted from the real causes of most accidents and ailments.

Huber blames the growth of junk science on the shift in the 1960s and 1970s away from traditional common law rules in an attempt to “rationalize” tort law to better control the causes of accidents: “epidemiology, engineering, accidentology, or some other branch of conventional science would trace out for the jurist all the antecedent causes of a calamity,” however remote, allowing the courts to penalize the person or institution considered best able to prevent future harms. Unfortunately, Huber writes, this practice was “a prescription for bringing innumerable new scientific controversies into court,” along with ever more exotic experts and theories.

For instance, aided and abetted by the *60 Minutes* TV show, lawyers and their hired “experts” unleashed a slew of lawsuits against Audi for the alleged “sudden acceleration” of its model 5000. The litigants eventually extended to Audi owners complaining that the adverse publicity had reduced the value of their cars. Alas, as Huber shows, no plaintiff ever proved a single instance of sudden acceleration. Indeed, in numerous cases there was clear evidence that the driver had mistakenly stepped on the gas pedal instead of the brake; and extensive investigation by the National Highway Traffic Safety Administration blamed driver error, not manufacturer defect, for “sudden acceleration.” Nevertheless, while Audi didn’t lose every case, it lost two-thirds of its U.S. sales—and thousands of consumers switched to cars with higher fatality rates.

Another continuing series of junk science cases involves charges against obstetricians alleging that improper delivery causes cerebral palsy in babies. Different lawyers choose varying, and often conflicting, theories, but enough juries accept the claims to make these cases “one of the most spectacularly lucrative enterprises known to lawyers, quite possibly the single largest revenue raiser in all of medical malpractice,” writes Huber. Although the best evidence seems to be that cerebral palsy results from factors during pregnancy rather than delivery, this litigation sweepstakes has yet to end.

Perhaps worst of all are the “chemical AIDS” cases, where doctors and scientists of dubious reputations have convinced juries to assess massive

damages against firms for creating minuscule risks, risks far below those from lifestyle choices made by every individual every day. The courts haven't been alone in their credulity: the federal government now admits that it may have greatly overestimated the dangers of dioxin, which has resulted in multimillion dollar legal judgments and settlements, when it evacuated the entire town of Times Beach, Missouri.

Huber ably details how the so-called clinical ecologists have committed scientific fraud in the courtroom, ascribing virtually every human ill to one chemical or another. Yet the facts are really not in dispute. Noted a 1986 assessment by the American Academy of Allergy and Immunology, "the idea that the environment is responsible for a multitude of human health problems is most appealing," but there is no "satisfactory evidence to support" the claim. The advocates carry on, however, advancing religion rather than science. Observes Huber: "What most clearly characterizes the clinical ecologists today is their activist faith."

The only answer to such zealotry is to return the courts to the pursuit of truth—"the rule of fact," as Huber puts it. And this requires substituting good science for "the layman's science of gut feel, the lawyer's science of hunch and impression, science that ignores dosage and timing, science without numbers, science without rigor, science without the details." Huber emphasizes that courts should be skeptical not of new research, but of work carried on outside of the mainstream scientific community. The issue, he explains, is "the methods behind a scientific report, not its finely detailed conclusions." Raising the standards for professional witnesses would be eminently reasonable. As Huber observes: "If the law is capable of holding defendants to professional standards, it is capable of holding witnesses to the same."

Obviously, even the "good science" that Huber lauds doesn't offer certainty in every case. But it is far better—"vastly more accurate, reliable, stable, coherent, and evenhanded than the alternatives," as Huber puts it. Moreover, the risk of mistake is far less than that which results from the "let-it-all-in" attitude that prevails in the courtroom today.

Ultimately, Huber argues, the issue comes down to the purpose of the courts. Russ Herman, presi-

dent of the Association of Trial Lawyers of America, opines that the "courts are an institution established for the resolution of disputes, not arbiters of scientific truth." Yet the purpose of resolving disputes should be to accurately ascertain the facts *before* fashioning a judgment. Holding careful doctors liable for a baby's cerebral palsy, or a chemical firm liable for the harmless use of its product, may both resolve a dispute and enrich a litigant. But doing so doesn't provide justice for the defendant or make society better off.

Indeed, Huber specifically rebuts the argument that we should accept questionable scientific claims in order to err on the side of safety. Not only is there no evidence that litigation has helped control accidents in anything but the most obvious cases, but junk science itself may be dangerous. For example, in many instances it makes no medical sense to pull asbestos out of old buildings.

Peter Huber has written an important book. Distorted liability rules have helped create an insurance crisis, drive doctors out of business, stunt commercial innovation, and redistribute wealth in perverse ways. Tort law run amok has also unleashed modern-day witch hunts, with auto companies, chemical producers, doctors, and drug makers among the primary victims. Many courts, writes Huber, essentially "sit back, let everything in, and invite random groups of twelve stout citizens to vote as they please." The results of such a system are not pretty; the time for reform is now. □

Doug Bandow is a Senior Fellow at the Cato Institute and a graduate of Stanford Law School. He is a member of the California and D.C. bars.

REFLECTIONS OF AN AFFIRMATIVE ACTION BABY

by Stephen L. Carter

Basic Books, 10 East 53rd Street, New York, NY 10022
1991 • 286 pages • \$22.95 cloth

Reviewed by Jim Christie

In Clarence Thomas, most Americans discovered a political and philosophical oddity, a "black conservative" with reservations about affirmative action. Stephen Carter, a constitutional law expert at Yale Law School, describes how such

labeling limits honest and constructive political discourse.

Carter, who tells of his personal experiences—both beneficial and negative—with affirmative action, argues that affirmative action has become a trap for black professionals. For accepting affirmative action's benefits, such as privileged entree into universities, professional schools, and the business world, aspiring black professionals—primarily those who go into politics, law, and academia—must then be prepared to accept not only its stigma, but also an obligation never to break from its ranks of supporters.

Those who dissent, writes Carter, face the fate of Clarence Thomas—a dreaded association with conservatism, which in the eyes of many blacks (primarily from the generation that still carries the torch of the civil rights movement and among emerging campus diversity militants) is tantamount to racial treason.

Carter, a liberal embarked on dissent, confronts his more vocal colleagues forcefully: "Preferential treatment comes in two kinds, the kind we like and kind we hate. Both kinds have roots in the idea that race is a useful proxy for other information: in the early days of affirmative action, a proxy for disadvantage; today, a proxy for the ability to tell the story of the oppressed." This outlook, says Carter, has given birth to a ruthless dogma among liberal black elites that brooks no criticism, particularly from other blacks.

Its vitriolic nature can be seen in the personal denunciations of "black dissenters," as Carter describes them, such as Thomas Sowell, Shelby Steele, and Clarence Thomas, whose Heritage Foundation speech is often quoted by Carter as a converse example of conservatives' expectations of black dissenters. And while Carter defends black dissenters espousing conservative beliefs and policies, he pleads not to be misinterpreted as a "black neo-conservative" as happened to *Content of Our Character* author Steele, a Jesse Jackson backer in 1988.

That Carter displays a certain sympathy for the dissenters may come from his never having a personal need for affirmative action. The son of a law professor and a lawyer, raised in upper-middle class neighborhoods in the 1960s, and a National Merit Scholarship runner-up, he made it to Stanford, and later Yale Law School, on his academic record. He credits affirmative action with helping

him to a certain extent, but cautions that it is no substitute for personal drive—an argument that runs throughout the book.

Despite growing up in white suburbia and being matriculated in predominantly white, well-meaning liberal institutions of higher education, Carter wasn't free from racism or race-based assumptions. In fact, at times in the book it seems he bristles more against condescending attitudes from whites than blatant racism.

Carter recounts the hurt of being the subject of epithets in high school and more vicious ones in Palo Alto and Atlanta. But he more poignantly recounts the sting of being told an "error" had been made on his rejection from Harvard Law School, that the admissions committee didn't realize he was black: "I was told by one official that the school had initially rejected me because 'we assumed from your record that you were white.' . . . Suddenly coy, he went on to say that the school had obtained 'additional information that should have been counted in your favor'—that is, Harvard had discovered the color of my skin."

And if there is one thing Carter hates, it is the supposition affirmative action has created among blacks that they can't be the best in their field, but they can be the "best black."

The underlying theme of this book is the perception of intellectual and political limitations both black and white establishments attach to blacks because of affirmative action—which, Carter senses, is on its way out politically, certainly among many whites who have lost faith in the policy, and, he believes, among many blacks who now see it as a social burden.

And it is the deep divisions between the black establishment and dissenters that now overshadow what, in Carter's opinion, should be the central issue for black intellectuals—the future, and the shifting of affirmative action to blacks who need it most, not blacks raised in the middle class or bound for professional careers: "When black people criticize [affirmative action], the response is bewilderment, pain, and, in the end, open hostility. In the difficult years ahead, we cannot afford the luxury of letting our squabble over preferences, which help mostly those who can best survive without them, interfere with the needed dialogue on what to do next." □

Jim Christie, a graduate of the National Journalism Center, is a staff writer for California Republic.

ADAM SMITH AND MODERN ECONOMICS: FROM MARKET BEHAVIOR TO PUBLIC CHOICE

by Edwin G. West

Gower Publishing Company, Old Post Road, Brookfield, VT 05036 • 1990 • 256 pages • \$47.95 cloth

Reviewed by Nicholas Elliott

Despite being widely described as the “father of modern economics,” Adam Smith is given cursory mention by most modern economists and is only regarded as important for his 18th-century insights.

Readers will put down West’s book with a comprehension of Smith as a timeless economist whose analysis yields fresh insights into modern economics.

This work, published 200 years after Smith’s death, is both a reinterpretation of Smith and a review of how later writers have extended his ideas. But the most exciting aspect is the reinforcement lent to Smith’s status as a champion of free markets. Some latter-day economists have depicted Smith as a moderate interventionist, falsely claimed by libertarians. West looks at each area in which Smith supposedly favored government action and confirms him as a believer in the minimal state.

West contends that where Smith refers to projects that “could never repay the expense to any individual or small number of individuals,” he did not have in mind the modern concept of a “public good” (a good the provision of which is indivisible or from which recipients cannot be excluded). Rather, he was suggesting that a *large* number of individuals *could* receive an adequate return, if enabled to do so through liberalized capital markets.

The historical context is important, as “public” companies—limited liability firms that could raise capital through equity issue—were often permitted to exist by royal charter. Smith wasn’t calling for government provision when he referred to public enterprises, West says, but for charters to allow companies to undertake certain projects.

Smith advocated charters for insurance, banking, canals, and water supply. For most infrastructure he favored local financing, either through local taxes or through tolls, rather than central government funding. He accepted some govern-

ment financing of education, but believed it should be mixed with local funds, and he argued for teachers to be paid by the tutored.

In a fascinating chapter on the history of economic thought, West places Smith in the *laissez-faire* school of economics along with Malthus and Ricardo, and contrasts them with John Stuart Mill and Nassau Senior. Whereas Smith presumed that the individual knows his own mind best, Mill and Senior conceded large areas of society to government and saw little reason to set limits.

West maintains that those more dirigiste economists didn’t appreciate the importance of Smith’s analysis of interest groups and how they distort good government—the analysis recently developed into public choice theory.

The modern school of public choice, exemplified by economists James Buchanan and Gordon Tullock, applies economic methods to political behavior. West devotes a chapter to Smith’s public choice analysis, but this is a theme that runs throughout the book.

Economists examine the costs of monopolies in terms of their upward leverage on prices. Smith recognized these costs but saw others, identifiable through his public choice analysis. He pointed out the costs of lobbying, both to the monopoly seeking to retain its privilege and to victims seeking its removal. He also considered the costs engendered by the growth of bureaucracy in monopolistic firms, and the general harm to the body politic caused by allowing people to seek special favors from government. These additional costs are not appreciated in modern economics because of its narrow diagrammatic focus.

Smith’s failure to spell out a theory of comparative advantage in trade has drawn criticism from a number of economists, but West defends his more dynamic approach. As Smith saw the division of labor limited by the extent of the market, so trade provided a widening of the market and was a spur to development.

George Stigler has criticized what he believes is Smith’s suspension of his own public choice analysis in his policy recommendations. Stigler cites Smith’s canons of taxation which suggest convenience, certainty, minimal exaction, and ability to pay as the basis for a tax system. Smith is naive, says Stigler, to expect politicians to be interested in anything other than maintaining votes and raising revenue.

Once again, West provides a novel explanation of Smith's position. First, he says, Smith was thinking at the pre-constitutional level rather than referring to the hurly-burly of politics. Second, Smith was indeed appealing to self-interest—that of the sovereign to whom his remarks were addressed. It was in the sovereign's interest to prevent abuse of the constitution, says West. Smith's "clients were the custodians, the draftsmen, and the innovators of constitution, not a passing government that is intimidated by the mob," West contends.

One of West's aims is to defend Smith against critics who have argued that his work contains little that can be tested empirically. Some Austrian economists would quarrel with the assumption that theories must stand or fall on quantitative evidence. Had Smith written today, his work might have been cluttered with statistical analysis, but surely his qualitative prose is more accessible.

West includes a chapter on religion to show how Smith presented his ideas in testable form, but also

perhaps to remind us that Smith's work ranged wider than economics. Smith looked on religions as moral codes, evolved to bind people to their sense of duty and respect for rules. By the same token, said Smith, joining a church is a way of establishing a reputation for newcomers. Religions provide "valuable, reliable information concerning the level of risk attached to dealings with particular individuals," he suggested.

What could have been a narrow and arcane book opens up Smith and contains some sharp reflections on the questions addressed by Smith and on his place in the history of economic thought. West decides that the reason a subsequent generation of economists strayed from Smith's individualism "may be that their understanding of it was too superficial." He could have said much the same of many modern economists, but the departure is something that West's book will help to remedy. □

Nicholas Elliott is a financial journalist in London.

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PERSPECTIVE

Toward Jeffersonian Self-Government

My idealistic and distinctly unpragmatic stance toward social policy is to say that local control, the voluntary coming together of neighbors, and responsibility for one's own life are good things for everyone, not just the middle class, that they are the basis for the pursuit of happiness—that the way to help the underclass live satisfying lives is to make them responsible for their own lives and responsible for the life of their community. I also suggest that the way to tap the assets of the able and the affluent is to pull down the bureaucracies of social service professionals that now shield them from personal responsibility. It does not seem to me far-fetched that, deprived of the ability to pay social service professionals to do it for him, the average American in the late twentieth century would take his own steps, in his own neighborhood and reaching across to poor neighborhoods, to keep his fellow human beings from starving in the street, to keep children from growing up neglected, to keep communities from being ravaged by crime and drugs. It does not even seem far-fetched that these steps would be more effective than the current system in reducing the incidence of discrete problems such as malnutrition, child neglect, and homelessness, even as it was spectacularly more effective in achieving the larger goal of enabling people to live satisfying lives.

This is a radical approach indeed in an age when social democracy along the Western European model seems to be enjoying a global ascendancy. But having spent the last few decades testing the limits of social policy, why not reconsider the potential of a solution that was once as American as apple pie: Jeffersonian self-government?

—CHARLES MURRAY, writing
in *Critical Review*

Land of Opportunity

Over the years, thousands of refugees came to this country from Southeast Asia, Eastern Europe, the Soviet Union, and Latin America. They were certainly not prototypes of success. In fact, they were often personal failures—they came here with no money, no assets, and no contacts. They usually

started out in menial jobs. Yet once in America, they worked hard, got ahead, and their sons and daughters rose to the top of their class at some of America's best universities. It is a thrilling experience to watch the mechanisms of freedom and opportunity transform the lives of these previous "failures," and to realize that their success enriches the American culture just as surely as it enriches the American economy.

—KENNETH Y. TOMLINSON, writing in the December 1991 issue of *Imprimis*

Economic Strikers

Permitting unions and their members to suppress the competition of other workers is not right. Indeed it is both economically and morally vicious—as vicious as it would be to allow white workers to block the access of blacks to employment opportunities, another thing that unions have been known to do. . . .

Freedom is the foundation of morality and the *sine qua non* of well-being. Preventing employers from offering and workers from accepting jobs abandoned by strikers, often for no good reason at all, makes no socially acceptable sense. It is the kind of thinking that has made America's unionized industries uncompetitive in world markets, the country's unemployment rolls grow, and its businessmen invest elsewhere. It doesn't do union members any good, either. So who benefits?

—SYLVESTER PETRO, writing in the August 5, 1991, *Wall Street Journal*

Rent Control

Though few people know it, rent control is not one of the original laws of nature. New York City apartments have been subject to control for only 48 years. From Peter Minuit until 1943, tenants and landlords negotiated leases without government interference, except for a spell during and after World War I. Without artificially low rents, people had no incentive to cling to one dwelling; they moved freely, and empty apartments abounded.

—from an editorial in the August 13, 1991, *New York Times*

Fair Trade vs. Free Trade

All trade barriers rest upon the moral premise that it is fairer for the U.S. government to effectively force an American citizen to buy from an American company than to allow him to voluntarily make a purchase from a foreign company. U.S. trade policy assumes that the moral difference between an American company and a foreign company is greater than the difference between coercion and voluntary agreement. The choice of fair trade vs. free trade is largely: When is coercion fairer than voluntary agreement?

—JAMES BOVARD
The Fair Trade Fraud

"Animal Rights"

Animals should be treated in a humane and ethical manner, but we should not forget that most major advances in human and veterinary medicine would have been nearly impossible without animal testing.

In 1879, Robert Koch demonstrated the relationship between bacteria and disease by studying anthrax in sheep and cattle.

In 1922, Frederick Banting and Charles Best, working with dogs, discovered a method of extracting insulin from the pancreas of an animal to treat humans suffering from diabetes.

In 1954, Jonas Salk used monkeys to develop the polio vaccine.

In 1967, Christiaan Barnard tested heart transplant techniques on dogs and other animals before performing the procedure on humans.

It is unthinkable that such major medical progress could have been thwarted by those who claim that "a rat is a pig is a dog is a boy." Yet today we stand on the threshold of restricting animal research and, hence, greatly diminishing progress in areas including cancer chemotherapy, hypertension, atherosclerosis and Alzheimer's disease.

—ELIZABETH M. WHELAN, writing in the September 1991 issue of *Private Practice*

The Mythology of State Spending

by John Hood

In 1991, 30 states facing budget deficits raised income, sales, excise, and other taxes a total of \$17 billion, with more tax increases promised for 1992 and beyond.

Most commentators blamed Federal aid cuts and the tax revolts of the 1980s, which supposedly left the states unprepared for the 1990-91 recession. But rather than simply suffering the *effects* of a slower national economy, many state and local governments, by raising taxes and squandering resources, were a primary *cause* of slow growth.

According to Stephen Moore of the Cato Institute, state spending increased at an annual rate of 8.5 percent from 1982 to 1989—twice the inflation rate. Meanwhile, per capita state taxes almost doubled from 1980 to 1989, and “Tax Freedom Day”—computed by the Tax Foundation to identify when Americans effectively stop working to pay their Federal, state, and local taxes and start working for themselves—fell on May 8 in 1991, the latest date ever. State employment rose by 19 percent in the 1980s, while the general population grew by only 9 percent. Federal aid to states and localities, after dipping in the early 1980s, increased by an inflation-adjusted 20 percent in the late 1980s. From 1989 to 1991, state spending rose at an average annual rate of 7.6 percent, 2.7 percent above the inflation rate.

John Hood is publications and research director of the John Locke Foundation in Raleigh, North Carolina, and a columnist for Spectator (N.C.) magazine.

Most of these facts are well-known by state budget officials and policy analysts, but conflict with mythologies promulgated by the news media.

For the past two years, I have worked for a state think tank in Raleigh, North Carolina, that has been engaged in budget debates. I’ve observed the cozy relationship between reporters and public employee unions, teacher unions, and oft-quoted university “experts” on public policy. I have come to believe that the facts about state budgets don’t make it into most news stories and commentaries because of the composition of news sources and interest groups in state capitals.

It isn’t a nefarious process, but one of necessity: Reporters rely on advocates to generate story ideas, provide information and quotes about public issues, and to set the agenda for public debate. Much more so than in Washington, where a legion of reporters covers the federal government, and citizens’ lobbies and think tanks point out wasteful spending, representatives of state employees, contractors, and consultants dominate the news-gathering process in state capitals.

A recent example in North Carolina demonstrates how budget myths are created. During the 1991 legislative session, the North Carolina Association of Educators was growing nervous about the prospect of not receiving pay raises promised in previous sessions. Indeed, early in the session, public educators warned that the state’s largest budget deficit in many years would result in edu-

cation cuts, though as it turned out the cuts were minimal. Major newspapers ran stories extolling the achievements of particular teachers or decrying the state's low test scores and graduation rates.

Meanwhile, our office provided the news media with statistics showing a tremendous increase in public education administration (from 75 teachers for every administrator in the 1970s to 50 teachers for every administrator now) and in non-teaching personnel (from two teachers for every non-teacher in the 1960s to one teacher for every non-teacher now). In addition, we showed that the average salary of the state's teachers was closer to the national average for teachers than North Carolina's private sector wage was to the national private sector wage. In other words, compared with other workers in the state, teachers were fairly well off. We also identified a massive increase in state employment during the past two decades.

State media organizations paid little attention to these figures, although outside media such as *National Review* and *The Economist* reported them in stories on state fiscal woes. Instead, reporters continued to do stories without statistics or other hard facts and which focused on quotes from union lobbyists and their legislative allies. It worked. Rather than cut significantly into non-teacher positions or other government waste, the North Carolina legislature enacted the largest tax increase in the state's history.

Even if more press attention had been focused on numbers and fiscal trends, the result might have been the same. That's because the policy-makers who raise taxes and create government programs are beholden to teacher unions, public employee unions, and industry lobbies with an interest in state contracts. These groups provide political contributions and campaign volunteers. They hire lobbyists to haunt the halls of state legislatures, providing "information" and in some cases virtually writing the legislation that will protect their industry or their members. They host dinners, breakfasts, teas, parties, receptions, and other events to foster contacts and provide venues for deal-making. They manipulate media coverage by holding rallies and "marching on the legislature," although the ability to mobilize a couple hundred people doesn't really suggest public support or even newsworthiness.

These groups have been largely successful during the past decade in promoting their agenda: Public employee unions are the only healthy segment of the American labor movement. Andrew Bates of *The New Republic* reports that these unions added 1.2 million new members during the 1980s, a 30 percent increase, and that state employee salaries nationwide increased by 59 percent from 1980 through 1987, while private salaries rose 35 percent. Benefits also expanded rapidly, with retirement and health plan costs becoming the fastest growing category of state spending.

Ignoring the Appeal of Facts and Figures

In classic public choice style, those with an interest in government programs and higher taxes to pay for them exercise inordinate influence in state capitals and, to some extent, in city halls. The average citizen, whose interests lie in smaller government and lower taxes, often cannot meaningfully influence the process. The continued growth of state think tanks and taxpayer associations will help offset some of the advantages pro-government lobbies have, but no one should expect rapid change. In most state capitals, relationships between reporters and sources are chummy and take a while to develop. Also, legislators and other policy-makers have an interest in information and analysis, but an even greater one in political contributions—so the appeal of facts and figures isn't overwhelming.

Still, recent elections show that voters across the country are angry about taxes, dissatisfied with the way their governments are being run, and disgusted with waste and political scandal. To translate these feelings into specific opposition to programs, advocates of limited government and free markets have to be savvy, timely, and effective purveyors of information about the history of government taxing and spending in their states and the potential impact on economic growth. It may take a while for the message to crystalize, but it is crucial that it do so. The immensity of state and local tax increases during the past two years will translate into significant economic costs. A repetition of the 1991 state budget debacle could wreak irreparable harm on the incomes and livelihoods of American families. □

Kafka's Bureaucratic Nightmares

by Jack Matthews

During telephone conversations my abstracted vision sometimes idles over a very small, signed Marc Chagall print on our wall. This print is the familiar one which shows a bride and groom drifting eerily off the ground, with one side of them cast in relief against a vast white chicken, the size of a bed with clean sheets. But that's not the extent of Chagall's dream inventory, for it includes such bizarre objects as the head of a goat, the top part of a cello, elusively designed angels, and the head of a man wearing the billed cap of a 1920s streetcar conductor as he reads from a book.

These pleasantly colorful and expressive images of Chagall's Jewish mysticism naturally bring to mind the darker, less colorful (if deeper, in the way of textual dimensions) images evoked by Franz Kafka, a writer who helped define the modernist obsession with deconstruction and angst. Indeed, Kafka's nightmarish stories and novels occupy so unique a place in our sensibility that the word "Kafkaesque" is used and understood by people everywhere, even if they have never actually read anything he wrote.

But the truth is that many people *have* read his work. His story "The Metamorphosis" and his novel, *The Trial*, remain standard assignments in college literature courses. The former is especially memorable for its opening sentence, which informs us that one morning a man named Gregor

Samsa awoke to discover that he had been transformed into a gigantic cockroach. What follows this nightmarish transformation is quite logical, in its way—a fact which renders everything as unsettlingly terrible as it is ridiculous.

It is not surprising that "The Metamorphosis" has become a classic of surrealism, giving a powerfully symbolic expression to an individual despair and uncertainty we have come to think of as uniquely *ours*—something poor Chaucer or Shakespeare or Dickens could not have understood. Kafka's unforgettable images of dislocation seem to epitomize both the madness of the modern world and his own desperate neurosis—conditions hardly unrelated. The critic Philip Rahv wrote: "That Kafka is among the most neurotic of literary artists goes without saying. It accounts, mainly, for the felt menace of his fantastic symbolism and for his drastic departure from the well-defined norms of the literary imagination."¹

But Rahv goes on to say that such a formulation is not conclusive, for "Kafka is something more than a neurotic artist, he is also an artist of neurosis, that is to say, he succeeds in objectifying through imaginative means the states of mind typical of neurosis and hence in incorporating his private world into the public world we all live in." Farther down the same page, he adds, "Neurosis may be the occasion, but literature is the consequence."²

This is all true, and it is all worth saying. But what it neglects to say, and what is often ignored in critical commentaries upon the work of a writer whose visions have come to typify the darkest sort of existential despair, is the *focus* of so much irrationality and terror—for the "felt menace of

Jack Matthews' new play, An Interview With the Sphinx, published by The Dramatic Publishing Company, will also come out this spring in a special signed limited edition with The Logan Elm Press in Columbus, Ohio. His story, "The Branch Office in Prague" (Dirty Tricks, Johns Hopkins) is based upon Kafka's "The Metamorphosis."

his fantastic symbolism," that Rahv saw in Kafka's work, is typically focused upon some aspect of modern bureaucracy and its proliferation, along with its teratological outgrowth, the bureaucratic mind.

The Bureaucratic Mind

Monstrous in its hold upon us, the bureaucratic mind is sustained by the self-perpetuating mechanics of government and the claptrap of its own rhetoric. Marxist critics, in all their exotic colorations, have always taken, and will naturally continue to take, great care to avoid such an uncomfortable truth, for Marxists of all sorts (like the social insects generally) possess the bureaucratic mind and need political structure to provide them with security and self-definition. If Marxism is a substitute for religion, bureaucracy is its theology.

Obviously Kafka's woeful parables are not about Marxism, as such; if they were, his work would be no more than the narrowest sort of propaganda and it would be hard to explain its continuing relevance today among readers of various ideological faiths. The object of his chronic dismay is something far more prevalent and insidious: at the heart of his obsessive and horrifying narratives is an unfathomable bureaucracy, one that has emerged through a combination of inertia, default, and the institution of political power, perpetuating itself by feeding upon the rights of the people it was ostensibly designed to serve.

Consider one of his most famous short stories, "In the Penal Colony." It begins with an Officer proudly showing an Explorer (neither is given a name) a vast and intricate machine built for the administration of justice—specifically, the punishment of malefactors. Operating somewhat like a gigantic tattooing device, the machine is about to be used on a soldier convicted of insolence and sleeping on duty. This prisoner is so stupid, however, he seems hardly aware of the nature and significance of his crimes.

"Does he understand his sentence?" the Explorer asks.

"No," the Officer answers. "He'll learn it on his body."³

And, indeed, that is how it works: The machine will imprint the "sentence" on his body, and justice will be served. This fantastic device

was invented by The Old Commandant, now dead; indeed, we are told that the organization of the whole penal colony is his work.⁴ No wonder his memory is held in such reverence and awe.

But it is the Officer who occupies the center of Kafka's odd parable. He identifies the machine as the very principle of order in the world as he knows it, a world limited to the Penal Colony itself. Here is a man who craves some version of moral certainty in his actions; but for him, this must be a certainty that is conferred from without—which means it is programmed, and therefore not moral at all.

He is, in short, a perfect bureaucrat, and longs for the good old days. "When the Old Commandant was alive," he tells the Explorer in a nostalgic moment, "the colony was filled with his adherents: In some measure I still possess his strength of conviction, but nothing of his power." Then, pointing to the machine, he asks rhetorically, "Are we to allow such a creation as this—the work of a lifetime—to perish?"⁵ Finally, in an extreme of dramatic irony that verges upon comic melodrama, the Officer himself is killed by the machine as it brutally continues to edify his corpse.

The Ordeal of Joseph K.

This theme of bureaucratic madness permeates most of what Kafka wrote, but its presence is nowhere more obvious than in his novel, *The Trial*. The title has two levels of meaning, referring literally to some ominous legal action to which the protagonist, Joseph K., is told he will soon be subjected, and figuratively to the "trial" of chronic anxiety he is forced to endure while he awaits his trial—an anxiety that begins the instant he learns that he is accused of some unspecified crime—a crime that is terrifying and destructive precisely to the extent it is left undefined. This could well represent a tyrannical conscience or superego,⁶ of course; but it is also an image of the dehumanizing atmosphere created by the moral irresponsibility of bureaucracies.

Condemned to meander in a state of dreamlike vagueness from place to place, never able to forget that he has been charged with some sort of terrible though unnamed crime, Joseph K. suffers in ways that strike us as distinctly modern. In the ancient world, exile was often viewed as worse



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Franz Kafka (1883-1924)

than death, for it meant much more than the loss of what we today would term “civil rights”; it meant an existential alienation so terrible that death was to be preferred.

While Joseph K. is not exiled from the world he knows, something even stranger and more horrible happens: *Exile is brought to him*, as it were, magically transforming all that was known and familiar. Joseph K.’s exile has been dropped upon him like some great net from which he will never escape, sensing only that behind that net there looms a great and shadowy bureaucracy—an entity as remote and powerful and incomprehensible as the “Castle” of Kafka’s second most famous novel. In his diary Kafka wrote, “A cage went in search of a bird.”

The central action of *The Trial* is Joseph K.’s painful struggle in trying to learn exactly where he stands with regard to the law, specifically, and the world, generally. In a way, his behavior, like that of Gregor Samsa in “The Metamorphosis,” is itself quite normal; it is the circumstance of his sudden fate that is abnormal. Near the novel’s end, Joseph K. consults a painter named Titorelli, who tells him there are three possible outcomes

to his struggle: definitive acquittal, ostensible acquittal, and indefinite postponement. Hearing this, Joseph K. buys three paintings from Titorelli, one for each outcome, one might think, completing a pattern of symmetry that seems as oddly significant as most of what happens to him . . . but it turns out that it is finally as meaningless, for this transaction has nothing to do with the ramble-scramble evidence of some mysterious bureaucracy controlling every aspect of his life, functioning in some vast, ominous, shadowy realm just beyond the reach of his imagination.

Eventually, Joseph K. is killed, ending the trial of his existence before that other ghostly trial for an unnamed crime can take place—assuming that it ever would. Like most of Kafka’s narratives, this novel is dotted with strangely comic episodes; but the comedy does not provide release from the oppressive atmosphere of an irrational but omnipotent bureaucracy. In this, Kafka’s nightmare world is far different from that wonderfully crazy print by Marc Chagall I gaze upon when I talk over the phone . . . for in Chagall’s world, there is not only confusion, there is also joy; there is not only the threat of nightmare in the surrealistic superimposition of a bridal couple upon the flank of a vast white chicken, there is the grace of flight, freedom, . . . and color.

This is a far different realm from that reflected in Kafka’s black and white parables, where instead of buoyancy, there is only the heavy slogging of nightmarish struggle; and instead of joy, there is only the chugging of political machinery, mindlessly controlling everything—signifying a bureaucracy that has severed all connection with human need. Itself devoid of selfhood, this bureaucracy nevertheless creates scenarios in which selves become increasingly irrelevant—hardly more than feckless dreams flickering on and off in the crepuscular shadow of machines that mean nothing in themselves, but paradoxically in *meaning* that nothing, intend that nothing and no one else should ever mean anything, or have meaning . . . or deviate in any way from the absolute meaninglessness of their tyrannical power. □

1. Introduction to the Modern Library edition of *Selected Short Stories of Franz Kafka* (New York, 1952), p. ix.

2. *Op. cit.*

3. *Op. cit.*, p. 96.

4. *Ibid.*, p. 92.

5. *Ibid.*, p. 108.

6. For interesting though obvious reasons, Kafka’s work is rich in Freudian motifs.

The Search for a Souvenir Spoon

by Dwight R. Lee

My mother collects souvenir spoons, and I have found that airports are the easiest place to buy them. However, when I recently flew into Sheremetevo, Moscow's international airport, one of the first things I noticed after clearing customs was the lack of shops. The traveler who wants a convenient souvenir is out of luck.

Finding no souvenir spoons at the airport, I assumed they would be available at my downtown hotel. I was wrong. There was only one small shop in the hotel, containing little more than *matrioshka* dolls, lacquered boxes, and a few fur hats. Even if souvenir spoons had been available, buying one wouldn't have been easy. The shop was rarely open, and then attended by a clerk more interested in reading her paper than taking my money.

A short walk to GUM, Russia's largest department store, also was unproductive. There were no advertisements or fancy displays aimed at enticing customers to spend their money. Of course, I was prepared to buy a souvenir spoon without such inducements, but despite a seemingly endless succession of shops, I found none. Indeed, little merchandise of any kind could be seen. The long lines of women (few shoppers were men) obscured whatever merchandise was available. Figuring that these women weren't queuing up for souvenir spoons, I didn't join them.

Near my hotel I came across some street ven-

dors who, recognizing me as an American, were eager to sell me souvenirs—provided I paid U.S. dollars. Unfortunately, their selection was limited. Deciding that a Red Army battle helmet or a cheap T-shirt proclaiming the wearer to be a KGB agent would not make a flattering addition to my mother's wardrobe, I continued my search for a souvenir spoon.

I was able to be philosophical about my search by considering the plight of Russian citizens, who depend on those with little interest in their money for everything they want to buy. The long lines of shoppers waiting for surly service and pitiful products are only the most obvious examples of the lack of commercial attention that Americans have the luxury of complaining about.

We Americans, in fact, take a lot for granted. When it rains, we turn on our windshield wipers with the same ease that we turn the dial of our radio to avoid a commercial. Russians lucky enough to have a car, especially one with a radio, don't have to worry about commercials. But when it starts raining, many drivers must stop their cars, take their wiper blades from the glove compartment, climb out into the pouring rain, and attach them so they can continue their trip. Finding someone willing to sell wiper blades is a serious challenge for motorists, so wiper blades left on the windshield of one car are likely to find their way into the glove compartment of another.

We Americans are accustomed to bright lights.

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Almost nothing is brightly lit in Russian stores, restaurants, hotels, and offices. There are generally plenty of light bulbs, but most of them are burned out. In many cases these burned-out bulbs were brought in by employees and substituted for those that work. This is a tempting way for citizens to replace their burned-out bulbs at home, since buying working light bulbs is only slightly easier than buying a souvenir spoon.

If Russians were surrounded by people eager for their money, then, like Americans, they would be surrounded by light bulbs, wiper blades, and souvenir spoons, not to mention thousands of other products they do without. The desire for money motivates the production of goods, and the availability of goods, in turn, creates the desire for money. Bringing the Russian economy into the reinforcing cycle of productive activity and the aggressive pursuit of money requires freedom,

including the freedom to own, sell, and profit from private property.

The Uses of Freedom

The Russians' quest for freedom—economic as well as political—is fueling the revolution that is sweeping aside obstacles such as the Communist Party and the forced union of the Soviet republics. As the citizens of what has been the Soviet Union secure their freedom, they will begin using it in a variety of ways to improve their lives. One of those ways will be to develop increasingly creative means to sell goods and services.

Some day soon I hope the Russian people will be fortunate enough to benefit from the "crass commercialism" Americans love to complain about. Then I will be able to buy my mother a souvenir spoon at the airport or hotel in Moscow. □

1991-92 Essay Contest Winners

"The Market and Mother Nature:

Responses of a Free Society to Environmental Concerns"

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Second Prize (\$1000): Ramesh Ponnuru, Princeton University, "The Environment: A Freedom Agenda"

Third Prize (\$500): Zachary Shriver, Amherst College, "Privatization: An Economic Imperative"

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First Prize (\$1500 Scholarship): Carl E. Bruce, Pilgrim Christian Academy (home school), Wichita, Kansas, "Environmentalism: Leading Mankind Down the Garden Path"

Second Prize (\$1000 Scholarship): Wendy Dale Shalit, Whitefish Bay (Wisconsin) High School, "The Weapon of Property Rights"

Third Prize (\$500 Scholarship): Robert A. Parkins, Shawnee Mission (Kansas) East High School, "Preservation and Privatization"

Looking for a Strong Man After the Revolution

by Doug Reardon

Taras and Ilya were doing a very bad thing. So awful, in fact, was the deed the two young men were doing on the train to Kiev that, should the police have found them out, Taras and Ilya could have gone to prison for a long time.

They had bought cigarettes for two rubles a pack in St. Petersburg and were going to sell them for five rubles a pack in Kiev.

"I could go five years to prison, five years for this!" Ilya exclaimed later in the smugglers' flat while unpacking the rucksacks, suitcase, and cloth bag crammed with dozens of cartons of rather toxic-looking unfiltered cigarettes made in Bulgaria.

"I am a criminal!" Taras chimed in with his partner, both singing the hymn of wronged victims of a bad system.

A system that makes supplying legal products a criminal offense obviously is in need of reform. That 73 years and untold human suffering were required to make apparent the failure of Communism in the Soviet Union is a profound tragedy. Yet as the republics of the former union move toward building a more sensible society, old habits of state dependency may be as vexing as loosening the chains of government.

In many instances, if government simply removes itself from people's lives, people will gladly get on with putting society on a more sensi-

ble footing. For example, Taras and Ilya were black marketeers because the government did not allow a free market to exist.

The cigarettes Ilya and Taras smuggle are not particularly good, but queues are eye-poppingly long outside state-controlled tobacco shops in Kiev. If the state didn't have a monopoly on tobacco and set its price, the price of cigarettes might rise and the supply of cigarettes would increase until there was a satisfactory equilibrium.

This is exactly the type of free-market price reform Russian President Boris Yeltsin has pledged for the Russian republic. But other republics so far haven't followed suit.

However, withdrawing the heavy hand of government, which touches even the most picayune details of life, does not mean that many people will accept the absence of Big Brother. Patterns set by centuries of authoritarian rule seem little changed since the smashing of the highly centralized Soviet state. The desire for a powerful government to dictate life remains widely held in Russia, Ukraine, and elsewhere.

Despite the "Second Russian Revolution," life flows along the same old path at the sprawling state farm surrounding Bortnichi, a village about 20 miles, through pine forest and across rich, black soil, from the Dnieper River and Ukraine's capital, Kiev.

Sunlight haloed the milkmaid's angelic face, soft

Doug Reardon is a free-lance journalist.



THE BETTMAN ARCHIVE

Since 1547, when Ivan the Terrible created a state where virtually all reins of power were held by his hand, Russia's economic development has been dictated from central control rather than individual effort.

and fair, her hair wrapped in a simple white scarf, as she seemed poised to part her lips in a soothing lullaby . . . instead came steel. "There should be a hard hand, a fist!" hammered Tamara Checko, a mother of five who tends milk cows and fattens calves at the farm. "People should be forced to work!"

Down the dirt road from the milkmaid's home, Ivan Momot, a 76-year-old retiree, was spreading ash fertilizer with a rake over the rectangle of earth where he cultivates cucumbers, red beets, and pumpkins. With a dash of his rake, Momot set a billy goat bleating away from a stalk of corn, and grumped that someone needed to take control of things. "Someone broke into my root cellar!" he exclaimed. "Crime is increasing everywhere, even in our village."

Such faith in authoritarian measures to combat rising crime and economic difficulties is heard around the globe. Unlike the United States, Russia and Ukraine don't have centuries of constitutional government and firmly established legal precedents to protect the individual against excesses of the state. Not only does this tendency

toward authoritarianism pose serious problems for democracy, it also hinders economic reforms in the former Soviet bloc.

The Need for Personal Initiative

The reforms most experts believe are needed to pull Russia and the other republics out of their current economic morass require personal initiative. But after centuries of being told what to do by the state, many people naturally look to the government for instruction. Many hesitate to strike out on their own.

"Nobody even thinks about working independently," said Klavdiya Kharchenko, a soil expert, who has worked in the state farm's greenhouse for 26 years. After a moment's reflection in front of the greenhouse with its tattered plastic sheets flapping madly in the wind over its battered and broken wooden frame, she acknowledged the place could be better run. For example, this season they'd botched the tomato crop by experimenting with four strains, only one of which thrived.

In fact, Kharchenko said, running a shipshape

greenhouse privately "would be very lucrative." Nonetheless, she went on, "Conditions aren't ripe for that."

For centuries, people have learned that conditions aren't ripe until the government tells them they are ripe. In 1547, Ivan the Terrible adopted the title Czar and created a state where virtually all reins of power were held by his hands. Since then, Russia's economic development has been dictated from the center rather than growing spontaneously by individual effort. In 1712, Peter the Great thought up a plan for the Russian economy, then simply decreed that the industries in his scheme be created and trade be developed with the West.

Even the last attempt in the U.S.S.R. to stimulate farming through privatization, during the 1920s famine, was steered from the center. Ironically that attempt, the New Economic Policy, was made by the Communists, but was brutally smashed after a few good years by Stalin, who shipped thousands of the small private farmers to death camps.

Throughout Soviet citizens' lives, the state set wages and controlled prices. So people are in the habit of expecting the state to take care of them.

Free market reforms will be politically difficult because they mean increasing many prices. At the same time, the government must hold the lid on printing money to avoid hyperinflation.

A conversation with Maria Fotan, a 27-year-old mother of five from a Carpathian mountain village, illustrated the tremendous difficulty facing reformers. Fotan was in Moscow ("It's very exciting!") on her annual trip to sell the baskets she weaves. "Prices are very high. It's very bad now," she said. "We don't know how we're going to feed our family."

What if capitalism means prices will increase even more?

"That means we must have more payment from the government," she replied simply. If not, "Then we're going to demonstrate. We'll get rid of them."

Reliance on the state and a desire for authoritarian rule surface repeatedly in conversations with Ukrainian and Russian citizens.

The Roots Run Deep

Even though the Communist Party's absolute power largely was broken by recent events, its roots snaked deep. "Party people used to watch our work

and give instructions. They interfered," said Kharchenko, the greenhouse worker. "But now there's no more party oversight and propaganda."

Communist Party members have been banned from conducting political activity and other party business in government-owned enterprises. Those new rules went into effect on the Bortnich farm, three days before Kharchenko spoke.

"The party members have not been kicked out," she said. Why not? "They're the managers."

Elsewhere, the failed putsch and its aftermath seem to have had little effect. "It was just a revolution in Moscow," said Misha Babieva, 38, who comes from a village in the Caucasus Mountains near the Black Sea. "Nothing is changing in the places we live."

Sometimes there is an odd, flailing attempt to fuse divergent desires for democratic reform and for the relative wealth provided by previous Communist regimes.

"From America? Well, excuse me for not shaving, there are no razors in this country," cracked Victor Vakulov, 57, smoking a cigarette from a filter. "I'm against everything that's going on right now in Russia. Even after the war, it was better. Even though Khrushchev was a fool, it was better. When Brezhnev was ruling, it was much better. Because of Gorbachev's rule, we cannot live."

He interrupted his tirade to haggle with an elderly woman trying to buy one of the grizzled ears of corn he was hawking from a wooden crate at a Moscow market.

"The politicians are just chatterboxing and chatterboxing. We need a strong man," he said upon returning. "I'm for the power of the people, but the main thing is for this strong man to be just and to show us what to do. He must be cruel and strong, but no dictatorship. I want the power of the people."

If history played a role in instilling this tendency toward authoritarianism in Soviet life, history also serves to ward off such trends.

"Our young democracy is making a lot of mistakes right now," said Mikhail Smiryagin, a taxi driver in Moscow. "One mistake was to ban the Communist Party. We've already seen this. In 1917, the Bolsheviks banned all the parties."

No, he was not a member of the Communist Party. "It's not a question of whether you're a member of the party, it's a question of your thinking like a democrat." □

Breathe Deep, America, While Liberty Is in the Air

by Arthur P. Hall, II

By liberty, I understand the power which every man has over his own actions, and his right to enjoy the fruit of his labor, art, and industry, as far as by it he hurts not the society, or any member of it, by taking from any member, or by hindering him from enjoying what he himself enjoys. The fruits of a man's honest industry are the just rewards of it, ascertained to him by natural and eternal equity, as is his title to use them in a manner which he thinks fit: And thus, with the above limitations, every man is sole lord and arbiter of his own private actions and property—a character of which no man living can divest him but by usurpation, or his own consent.

—JOHN TRENCHARD, *Cato's Letters*
No. 62 (January 20, 1721)

Talk of liberty and democracy are in the air all around the globe. Not surprisingly, budding democracies are looking to the United States for an understanding of these terms, and ways to codify them into law. Sovietologists frequently remark that the peoples of the former Soviet Union consider the United States to be the moral authority in matters of individual liberty and democracy. However, the state of liberty in America today is not the best example the Soviets could follow—the Founders' liberty is.

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Many political and academic figures in the United States view the present situation as an ideal opportunity to shape events in the former Soviet republics. This unfortunate mentality reveals an arrogance that underlies many U.S. domestic problems (and is inherent in any welfare-state orientation). It presupposes that there are some individuals with enough knowledge to provide society with a sufficient blueprint, economic or otherwise.

Rather than use the Soviet people's economic plight to enact some "grand bargain," the United States should be flattered by its claim to moral authority, and use the opportunity to reflect on the origins and meaning of that authority. The Virginia Declaration of Rights (1776) reminds us, "That no free Government, or the blessing of liberty, can be preserved to any people but . . . by frequent recurrence to fundamental principles."

The Soviet people are starting out much as Americans did after the Revolutionary War. Industrialization aside, economic conditions in the former Soviet republics are not fundamentally different from those Americans experienced after the Revolution. The single major exception is the absence of a Soviet property rights tradition.

The Pilgrims' Failed Experiment

It is vital to know, however, that the institution of property rights in America was helped along by a failed communist order. The Pilgrims, for the first two years after landing at Plymouth Rock in

1620, lived under a system of communal property. The people, by decree, warehoused all that was produced, and the authorities distributed the stocks of foodstuff according to their discretion. Dismal harvests and two consecutive winters of hunger prompted Governor William Bradford, after much debate, to assign every family a parcel of land, according to the number of family members. Substantial productivity gains resulted. All family members willingly began to work the land, whereas before privatization citizens "would allege weakness and inability."

Bradford described the lesson learned in no uncertain terms:

The experience that was had in this common course and condition, tried sundry years and that amongst godly and sober men, may well evince the vanity of that conceit of Plato's and other ancients applauded by some of later times; that the taking away of property and bringing in community into a commonwealth would make them happy and flourishing; as if they were wiser than God. For this community (so far as it was) was found to breed much confusion and discontent and retard much employment that would have been to their benefit and comfort.¹

From Bradford's statement and what is known about the development of British America, it can be inferred that the colonists learned to value private property, individuality, and self-sufficiency, and preferred this arrangement to any other. This preference and its institutionalization made America's Revolutionary War different from other revolutions.

Professor George Friedman has offered a striking explanation of the difference between the public attitude following the American Revolution and those following other revolutions.² Most revolutionaries seek to change their societies according to some grand design. The American founders, however, "wished neither to construct a new society nor to perfect the old. They sought merely to found a regime that would protect society from its own ambitions, leaving men free to find their own way in the world." The American mentality, says Friedman, is the most important lesson Eastern Europeans (and now the former Soviets) can learn from the United States: "The revolution is over. It is time to go home, fall in love, raise children, make

money, and see the sacred in the banality of everyday life."

Friedman's observation captures the essence of America's original conception of liberty: sovereignty of the individual and the sanctity of property rights. This conception, however, has undergone a dramatic mutation that is disintegrating the foundation of the United States' Constitutional heritage, the heritage that has made America the most prosperous nation in history, a heritage former Communist countries now covet.

It is time to restate and reassert the West's ideal of liberty. Only through a re-examination of the Founders' Constitution can the United States restore the ideals that have made it the leader of the free world.

Natural Law vs. Positive Liberty

The recent Clarence Thomas Supreme Court confirmation hearings have served as a reminder of just how much this nation's Constitutional concept of liberty has been distorted. Indeed, the original notion seems exactly reversed. For example, I happened to hear Anne Bryant, executive director of the American Association of University Women, state before the Senate Judiciary Committee that the "great principle" upon which this nation was founded is the "inalienable right of *equal opportunity*."³ Ms. Bryant made herself clear by insisting that the opportunity she spoke of was economic opportunity: She espoused the doctrine of "positive liberty."

Positive liberty confuses freedom with power. It calls for the removal of obstacles that prevent individuals from actualizing their potential. It maintains that individuals should be provided the opportunity (i.e., resources or station) to exercise the maximum control over their lives. Positive liberty provides the rationale for affirmative action and entitlement programs.

However, positive liberty conflicts with the Founders' Constitution. To actualize positive liberty requires the violation of private property rights. Such violation combined with the seemingly widespread acceptance of positive liberty may explain why Clarence Thomas refused to discuss "natural law" during his Supreme Court confirmation hearings. To point out the inconsistency between natural law and affirmative action programs might have endangered his confirmation.

Natural law is the real foundation for the “unalienable rights” listed in the Declaration of Independence: “life, liberty, and the pursuit of happiness.” Equal opportunity is not on the list. Nor is it implied. What *is* implied is the concept of *property*. Happiness, as the Founders conceived it, resulted from the individual independence and self-sufficiency achieved by the accumulation of property.

But property, as the Founders understood the term, was broader than material wealth. James Madison made this point unambiguously:

This term in its particular application means “that dominion which one man claims and exercises over the external things of the world, in exclusion of every other individual.”

In its larger and juster meaning, it embraces every thing to which a man may attach a value and have a right; and *which leaves to every one else the like advantage*.

In the former sense, a man’s land, or merchandise, or money is called his property.

In the latter sense, a man has a property in his opinions and the free communication of them. . . .

In a word, as a man is said to have a right to his property, he may be equally said to have a property in his rights.⁴

The Founders thought that property was the principal object of society. And the protection of property, not the assurance of equal economic opportunity, was the *end* of government.

The Founders and Equality

The Founders understood “equality” (as in the phrase “all men are created equal”) as being grounded in natural (inalienable) rights. Because an individual’s right to property and its use is inalienable, no other individual, group, or government can infringe upon this right without the individual’s consent. To do so would be a violation of natural law. Therefore, natural law mandates that a governed society have some apparatus whereby all individuals can, independently or through representation, provide or withhold their consent for any government action that may affect their property.

The Founders wanted to construct a government that would prevent the creation or evolu-

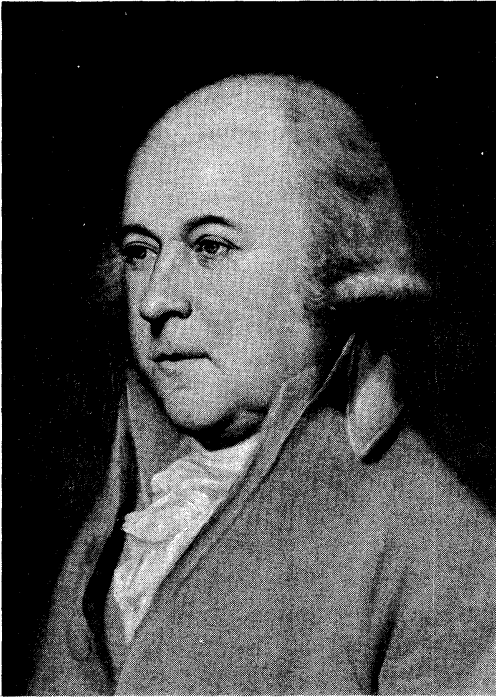
tion of an illegitimate ruling class, e.g., a landed aristocracy which held power through blood ties. Legitimacy demanded that individuals gain governmental authority through the merit of their actions and the subsequent consent of their peers.

This highlights a fundamental point about the Founders’ thoughts on equality: They never believed that all men have equal ability. John Adams and Thomas Jefferson both acknowledged that “there is a natural aristocracy among men. The grounds of this are virtue and talents.”⁵ James Wilson wrote in 1791: “When we say, that all men are equal; we mean not to apply this equality to their virtues, their talents, their dispositions, or their acquirements. In all these respects, there is, and it is fit for the great purpose of society that there should be, great inequality among men. . . . Society supposes mutual dependence: mutual dependence supposes mutual wants: all the social exercises and enjoyments may be reduced to two heads—that of giving, and that of receiving; but these imply different aptitudes to give and to receive.”⁶

The Founders knew that “unequal faculties of acquiring property” would create conflict between the haves and have-nots, or “factions” as James Madison called them. According to Madison’s *Federalist* No. 10, “There are two methods of curing the mischiefs of faction: the one, by removing its causes; the other, by controlling its effects.” The Founders chose the latter course, and believed that the principle of federalism laid out in the Constitution accomplished this goal.

Any attempt to remove the causes of faction would be impracticable. Furthermore, removing these causes through redistribution schemes would require a violation of natural law, usurpation of private property. To the Founders, the concept of positive liberty was a chimera. Correspondence from the House of Representatives of Massachusetts in 1768 stated that “The Utopian schemes of leveling, and a community of goods, are as visionary and impracticable, as those which vest all property in the Crown, are arbitrary, despotic, and in our government unconstitutional.”⁷

The Founders meant to keep redistribution schemes unconstitutional on the Federal level too. In Thomas Jefferson’s words, “To take from one, because it is thought that his own industry



John Adams (1735-1826)

and that of his fathers has acquired too much, in order to spare to others, who, or whose fathers have not exercised equal industry and skill, is to violate arbitrarily the first principle of association, 'the *guarantee* to every one of a free exercise of his industry, and the fruits acquired by it.'"⁸ This guarantee to the individual of the free exercise over his property captures the essence of liberty as the Founders understood the term.

Negative Liberty

Liberty in its natural law context, the way the term is used in the Declaration of Independence and in the preamble of the Constitution, is distinctly "negative." Negative liberty (freedom) is defined as the absence of restraint and constraint imposed upon an individual *by other individuals*. This definition emphasizes the notion of coercion from a force external to the individual.

According to the precepts of natural law, an individual cannot be coerced into employing his property in a way in which he has not given his voluntary consent. The duty of government is to abide by and uphold this law. John Adams said that "The moment the idea is admitted into society, that property is not as sacred as the laws of God, and that

there is not a force of law and public justice to protect it, anarchy and tyranny commence."⁹

The intent of the Framers, based upon experience and trusted institutional arrangements, was to codify Adams' sentiments into a rule of law, and to design a structure of government that would minimize its ability to arbitrarily change this law. The principles laid out in the Declaration of Independence and the Constitution were seen by the founding generation as a cohesive whole.¹⁰ Although few people in the founding generation thought that the Constitution was a perfect document, many believed it to be sound and the best structure of government in history. Jefferson told John Adams that the Constitution and its accompanying Bill of Rights was "competent to render our fellow-citizens the happiest and the securest on whom the sun has ever shone."¹¹

Happiness and security, as should be clear, referred explicitly to the sovereignty of the individual and the security of his property. The state exists to assure that no faction—including the *majority*—violates this sovereignty. The Founders' successful codification of individual sovereignty entirely accounts for the strength of America's Constitutional heritage, and the rapid progress of American society, economic and otherwise.

The Individual, Law, and Progress

The individual is the fundamental source of value in society. This statement forms the foundation of an approach to social science known as methodological individualism. All actions are performed by individuals. Collective wholes are an illusion. "Society" is a term that refers to the spontaneous order created by a multitude of acting individuals. The problem of social science is to understand spontaneous order, but study of the individual is the best method for solving this problem.

This approach follows because methodological individualism is grounded in subjectivism. The theory of subjectivism generally holds that an individual's unique experience is the only foundation for knowledge. The implications of subjective knowledge are profound because the individual's perception dictates how he ranks the value of various opportunities. And the individual's valuation of perceived opportunities motivates his actions.

Individual actions drive a market economy. But decisions made in the market are not limited to

solely economic concerns. There is, as Ludwig von Mises wrote, no clear-cut distinction between "economic" and "non-economic" activities: "Acting man is always concerned both with 'material' and 'ideal' things. He chooses between various alternatives, no matter whether they are to be classified as material or ideal. In the actual scales of value, material and ideal things are jumbled together."¹² The Founders would have agreed and found Mises' statement consistent with Madison's broader definition of property.

The interplay between material and ideal values accounts for civil progress. Such progress is nurtured by the reinforcing effects of civil (negative) liberty and a market economy. But it is the free market that propels society. Any impediment erected by government that prohibits or deters an individual from acting upon his subjective volition—provided this action does not endanger another's property—stifles the market process. And the market is what reinforces civil liberty.

Gouverneur Morris phrased this idea well in 1776: "Now as society is in itself progressive, as commerce gives a mighty spring to that progressive force, as the effects of both joint and separate are to diminish political [the government's] liberty, and as commerce cannot be stationary the society without it [commerce] may. It follows that political liberty must be restrained or commerce prohibited. If a medium be sought it will occasion a contest between the spirit of commerce and that of the government till commerce is ruined or liberty destroyed, perhaps both."¹³

When the Founders drafted the Constitution a few years later, they did not allow for such a "medium." It was intended to favor the sanctity of private property (and therefore commerce) and individual sovereignty (negative liberty). This rule of law promoted a set of choice constraints leading to three phenomena responsible for America's marked progress and prosperity: (1) individual initiative with regard to one's well-being, (2) the safe accumulation of capital, and (3) the active application and diffusion of specialized individual knowledge. The Constitution created the conditions necessary for the pursuit of happiness.

These conditions, the general principles of constitutionalism, and their effect on American society were laid out by Supreme Court Justice William Paterson in 1795: "The rights of private property are regulated, protected, and governed

by general, known, and established laws; and decided upon, by general, known, and established tribunals; laws and tribunals not made and created on an instant exigency, on an urgent emergency, to serve a present turn, or the interest of a moment. Their operation and influence are equal and universal; they press alike on all. Hence security and safety, tranquility and peace. One man is not afraid of another, and no man afraid of the legislature."¹⁴

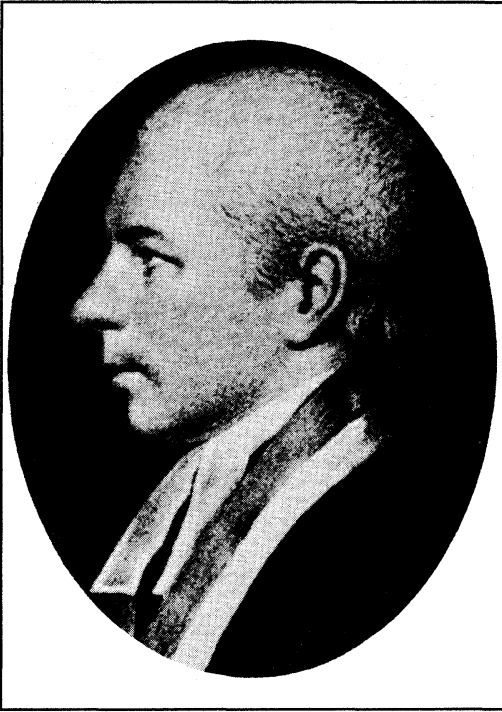
These statements cannot be made with confidence today. The legislative and legal environments have become unpredictable. This situation developed from the anti-rule-of-law intellectual crusade that had entrenched its views in America by the 1920s and 1930s. The driving force behind this crusade was the "public administration movement."¹⁵

Examination of New Deal-type institutions can best reveal the philosophical foundations of this movement: Followers viewed the notion of "natural law" as obsolete; the discretionary rule of men and the "science" of public administration could provide better civil arrangements. Law was viewed only as what men deemed it to be. The people who waved this banner were largely responsible for institutionalizing the infectious germ of positive liberty in American society.

Affirmative action and entitlement programs are gross symptoms of this infection. Every aspect of these programs violates the principles embodied in the Founders' Constitution. Affirmative action and entitlement programs subordinate individual sovereignty to distinct political factions and arbitrarily redistribute property to these factions.

The set of choice constraints created by the legal enforcement of positive liberty, in the form of affirmative action and entitlement programs, are the antithesis of those that promoted America's progress and prosperity: (1) reliance upon and solicitation of government favors with regard to one's well-being, (2) capital decumulation, and (3) the usurpation of diffused individual knowledge in favor of centralized "designs," which erroneously aggregate the costs and benefits of civil endeavors.

John Adams was prophetic about the consequences of altering the choice constraints built into the Founders' Constitution: "Perhaps, at first, prejudice, habit, shame or fear, principle or religion, would restrain the poor from attacking



William Paterson (1745-1806)

the rich, and the idle from usurping on the industrious; but the time would not be long before courage and enterprise would come, and pretexts be invented by degrees, to countenance the majority in dividing all the property among them, or at least, in sharing it equally with its present possessors. Debts would be abolished first; taxes laid heavy on the rich, and not at all on others; and at last a downright equal division of every thing be demanded, and voted."¹⁶

Much is said today about the virtue of an "evolving" Constitutional interpretation. But the Founders had a specific intent and a consistent understanding about the "vague" words used in the Constitution. Americans must understand that a constitution represents "the rules of the game." Constitutions are made because government is coercive and cannot be trusted. "The Constitution," in Justice Paterson's words, "is the origin and measure of legislative authority. It says to legislators, thus far ye shall go and no further.

Not a particle of it should be shaken; not a pebble of it should be removed. Innovation is dangerous. One incroachment [*sic*] leads to another; precedent gives birth to precedent; what has been done may be done again; thus radical [fundamental] principles are generally broken in upon, and the constitution eventually destroyed."¹⁷

If Paterson were alive today he might justly conclude that the series of encroachments he spoke about are in an advanced stage. The infection of positive liberty is running its course in the United States. Private property no longer is treated as sacred by the courts. This state of affairs is eroding our progress in world developments and threatens to impede our future progress. "It is worth remembering in this connection," wrote F. A. Hayek, "that what enables a country to lead in this world-wide development are its economically most advanced classes and that a country that deliberately levels such differences also abdicates its leading position."¹⁸

So breathe deep, America, while liberty is in the air. Purge yourself of the welfare state's mutated form of liberty. Set a pristine example for the former Soviets' budding democracies. Reassert the Founders' pure conception of liberty, a free society, and the pursuit of happiness. □

1. William Bradford, *Of Plymouth Plantation*, excerpted in Philip B. Kurland and Ralph Lerner, eds., *The Founders' Constitution* (Chicago: University of Chicago Press, 1987), vol. 1, p. 579.

2. George Friedman, "Learning Not to Love Revolution," *The Freeman*, April 1991, pp. 124-27.

3. Live Broadcast on the C-SPAN Television Network, September 20, 1991, at approximately 12:25 P.M. My emphasis.

4. *The Founders' Constitution*, vol. 1, p. 598.

5. *Ibid.*, p. 569. Also see pp. 520-21, 541-43.

6. *Ibid.*, p. 555.

7. *Ibid.*, p. 587.

8. *Ibid.*, p. 573. Also see note 4.

9. *Ibid.*, p. 591. Also see p. 586.

10. Michael Kammen, *A Machine That Would Go of Itself: The Constitution in American Culture* (New York: Vintage Books, 1986), p. 90.

11. *The Founders' Constitution*, vol. 1, p. 570.

12. Ludwig von Mises, "The Individual in Society," in Bettina Bien Greaves, ed., *Economic Freedom and Interventionism* (Irvington, N.Y.: Foundation for Economic Education, 1990), p. 15.

13. *The Founders' Constitution*, vol. 1, p. 588.

14. *Ibid.*, p. 600.

15. Friedrich A. Hayek, *The Constitution of Liberty* (Chicago: University of Chicago Press, 1960), p. 244 and ch. 16 in general.

16. *The Founders' Constitution*, vol. 1, p. 591.

17. *Ibid.*, p. 600.

18. Hayek, p. 47.

Welfare: Fraud on Steroids

by K. L. Billingsley

From John Kenneth Galbraith and Michael Harrington to Charles Murray and Jack Kemp, gallons of ink have been spilled over the welfare issue. Some consider welfare the benchmark of a society's compassion. Others see it as a social toxin. Every so often, however, a case comes along that explains things better than any book, however freighted with statistics.

According to court documents, internal investigations, and press reports in San Diego County, California, it went this way:

Victoria Aguirre started work in the county's Department of Social Services in 1977. By the mid-1980s she had risen to the rank of supervisor. The work load in the welfare office could not have been too heavy because it certainly afforded Aguirre plenty of time for creative thinking. In the course of her duties in 1986, Aguirre made two fascinating discoveries.

First, the widespread computerization of records made it possible for her to create fake welfare files without supporting paper documentation.

Second, those who receive welfare through Aid to Families with Dependent Children (AFDC) can designate another person to receive their payments. This neat little loophole meant that Aguirre was free to designate anyone she pleased to receive the checks for her phony case files.

Evidently a public-minded, "sharing" sort of person, Aguirre decided to cut in others on her

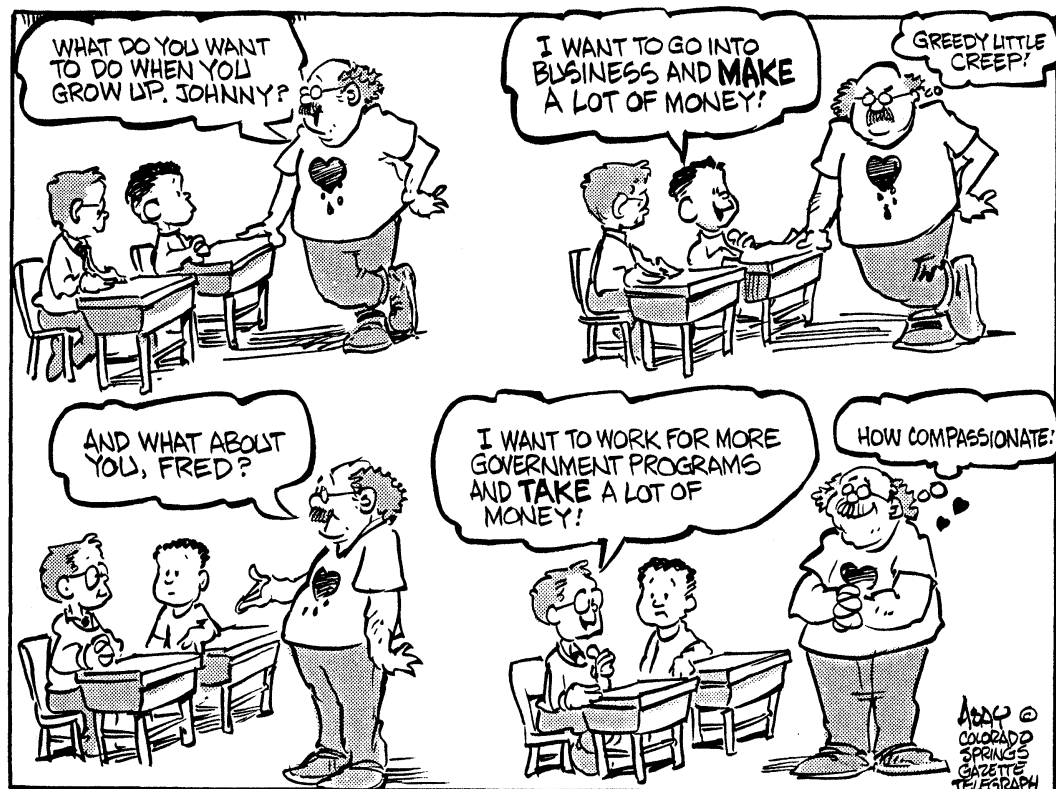
scheme. She worked primarily with Angela Nieto, a "benefits analyst." The pair allegedly designated a host of relatives, friends, and fellow workers as recipients of fraudulent payments. Those on the receiving end would cash the fat government check, then pay two-thirds of the total to Aguirre. Aguirre would then deal Nieto her cut, which court documents peg at one-third.

Aguirre and Nieto showed considerable brilliance in diversifying their assets. In some cases, they evidently invented a fraudulent appeal process and used it to procure retroactive payments. Payments ranged from \$5,080 to \$99,699, not a bad score by any standard. The masterminds carefully tucked away their phantom recipients among 60,000 AFDC cases.

From 1986 to 1990, the two women were on a roll. They are alleged to have pulled in at least \$553,000, with some estimates reaching as high as \$1 million. It was the largest case of welfare fraud in the county's history. The duration of the rip-off reveals the ineptitude of the system design and the sloppiness of local oversight. It wasn't until 1990 that state auditor John Hernandez happened to chance upon one of the phony cases during a random review. Other cases, and criminals, doubtless remain undetected.

Aguirre and Nieto resigned after the revelations, but were not charged until October 30, 1991. If convicted, they face 10 years in prison. Their tidy con game provides a parable for the entire welfare system by raising the question: "Who benefits?"

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Charles Murray, Alan Keyes, Glenn Loury, and others have provided ample evidence that welfare is ultimately a destructive force for its recipients. Liberals such as Daniel Patrick Moynihan and Bill Moyers have charted the damage to the family, an irreplaceable unit. Economist Walter Williams argues that welfare is not only destructive of family, motivation, and self-esteem, but also immoral. By what moral standard, asks Williams, can one person be "entitled" to receive the money of another?

There can be no doubt that welfare, in all its forms, is one of the most wasteful programs in human history. A dollar cannot be sent to Washington, go out on the town, and then pass on unscathed to its intended recipients. According to National Public Radio, of every dollar that goes to the Bureau of Indian Affairs, 89 cents goes to administrative costs. George Roche's *America by*

the Throat and William Simon's *A Time for Truth* cite many other startling cases.

Welfare's primary beneficiaries are not the poor, the homeless, or the indigent. They are the endless squads of administering bureaucrats and sponsoring politicians. These fiscal parasites have a stake in the expansion of their welfare constituency.

Aguirre and Nieto did it with computers. Politicians do it with rhetoric and political leverage. It is fraud on steroids. As Joe Sobran notes, in a democracy voters are public officials; welfare programs therefore amount to bribes.

Welfare equates compassion with the "redistribution of wealth." Aguirre and Nieto, like all thieves, were also in the redistribution business. Welfare strains the economy, cheats honest and hardworking citizens, facilitates corruption, and helps wreck the lives of millions. In other words, welfare is ultimately a criminal enterprise. □

New York's War Against the Vans

by Robert Zimmerman

In 1981, New York City had a transit strike. Only the Staten Island Ferry was running. Al Manti, a fireman living in Brooklyn, decided to help some of his local friends by driving them to the ferry so they could get to work in lower Manhattan. "We did it for fun," says Manti. It worked so well that he decided, once the strike ended, to buy a 15-passenger van and go into business. He contacted city and state agencies, filled out the appropriate forms, and received a license to provide transportation from Brooklyn to Manhattan.

Manti soon received hundreds of phone calls from local residents looking for an alternative to the city's public transit system. "I could've filled 50 vans, and still not met the demand."

Almost as quickly, he began to have problems with city authorities. The city held a special hearing and reduced his license so he could transport commuters only from the Bay Ridge section of western Brooklyn to Manhattan. Then the Metropolitan Transit Authority (MTA) organized a "crackdown on illegal van services." Transit police were assigned full-time to observe Manti's operation. One day he received 97 tickets. Sometimes the police would force Manti's van to the side of the road, and then give him a ticket for illegal parking. His family was put under surveillance. When he began to fear that the police would plant drugs in his vehicle and arrest him, he decided to fight back. He sued the Transit Authority for harassment.

The MTA countersued, claiming that his company was "damaging the agency."¹ For almost 10 years Manti fought the MTA, spending over \$100,000 in legal fees. Instead of letting this beat

him, he expanded his company so he could earn more money to pay his attorneys. "Sometimes," he says, "when I realize that I have spent more time fighting this battle than with my children, I have regrets. Yet I couldn't let the city do this."

From the beginning, Manti went out of his way to obey the law. He obtained a New York State Transportation Department license, followed its rules requiring state inspections three times a year, purchased the expensive insurance demanded by the state, and obtained the proper licenses for himself and his drivers.

After almost 10 years, the courts ruled that the MTA had been harassing Manti. The MTA dropped its case and paid him \$1,000,000 to settle. "If I had had an additional \$100,000 to spend," he says, "I would have taken the case all the way and won a much bigger settlement. I just don't have that kind of money."

Throughout New York City, both legal and illegal van services have sprouted since the mid-1980s. Earl Simmons, Executive Director of the Jamaican Association of Van Owners/Operators, owns two vans and has operated them since 1987. "I bought a brand new van and started my business to get over the economic crunch," he says. Like most of the drivers, Simmons emigrated from the Caribbean, where private bus ownership is common.

New York's private vans, unlike city-owned buses, don't require exact change and will let passengers off at convenient points. Commuters who use them agree that they provide better service than the public bus lines. Typical comments include: "They're faster." "They're safer." "They're more reliable."²

Mr. Zimmerman is a feature film producer in New York City.

By 1990 the vans were seriously cutting into the MTA's business, and the agency began another crackdown. In July of that year, the city announced a policy to enforce city regulations and to issue summonses for a wide variety of violations, ranging from driving a van that's not properly registered to improperly picking up and dropping off passengers. Fines ranged from \$50 to \$250.³

Transit police were assigned to the areas near bus stops, issuing summonses and preventing vans from picking up passengers. MTA police often issued large numbers of additional summonses as a form of harassment. "Sometimes when they stop your van they would keep you there for a half hour," says Simmons. "Or they would stop your van and issue a *parking* ticket." In the first two days of this crackdown, two drivers were arrested and 60 summonses were issued.⁴

Even though many of the drivers had decided to obtain licenses, this crackdown was aimed at both the legal and illegal drivers. "Regardless of whether you are legal or illegal, you get harassed," says Simmons. "There is a direct attempt by the police department to issue as many moving violations to van operators as they possibly can."

Jeffrey Shernoff, a lawyer representing 14 van owners, points out that in trying to obtain legal licenses, "every one of [these owners] was strenuously opposed by the Transit Authority and all of the public transportation authorities on whose territory they thought [the van drivers] impinged."

According to New York State Transportation Department rules, privately owned vans can only pick up or drop off passengers by pre-arranged appointment, and cannot do so at city bus stops. Vehicles used to transport passengers are to have special licenses and be inspected three times a year. The driver must have a special license and a special insurance policy. A new state law specifies that only New York State insurance companies can issue this policy. Since there are only two New York companies offering this coverage, policies can cost as much as \$8,000 a year.⁵

The MTA is quick to defend its legal monopoly. "[The vans] siphon off our revenue," said Transit spokesman Termaine Garden in 1990, and in 1991 the MTA claimed that the vans diverted over \$30 million a year from the public transportation system. Not surprisingly, the Transport Workers Union is on the side of the MTA, since they see private drivers as competitors. "They are brazen

—grabbing people off the bus routes," says Pete Lynch, an assistant to the president of Local 100 of the Transport Workers Union.

None of this has reduced the use of private vans. In fact, when the city announced its crackdown in July 1990, it estimated there were 1,600 illegal vans. A year later, the city estimated there were more than 2,500. And of the more than \$4 million in fines imposed by the city, \$150,000 had been collected.⁶

Because of police patrols, commuters and van drivers often have to sneak about to avoid detection. "It's like I'm buying drugs to go to work," says Wall Street lawyer George Freehill. And if police pull a van over, they often force the passengers off. Freehill relates one incident: "They stopped us on the FDR Drive, during rush hour, blocking traffic. They gave the driver a ticket for illegally carrying passengers. Then they tried to force the passengers to stay in the van while they weighed it, to give him another ticket for driving an overweight vehicle on the FDR. We all refused, getting out of the van. Then they gave him a ticket anyway for having an overweight vehicle, refusing to let anyone else see the scale. Finally, they forbid us from returning to the van, making all 13 passengers walk along the highway, which has no shoulder or sidewalk, until we could get back on the city streets to find another way to get to work."

Frustrated van drivers feel they are being denied their right to make a living. On October 14, 1991, a policeman issuing tickets in the Kings Plaza section of Brooklyn got into a fight with a van driver. The driver was arrested and his vehicle impounded. Other drivers responded by attacking several city buses, smashing their headlights and windows. In an attempt to free the arrested driver, they parked their vans in front of the police precinct, blocking traffic.⁷

The crackdown on private vans continues. Earl Simmons sums up a lot of New Yorkers' feelings: "If people elect to use these vans, I see nothing illegal about this. That is freedom of choice, that is the American way." □

1. *New York Newsday*, August 21, 1991.

2. *The New York Times*, February 25, 1991.

3. *New York Newsday*, July 24, 1990; *The New York Times*, July 24, 1990.

4. *New York Newsday*, July 31, 1990.

5. Earl Simmons explained to me that if a van driver gets a lot of moving violations, the owner's insurance costs can skyrocket, effectively forcing him out of business.

6. *The Wall Street Journal*, July 24, 1991.

7. *New York Newsday*, October 17, 1991.

A Tale of Infamy: The Air Associates Strikes of 1941

by Charles W. Baird

The American labor union movement enjoys much more respect than it deserves. The politicians who, in the 1930s and 1940s, empowered and then kowtowed to the movement have never received enough blame. The following true story is an excellent illustration of these propositions.

Shortly before the Japanese attacked Pearl Harbor, Earl Harding wrote a manuscript for *The Saturday Evening Post* describing the violent 1941 Air Associates strikes and the Federal seizure of the firm's facilities. The article, "It Is Happening Here," was scheduled to appear the week following December 7, 1941. In the aftermath of Pearl Harbor, the article was canceled. The galley and other materials were sent to me by Mrs. F. Leroy Hill, widow of the president of Air Associates. I obtained additional information from microfilm records of *The New York Times*.

Air Associates was a private firm with its main plant in Bendix, New Jersey. It manufactured airplane equipment and parts. The company had five branch plants and two warehouses in Lodi and Belleville, New Jersey; Chicago and Rockford, Illinois; Marshall, Missouri; Dallas; and Los Angeles. During 1941 it employed 600 to 800 people in Bendix and 250 to 300 at its other sites. In mid-1941 it was working on \$5 million in War Department contracts. The president of Air Associates was F. Leroy Hill, and its chief legal counsel was Walter Chalaire.

Although the United States was not formally at

war, President Roosevelt had declared a defense emergency. American military goods were being sent to England and the Soviet Union, and the U.S. Army and Navy were gearing up for war.

In March 1941, President Roosevelt created the National Defense Mediation Board (NDMB). It was a tripartite committee of 11 members—four to represent unions, four to represent employers, and three to represent the federal government. This tripartite structure was modeled after Mussolini's plan for running the Italian economy.

The NDMB was charged with the task of trying to settle labor disputes in businesses with defense contracts. Its power was skewed: It could impose its will on employers, but it could only try to persuade union leaders to accept its recommendations. It rarely was able to do the latter. The NDMB collapsed at the end of 1941 in a capitulation to John L. Lewis, president of the United Mine Workers, in his strike in the "captive mines" (coal mines owned by steel firms that used the coal).

The Air Associates story involves two strikes, two apparent settlements, a threatened third strike with an attempted forced settlement, and the final seizure.

The First Strike

In early June 1941, 12 Air Associates employees formed an organizing committee at the behest of the United Auto Workers-CIO, Aircraft Division (UAW-CIO). The committee met with Leroy Hill on June 17; all voices were recorded. Although the union hadn't collected more than 20 authorizing signatures, the organizing committee asserted that

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it represented a "vast majority" of the 650 employees at the Bendix plant, and demanded that Air Associates immediately recognize the UAW-CIO as exclusive bargaining agent for all non-managerial workers. After brief negotiations, the committee also demanded that Hill consent to a union shop (wherein all employees are required to become union members as a condition of continued employment) and a higher wage scale.

Hill refused instant recognition but did offer to settle the representation question by a certification election supervised by the local office of the National Labor Relations Board (NLRB). This was a major concession because the 1935 National Labor Relations Act (NLRA) did not require a certification election in the absence of a showing by the union that it had collected authorizing signatures from at least 30 percent of the non-managerial employees. The union had not come close to meeting that threshold.

One of the functions of the NLRB in such elections is to determine the appropriate "bargaining unit." That is, it determines who can and who cannot vote in the election.

The NLRB can significantly affect election outcomes by gerrymandering, and it did so in this case. One-third of the non-managerial employees were excluded. The organizing committee tried to identify the pro-union and anti-union workers. (It is legal for unions to do this, but it is "an unfair labor practice" if management does it.) At the behest of its union client, the NLRB then defined the bargaining unit such that a majority of those in it were pro-union. Unit determination had nothing to do with job description. For example, the receiving department was excluded and the shipping department was included. The job descriptions for the two departments were practically identical, but a majority of the shipping department were thought to be pro-union and a majority of the receiving department were thought to be anti-union.

The election took place on July 1. Election campaign rules were then, and still are, rigged in favor of the union. The NLRA permits unions to promise workers all kinds of benefits, but forbids management to make such promises. Moreover, although management is forbidden to contact eligible voters at home or in any other non-public place during campaigns, unions are free to do so.

Many Air Associates employees stated that

intimidation and misrepresentation took place during such union contacts. In the end, the gerrymandering and the biased election rules produced a vote of 206 to 188 in favor of the union. The UAW was certified as the exclusive bargaining agent for all bargaining unit workers—those who voted yes, those who voted no, and those who didn't vote. The next step was for the union and management to begin bargaining on the terms of a first contract.

On July 3 management temporarily laid off 12 workers because of a shortage of aluminum. These were not members of the union organizing committee. The workers were told that the layoff was temporary and that they would be recalled as soon as aluminum was procured. They were recalled in two stages, some on July 16 and the rest on July 21. The union did not protest the layoff when it happened.

Under the National Labor Relations Act, it is an "unfair labor practice" to fire an employee because of union activity. This often provides job security for incompetent workers. During the early years of the NLRA, a common union tactic was to get a few known union sympathizers fired, allege an unfair labor practice, and appeal to the government to prosecute the employer. A union would merely threaten to keep management tied up in costly legal defense procedures until management capitulated. This had happened to Air Associates in 1938 before it moved to New Jersey.

A New Tactic

During the 1941 defense emergency, unions added a new tactic in disputes involving companies with defense contracts. Early in the year, at North American Aviation Company in Inglewood, California, and at Federal Shipbuilding and Dry Dock Company in Kearny, New Jersey, unions used strikes that allegedly impeded defense production as a pretext for President Roosevelt to seize the plants and assign the War Department to operate them in accordance with union wishes. These two incidents were not ignored by the UAW-CIO at Air Associates.

On July 8 the union proposed a contract that included a union shop. Mindful of the North American Aviation and Federal Shipbuilding precedents, Leroy Hill wanted to avoid a strike and so was willing to bargain immediately. A

UAW-CIO shop committee met with Hill in his office on July 11. Hill, wary of possible allegations of unfair labor practices during bargaining, insisted that the bargaining sessions be recorded. He offered to let the union check the transcripts for accuracy and to post them to keep the workers informed about the progress of bargaining. The union balked. It insisted that bargaining be off the record. Hill turned on the recorder, and the shop committee stalked out of the office and went outside the plant.

Earlier in the day there was a heated verbal dispute between a union organizer and an anti-union worker, and there were rumors that union sympathizers were going to try to blow the quit-work whistle and cut off power in the plant to try to shut it down. To avoid this, management had the steam cut off from the quit-work whistle and had all the ungarded entrances locked.

After lunch, the shop committee returned to the plant through one of the guarded entrances. They asked to go back to Hill's office to resume bargaining. There was a short, recorded meeting wherein, according to Earl Harding, the unionists asserted "that the government had granted them an interest in the business which they were going to protect," and "that the company must prevent other employees from opposing the CIO."

The bargaining seemed to be going nowhere, so the committee left Hill's office and headed back to work. But they assembled near the quit-work whistle and attempted to set it off. When it didn't work, they ran through the plant, turning off power, yelling "strike," and attempting to pull workers away from their machines. At most 50 workers left the plant and began to demonstrate outside. One policeman was sufficient to restore and maintain order.

In the evening of July 11, the union visited employees' homes and urged them to stay away from work the next day, which was a Saturday. Many workers later reported being intimidated during these visits. On July 12 there were about 60 absentees out of approximately 700 workers. The union first claimed that they had been locked out, notwithstanding that management had telegraphed all workers, including those who had demonstrated the day before, that the plant was open and their regular jobs were available.

The plant was routinely closed on Sunday, but on both Saturday and Sunday roofing nails were

scattered over all roads leading to the plant. Employees were threatened with "dire consequences" to themselves, their families, and their homes and cars if they showed up for work on Monday.

When the plant opened on July 14, 150 employees were absent. One hundred called in saying that they were too frightened to come to work. There were only 44 Air Associates employees on the picket line. The CIO called in non-employee unionists to bolster the picket line. Inasmuch as the dispute was obviously not a lockout and the company was willing to continue bargaining on the record, the union needed a pretext for its actions. It seized upon the 12 workers who were temporarily laid off on July 3 and asserted that the layoffs were discriminatory anti-union firings. Between July 3 and July 14 it had made no such claim.

On July 15 approximately 600 pickets, at most 50 of them Air Associates employees, wielded clubs, stones, and other weapons. They stoned cars that tried to enter the premises. They pulled drivers and passengers out of cars and beat many of them. Sheriff William Browne said that his forces were too small to maintain order, but he refused to ask Governor Charles Edison to send in state police. Thus Hill telegraphed Governor Edison to ask for help in maintaining order. The approximately 500 Air Associates workers who were eager to work asked Hill to hire private guards to help the sheriff protect them and their right to work. He did so, and on July 16 private guards escorted willing workers in and out of the plant. The unionists were outraged and threatened to bring 1,000 additional non-employee pickets to "clean up" the guards.

On July 17 over 500 employees assembled in nearby Hasbrouck Heights to go to work in groups. A bus was provided, and, together with several cars, proceeded to the plant in a caravan. Between 1,000 and 1,500 pickets stopped the caravan, broke all the windows on the bus, smashed cars, dragged people out of vehicles, and beat them. Finally, Sheriff Browne joined Hill in requesting assistance from Governor Edison. Moreover, Hill threatened to seek help from the U.S. Army "if law enforcement officials are unwilling or not equipped to act."

It is important to understand that there was no legitimate strike. There had been no refusal to bargain, and neither side had declared a bargaining impasse. The union had claimed discriminato-

ry firings, but some who were allegedly fired were already back at work in spite of the union's picket line. Walter Chalaire, Air Associates' legal counsel, met with representatives of the federal government's Office of Production Management on July 14, 15, and 16, where he reiterated the company's willingness to bargain toward a first contract. He did insist that the bargaining be on the record, but he didn't rule out any topic. It was the union that refused to bargain if a record was kept.

Apparently cowed by Hill's threat to call for the Army, the union ceased its violence on July 18 and 19. Willing workers were at their jobs, undeterred by the few pickets outside the plant. Production resumed to 85 percent of normal. For all of July, production was 90 percent of normal.

However, on July 19 the National Defense Mediation Board got involved. The Department of Labor assigned the NDMB to mediate the Air Associates dispute, and the Board ordered management to appear in Washington on July 22 to begin mediation. Irving Abramson, chairman of the New Jersey CIO Council, demanded that the company shut down until the mediation was complete. On July 20 the union asked President Roosevelt to seize the plant "in the interest of national defense." On July 21, 350 Air Associates employees petitioned the NDMB demanding protection for their right to work and asking for a new election.

Mediation began on July 22. On the next day, the NDMB recommended a three-part solution. First, all workers were to be allowed to return immediately without discrimination. Hill already had made this offer. Second, all questions involving back pay were to be submitted to an arbitrator. Third, negotiations toward a first contract were to begin immediately. If agreement were not reached by August 9, the contract would be set by binding arbitration.

On July 27 Leroy Hill accepted all the Board's recommendations except for binding arbitration on the first contract. On July 28 the NDMB issued a statement that Hill's response was a "substantial acceptance" of the Board's recommendations. On July 29 picketing ceased and all Air Associates employees went back to work. The first apparent settlement had been reached. However, Loren J. Houser, UAW-CIO Eastern Regional Director, demanded that Hill ultimately submit to binding arbitration.

The Second Strike

Bargaining sessions under the auspices of the NDMB took place on July 30-31, and August 1, 4, 5, 7, and 8 at the Hotel Pennsylvania in New York City. Anthony Grimaldi, a member of the original union organizing committee and now leader of the UAW-CIO local at Air Associates, was the chief union spokesman. Leroy Hill and Walter Chalaire spoke for the company. The union demanded a union shop, mandatory dues checkoff, a grievance system that prohibited workers from working out even small misunderstandings directly with supervisors, and binding interest and rights arbitration. The company agreed to accept binding arbitration if the union would accept binding arbitration on the questions of compensation for union-caused property damages during the first strike and the legitimacy of the July 1 certification election.

On August 8 a formal impasse was declared. Harry P. Shulman, a Yale University law professor, was appointed arbitrator, and he undertook an investigation of the dispute toward the end of recommending the terms for the first contract. Both sides were notified that the Shulman report would be made available before the NDMB made its final recommendations.

On September 19 the union voted to authorize a strike if the Shulman report, the NDMB, or Air Associates didn't give in to its demands. No date for the strike was set. On September 30, before the Shulman report was made public, the strike was called.

We don't know for sure why the union did this. Chances were that Shulman would have made recommendations that the union would have liked, and the NDMB would have backed them up. My own conjecture is that by this time the union was resolved to bring about a War Department seizure of the company. Whatever Shulman and the NDMB would recommend would not be as favorable as the unions at North American Aviation and Federal Shipbuilding had won by plant seizure.

There were approximately 400 pickets on the morning of September 30. At most only 70 of them were Air Associates employees. At least 180 employees called in to explain they were absent due to intimidation. Rocks were thrown, and police, workers, and strikers were injured. Hill immediately advertised for replacement workers.

The advertisement brought in 2,500 applications, and all striking workers were replaced. Production at the Bendix plant increased to record levels.

In 1938 the U.S. Supreme Court, in *NLRB v. Mackay Radio and Telegraph Company* (304 US 333), upheld the right of employers to hire permanent replacements for strikers in economic strikes. An economic strike is one called for any reason other than illegal acts by the employer. Air Associates had committed no illegal acts which caused the September 30 strike. Indeed, it was, in accordance with the law, waiting for an NDMB recommendation when it was struck. Hill was clearly within his rights to hire the replacement workers and to consider the jobs vacated by the strikers to be filled.

Frank P. Graham, chairman of the NDMB, summoned Hill and Chalaire to Washington, and between October 6-8 Hill and Chalaire negotiated with the Board to try to find a reasonable settlement. The NDMB, however, following the now-available Shulman recommendations, insisted that Hill sign a contract that gave the union all it wanted. Most important, the NDMB demanded that Air Associates put all striking workers back in their regular jobs even if that meant firing replacement workers. According to Earl Harding, Hill and Chalaire were told that a contract acceptable to the union must be signed "whether the company agreed or not . . . and the Mediation Board proceeded to frame one itself."

Hill and Chalaire left Washington without an agreement, and on October 10 the NDMB announced its final recommendations—complete capitulation to the union, including immediate reinstatement of all strikers. In its official statement the Board said that it "feels obliged to observe that this company has not exhibited toward either the certified union or the NDMB that attitude of cooperation to which the public is entitled on the part of a company whose operations are essential to the defense of the nation." (*The New York Times*, October 11, 1941)

It is important to note that defense production had not been impeded by the September 30 strike. The replacement workers were more productive than the strikers. As to cooperation, in a last ditch attempt to settle the dispute, Hill agreed to all the union's demands except for a union shop, and he agreed to place strikers on a preferential re-hire list and reinstate all of them within 30 days. He

continued to refuse to fire replacement workers to make room for returning strikers. The NDMB stated that this amounted to a "rejection" of its recommendations.

On October 11 the NDMB declared that the case was out of its hands, and threatened to turn it over to the executive branch of government. This was code for recommending War Department seizure. On October 18 the NDMB appealed to the Air Associates board of directors to force Hill to capitulate. The directors refused. On the same day the UAW threatened mass picketing of Air Associates by 21 union locals and also threatened to shut down all aircraft plants in the eastern United States unless Hill acquiesced.

On October 17 Sheriff Browne declared that only 45 pickets would be allowed at the Bendix plant, and that only striking Air Associates employees would be allowed to picket. Only 25 pickets showed up, and the plant continued normal operations.

The next day the union called for 250,000 pickets to assemble at Bendix and gave Hill until October 20 to yield or face the consequences. The NDMB asserted that the union would be able to assemble at least 20,000 to shut the plant down. Sheriff Browne made plans to deputize World War I veterans to maintain the peace.

On October 19 Leroy Hill issued a public statement:

Now it remains to be seen whether the Defense Mediation Board is out to get production or universal compulsory unionization. If it pursues its recent policies it can, of course, force the company to capitulate to the private army of 8,000 or more pickets which the CIO proposes to mobilize to close the plant unless its terms of unconditional surrender are met. Or the Defense Mediation Board can call on the State of New Jersey, and if need be, the Federal Government to protect the right to work of the 800 employees who fully man the plant and have it in full production. If we are let alone and if our employees are protected in their right to work, our defense production will mount steadily and the strikers who want to work can be re-employed long before the thirty days expire. (*The New York Times*, October 20, 1941)

On October 21 the *Times*, in an editorial entitled "One Way Compulsion," referred to the

North American Aviation, Federal Shipbuilding, and Air Associates cases and declared, "The conclusion is inescapable that the Government has deserted its true function as an impartial arbiter and become more and more frankly partial to 'labor.'"

On October 22 the union announced that there would be mass picketing the next day. Hill issued a bulletin to all employees warning them of potential violence and explaining that the police had requested that no one try to enter the plant until the police had cleared the roads. He requested that all willing workers assemble at the Bergen County Court House in Hackensack, check in for work, and wait until the police said it was safe to try to enter the plant.

On October 23, 2,000 pickets tried to shut down the plant. Sheriff Browne declared that because he was unable to guarantee the safety of the workers he would cooperate with the *union* to keep workers away from the plant. Some workers sneaked in through a rear entrance. The workers who had assembled at the court house sent a telegram to President Roosevelt asserting that "Lawless CIO picketing is keeping us from work. Do your duty and protect our constitutional right to work." (*The New York Times*, October 24, 1941)

When the sheriff discovered the unguarded rear entrance, he shut it, leaving some workers blockaded in the plant. The next morning the sheriff asked the *union* for permission to allow the workers in the plant to send out for food. Anthony Grimaldi, the local union boss, acquiesced, but when the messenger returned with the food, pickets refused to allow him into the plant. The police protested, but, according to Earl Harding, Grimaldi exclaimed: "Who the hell is running this show? I'll say who'll go in and who won't go in." The food delivery was never made.

Hill and non-striking workers sent a telegram to Governor Edison requesting assistance from the state police. Edison responded by sending a telegraph to Air Associates wherein he blamed *Hill* for all the trouble. He recommended that Hill resign as president and that the New Jersey Chamber of Commerce nominate a successor. The Chamber demurred, stating that the governor had no right to determine who should be president of a private company. The *Times* editorial of October 21 was right. Government had "deserted its true function as arbiter." The state

government, at least, had become an agent for the union.

Meanwhile, in the evening of October 24, Hill and Chalaire held a six-hour meeting in Washington with Robert Patterson, Undersecretary of War, and William S. Knudsen, Director of the Office of Production Management. In that meeting Hill gave even more ground. He agreed to place the 50 to 60 remaining strikers immediately on the payroll. That is, the strikers would be paid their normal wages even if they didn't work while waiting to be reinstated. Hill repeated his promise that all of them would be back at work within 30 days.

The next day *The New York Times* ran a front-page story with the headline "Strike Is Settled at Air Associates: Plant Officials Accept NDMB Formula After 6-hour Talk With Knudsen, Patterson." According to the *Times*, Patterson and Knudsen "expressed their appreciation of the company's cooperative attitude and request all returning employees to cooperate with the management in order that full production can be maintained in the interest of national defense." The second apparent settlement had been reached.

The Threatened Third Strike and Forced Reinstatement

On October 27 the union threatened to call for a general strike throughout the eastern United States unless Hill agreed to immediately reinstate all strikers to their regular jobs even if some replacement workers had to be fired. The union's alleged reason for this new threat was that although the 50 to 60 strikers were being paid full-time at their normal wage rates while they were waiting to be reinstated, they weren't being paid overtime. Replacement workers were getting overtime pay. Justice, therefore, required immediate reinstatement.

In my judgment this was a smoke screen. The union didn't want a settlement. It wanted a seizure. It realized that the dispute had to be kept going to get President Roosevelt to seize the company.

As *The New York Times* editorialized on November 25, "[W]hile it has been demonstrated—as the cases of the Federal Shipbuilding Company and Air Associates so vividly illustrate—that no employer may reject a Mediation Board 'recommendation' without being immediately cracked

down upon, it has also been demonstrated that if a labor union leader does not like the board's decision the Administration will get him another board."

The captive mines strike later proved the *Times* was right. On November 15 John L. Lewis initiated the strike. He wanted a union shop in the captive mines, as he already had in the commercial mines. The NDMB recommended a settlement that did not include a union shop, whereupon President Roosevelt dismissed the NDMB from the dispute and appointed an arbitration panel which, on December 7, gave Lewis all he wanted. The Air Associates union had good reason to expect that Roosevelt would give it much more than it could get from negotiating with Leroy Hill.

On October 28 Richard T. Frankenstein, National Director for the Aircraft Division of the UAW-CIO, threatened to use his "economic strength" to shut down all UAW work in New England, New York, New Jersey, and Pennsylvania unless Hill gave in to the union's demand for immediate reinstatement. Frankenstein explained, "We are not interested in any back door agreements of Mr. Patterson or Mr. Knudsen." (*The New York Times*, October 29, 1941)

Walter Chalaire explained his view of the new strike threat in the same *Times* article: "If the call for the general strike is met, there is a real question of 'who is the government.' We had wasted day after day with the Mediation Board. Its principal concern in our case was not defense production but promotion of compulsory unionism. We found a different atmosphere in the office of Undersecretary of War Patterson. In that conference we soon reached an agreement. Naturally the CIO wants to throw the controversy back to the Mediation Board."

On October 29 President Roosevelt repudiated the Patterson-Knudsen agreement and ordered Hill to reinstate the strikers immediately. The War Department issued a statement:

The Undersecretary of War announced today that the War Department was sending a representative to the plant of Air Associates at Bendix, New Jersey to supervise the reinstatement of the strikers there. . . . The War Department expects that . . . the strikers will . . . be immediately placed in the jobs which they formerly held, regardless of the fact that new

employees have been hired by the company to fill such jobs. New employees displaced from the jobs which they presently occupy as a result of the foregoing reinstatement of the strikers may be given other jobs if the company so desires, or the company may make such other disposition of such new employees as it sees fit. (*The New York Times*, October 30, 1941)

So much for equal protection under the law. All workers are equal, but some are more equal than others. Frankenstein called the Patterson-Knudsen agreement a "thing of the forgotten past" and left to "exchange felicitations" with President Roosevelt at the White House.

On October 30 Anthony Grimaldi looked over the shoulders of Colonel Roy M. Jones and Major Peter Beasley as they supervised the forced reinstatement of the strikers. Hill was ordered to stay in his office and out of the way. The chain of command was embarrassingly obvious, but the non-strikers would have none of it. W. C. Morton, a spokesman for the non-strikers said, "If these men are returned to work and the men on the machines are displaced by strikers everyone in this plant will walk out, not with the idea of going on strike, but for the purpose of a demonstration." (*The New York Times*, October 31, 1941)

And so they did. The non-strikers undertook a 30 minute work stoppage and two separate one hour sit-down demonstrations. There was some physical violence. A striker confronted a non-striker with a lead pipe, and several other non-strikers grabbed the striker and punched him.

The forced reinstatement settlement had failed. Late at night on October 30 President Roosevelt, certainly with the concurrence, and probably at the urging, of his White House guest, Richard T. Frankenstein, ordered the War Department to seize the Bendix plant of Air Associates.

The Seizure

On October 31, 2,100 to 2,500 fully armed troops took over the Bendix plant. Colonel Roy M. Jones was ostensibly in charge, and he declared that the Army had "reopened" the plant. Actually it never had been closed except on October 24 when Sheriff Browne helped the union close it. President Hill and Executive Vice President Harold I. Crow were ordered off the

premises. Union leader Anthony Grimaldi was allowed to stay.

Only Air Associates' Bendix plant was involved in the dispute, so Hill naturally assumed he was still in charge of all the branch operations. He was wrong. On November 5 the Army seized the seven branch plants. The excuse given was that the branch operations had to be coordinated with the Bendix plant. Colonel Jones claimed, "The Army is in here to get out production and until the labor situation is cleaned up, Hill and the others are not in the picture at all." (*The New York Times*, November 6, 1941)

It got worse: On November 18 the War Department instructed the board of directors of Air Associates to fire President Hill. Undersecretary Patterson, who had helped produce the Patterson-Knudsen agreement on October 14, said, "We will return the company to private management just as soon as we figure that they have a management there that will not have labor problems." (*The New York Times*, November 20, 1941) In other words, a management that would take its orders from Anthony Grimaldi.

The board of directors was instructed to submit all names of potential successors of Hill to the War Department for its approval. On November 26, with the permission of the War Department, the Air Associates Board elected Frederic G. Coburn, then chairman of the board of McLellan stores, president of Air Associates.

To add insult to injury, on November 26 the War Department tried to depict Leroy Hill as an incompetent businessman by asserting, "On taking possession the Army found that the company did not have the means to meet maturing obligations to banks and to trade creditors." The government advanced \$500,000 to the company, and a spokesman said: "When it agreed to extend financial aid to the company the War Department took the same measures that any bank would take under similar circumstances. It insisted that the company give assurance of satisfactory management and continued production." (*The New York Times*, November 27, 1941)

However, as Hill explained, \$500,000 was the standard down payment the War Department made on new contracts. He had been expecting it.

Moreover, since the company's inventory had been seized and its ordinary customer receipts had been impounded by the War Department, it was no surprise that banks and trade creditors were complaining about the lack of payments since the end of October.

On November 30, 502 out of 800 Air Associates employees petitioned President Roosevelt to reinstate Hill. According to the petition: "[The] takeover was a capitulation to the dictates of selfish labor union leaders against the wishes of 85% of the Air Associates employees. We further believe the stipulation of the government that the former management be replaced as a condition for the return of the property to its rightful owners is an act of governmental coercion threatening the destruction of free enterprise." (*The New York Times*, December 1, 1941)

On December 26 President Coburn signed a contract with the UAW that included a union shop and everything else Anthony Grimaldi demanded. Only 250 out of 800 employees participated in the contract ratification vote. They all voted yes. On December 29 the War Department turned Air Associates back over to its board of directors and President Coburn.

Postscript

F. Leroy Hill moved to Rockford, Illinois, in 1942. There he founded the Aircraft Standard Parts Company and Aero Screw Company, both of which supplied parts for military aircraft during World War II. After the war he formed Hill Machine Company, which later became Hill-Rockford Company, a manufacturer of assembly machinery. He became a member of the Mont Pelerin Society. Although he retired in 1975, he remained an energetic defender of the right of every person to work free of compulsory unionism. He died from a heart attack at his summer home at Francess town, New Hampshire, on July 7, 1981.

After the war Air Associates specialized in electronics. In 1957 company headquarters were moved to St. Petersburg, Florida, and its name was changed to Electronic Communications. It became the ECI Division of E-Systems, a subsidiary of NCR, in 1976. □

Tony Trivisano's American Dream

by Frederick C. Crawford

Tony Trivisano came from a rocky farm in Italy somewhere south of Rome. How or when he got to America, I do not know. I first met Tony when I returned from the office one day and found him standing in the driveway behind the garage. He was a shabby-looking person, about five feet seven or eight, thin. He looked hungry.

"I mow your lawn," he said as I approached him. I didn't comprehend his broken English. I asked him his name. "Tony Trivisano." I asked him what he wanted. "I mow your lawn."

Then I caught on. He wanted a job. I told Tony that the Depression was on. It was then about 1930 or '31. These were difficult days. I told him I had to mow my own lawn; I couldn't afford a gardener.

"I mow your lawn," he said.

I said, "Tony, I'm sorry, but I don't think we can work anything out."

"I mow your lawn," he said again, then turned and walked away.

That evening I felt very unhappy and mean. A person in need had appeared to me. Where was my compassion? I was sorry that I had turned him away. The next day, when I returned late from work, I was amazed to find that our lawn had been mowed, the garden had been weeded, and the walks had been raked. Things looked very neat. I asked my wife what happened.

"A strange man came today, got the lawn mower out of the garage, and proceeded to work

on the yard," she said. "I thought you had made some arrangements for a gardener."

I told her of my experience the night before. We thought it strange. The next two days were busy. We were trying to rebuild our business and bring some of our workers back to the plants. I got home late. But on a Friday, returning a little early, I saw Tony turning away. I called him. I complimented him on the work he had done.

"I mow your lawn," he said.

Being an old softie, I worked out some kind of small weekly pay, which I thought would be enough to help him get along. He turned and walked down the driveway without a word. For the next few weeks we were busy, but each day Tony appeared, cleaned up the yard, and took care of all the little chores. My wife said he was very helpful whenever there were any heavy objects to lift or special things to fix about the place. She was delighted to have him.

Summer passed into fall, and cold winds were arriving. One day as I returned, Tony was there in his place behind the garage. I asked him what I could do for him.

"Mr. Craw, snow pretty soon," he said. "When winter come, you give me job shoveling snow at the factory."

Well, what do you do with a fellow like that? What do you do with such persistence and hope? Of course, I relented, and Tony got his job at the factory.

The months passed. I asked the company's labor department for a report on Tony. They reported that he was a very good worker. Some time went by. Again, one day I found Tony at the

Mr. Crawford, honorary chairman of TRW Inc., is a former member of the Board of Trustees of FEE. This article is reprinted from the fall 1991 issue of Cleveland Enterprise. Copyright © 1991, Cleveland Enterprise.

meeting place behind the garage when I returned from the office.

"What can I do for you, Tony?"

"I want to be 'prentice," Tony said.

I didn't catch on at first, and then I realized he was asking if he could become an apprentice. We have a pretty good apprentice school. We trained laborers in various skills that were needed. I doubted whether Tony had the capacity to read blueprints and micrometers and do precision work. However, how can you turn down such persistence? Of course, Tony got his apprenticeship.

He gave up some of his pay, took less money, and became an apprentice. Months and months later, I got a report from the shop that he had graduated from the apprentice school, a skilled grinder. He had learned to read the millionths of an inch on the micrometer. He had learned to handle his machine. He had learned to true the grinding wheel with an instrument set with a diamond. He was on his way. My wife and I were delighted. We felt that this would be the end of the story.

Again, the months passed, perhaps a year or two years, and once again, I found Tony in his usual waiting place after I returned from work. We had a nice visit. We talked about the grinding and his work, and then I asked him what he wanted.

"Mr. Craw," he said, "I like a buy a house."

"Why, Tony, how can you possibly buy a house? You haven't got your debts paid."

"I like a buy a house. Lots of opportune."

That puzzled me. Finally, I realized that he had found many opportunities to buy a house. I didn't quite picture it. When I looked into it, I learned that on the edge of town, where the area was deteriorating, he had found a house that was a complete wreck, marked to be torn down. This was the house he wanted to buy. There was a "For Sale" sign on the property that gave the name of the bank to which it had defaulted.

Well, I called on a banker friend, and I said, "Do you ever loan money on character?"

"No," he said. "We can't afford to. No sale."

"Now, wait a minute, Mr. Banker," I said. "Here is a hard-working man, a man of character. I can vouch for that. He's got a good job. Now, you're not getting a damn thing from your lot. It will stay there for years. Here is a man who at least will pay you interest. Why don't you try it?"

Reluctantly, he agreed to write up a mortgage

and give Tony the house with no down payment. Tony was thrilled. From then on, it was interesting to see that any odds and ends around our place—a broken screen, a bit of hardware, boards from packing, anything left over from the maintenance of our home—Tony would gather and ask my wife if he might take home. That went on, I suppose, for something close to two years or more.

Then one day Tony appeared again. We had a little talk together, and I said, "What is it this time, Tony?"

He said, "Mr. Craw, I like a pay 4 percent like the big boys. They make me pay 6 percent."

Now, at the time, in the post-Depression period, interest rates were settled at about 4 percent standard, but because Tony's loan was one without collateral, they were soaking him for 6 percent. I dropped in on my banker friend and said, "Why don't you give this fellow half a break? Why are you sticking him with 6 percent?"

"Well, his loan was no good."

"How do you know? Send an appraiser out and check up again." The appraiser went out and brought back a report that Tony's property was worth \$4,000. Now Tony had a good loan, a 50 percent loan, and he got his 4 percent interest.

The Next Step Up

Again, time passed. War was threatening. Late one afternoon as I returned, I found Tony in the familiar meeting spot. "What can I do for you?" I said. Tony seemed to stand a little straighter. He was heavier. He had a look of confidence.

"Mr. Craw, I sell my house!"

"Tony, you sold your house? What did you get for it?"

"I got \$8,000," he said with pride.

I was amazed. "But, Tony, how are you going to live without a house?"

"Mr. Craw, I buy a farm."

Well, this was all coming pretty fast for me, but we sat down, and we talked at length. I learned that Tony had sent for his wife and son and daughter back in Italy. They had arrived. The children were in school. His wife was making their house homey. He had hunted around the edge of town and found a small, abandoned farm with a small but suitable house and a shed, and he had moved onto his farm. He told me that to own a farm was his dream, that he loved the tomatoes and the pep-

pers and all the things that are so important in the Italian diet. I was astonished.

The next time that I saw Tony was at the company picnic. He was there with his wife and children and was having a wonderful time. I could see that he had many warm friends among the factory workers. What surprised me was that Tony was wearing my favorite salt-and-pepper, well-worn weekend sports suit. It fitted him perfectly.

"Tony, where did you get that suit?"

He said, "Your wife gave it to me five years ago." I had never missed it.

Some time later, Tony arrived on a Sunday afternoon, neatly dressed. He had another Italian man with him. He told me that he had sent to the town of his birth and persuaded his childhood friend to come to America. Tony was sponsoring him. With a hint of a twinkle in his eye, he told me about how, when they approached the little farm that he now operated, his friend stood there in amazement and said, "Tony, you are a millionaire!" Tony was filled with great pride.

The years went by. War was on. We were very busy with our war-production work. I had no time to think of Tony, although my wife had become very fond of him. Then one day, a message came from the company's labor department. Tony had not reported for work. An investigation showed he had passed away. We all felt sorry, but we were proud of his accomplishments.

I asked our people to check on his family and see that everything was properly handled. The report came back. They found the farm was green with vegetables; the little house was well, liveable, and homey. There was a tractor in the yard and a good automobile. Tony didn't owe one red cent. The son and daughter had been educated and were at work, and things were left in perfect shape.

After Tony passed away, I exceedingly regretted that I had not spent more time with him, that I had not at least driven out to visit his little farm and seen his wife and his family and his boyhood friend settled and enjoying the American way of life. I thought more and more about Tony's career. He

grew in stature in my mind. Finally, he appeared tall and proud, standing with the greatest industrialists who had ever lived in America.

They had all reached their success by the same route and by the same values and principles. Each one had to show vision, perseverance, determination, self-control, optimism, hope, self-respect, and above all, integrity. Tony's affairs were tiny; the great industrialists' affairs were giant. But after all, the figures were exactly the same. The only difference was where you put the decimal point.

Tony did not begin on the bottom rung of the ladder. Tony began in the basement. All he had were 24 precious hours a day. He knew that he must waste none of them, unlike so many of us who waste time today. He knew instinctively that time was the secret of success. His instinct also told him that time was the secret of wealth, that if he was ever to enjoy material comforts, it would be through the wise use of time.

What is wealth? Wealth is anything a human being can use: money in the bank, a house, a pair of shoes. How is wealth produced? A very simple process. If you take one hour of time and you make something useful, you have added to wealth. Now, there are two ways to do this. One is by hand, a slow and tedious process. The other way is by accumulating vast amounts of capital, and by that method, great amounts of wealth can be produced quickly.

Tony knew that his precious 24 hours a day were the secret of success, just as the violinist knows he must endure countless hours of practice, the athlete, many muscle-numbing hours of training, the doctor, years of constant study. Tony knew that time would bring him success, albeit slowly.

Tony came to America seeking the American Dream. He did not find the American Dream; he created the American Dream for himself. Every American with 24 hours of precious time can create his or her own American Dream, if he or she will only learn what Tony instinctively knew: Time is the secret of success. Time is the secret of wealth. □

On Moving the World

WHAT YOU are is what the world is. What you become is what the world will become.

—VERN HANSEN
Los Gatos, California

IDEAS
ON
LIBERTY



How Many Laws Are Enough?

by James L. Payne

In the debate surrounding the Thomas-Hill episode in the Senate Judiciary Committee, there was one point on which participants seemed to agree, namely that "sexual harassment in the workplace is an extremely serious matter." Senators from left to right lined up to chant this litany, voicing their support for legislation that regulates such conduct. Only the facts were in dispute: Did Supreme Court nominee Clarence Thomas use sexually explicit language in the workplace in an attempt to pressure an employee into a sexual relationship?

Now that the excitement is over, perhaps it's time to examine the premise of that debate. Should we consider sexual harassment "an extremely serious matter," a matter so serious that we should regulate it by law?

It's important to remember what, in the final analysis, legal regulation is. It means that we are prepared to use force against the person who is the object of the regulation. It's easy to overlook this point because government actions seem so innocent in their initial stages. Usually they start with a letter or document ordering the person to appear at a hearing or trial, or pay a fine. But lurking behind this document is the threat of force. If the person chooses to disregard it, then G-men or state troopers with guns will eventually come to his home. If he ignores them or locks his door, the officers are authorized to use force against him. They may smash his door down; they may seize him and drag him away. If he attempts

to defend himself, still more force will be used. In the process, the citizen may be injured or even killed.

When is it right for the state to use force in this way? The traditional answer is that when the individual has initiated force, as in a robbery, rape, or murder, then the use of force is justified, both to restrain him and to deter others from doing the same thing. When the state acts in this defensive way, it plays a force-reducing role, lowering the sum total of violence in the world.

By this test, sexual harassment in the workplace should not be legally regulated because it is not an initiation of force. The woman (or man) who suffers it is not physically attacked. Sexual harassment is not rape. It can be disagreeable, of course. It can even mean that the employee has to resign the job, just as she (or he) would have to resign a job which paid too little. An unfortunate situation, yes, but not a violent one.

What's wrong, people will ask, with bringing it under government regulation? At first glance, it seems a simple way to fix the problem. But consider the long-run consequences. When policymakers start to treat nonviolent activities as crimes, government forsakes its role as peacemaker. It becomes a violence-initiator, drawing its guns against peaceful citizens whose behavior it views as unsatisfactory. Now it is adding to the sum total of violence in the world. Furthermore, it sets a bad example. It is encouraging the angry, the unsocialized, and the deranged to imitate its practice of initiating the use of force as a problem-solving method.

Sadly, modern legislators have not understood this connection. For generations, they have attempted to correct nonviolent situations by resorting to coercive regulation. From barber shops to schools, from hospitals to farms: The list of do's and don'ts officially backed by guns has grown to staggering proportions.

Can the law enforcement system stand this ever-increasing load? In the past 20 years, the number of people that federal, state, and local governments have put in prison has more than tripled. Jails are so overcrowded that robbers and rapists are placed on parole. Surely it's time to concentrate on controlling violent misbehavior. Lawmakers shouldn't further burden the criminal justice system by making it handle unfortunate but non-violent problems. □

James L. Payne, a political scientist, is the author of The Culture of Spending: Why Congress Lives Beyond Our Means.

Edmund Burke

by John Chamberlain

Edmund Burke is a name that was once well-known to Americans. He never visited America, but he could be counted on to oppose King George III and his ministers in their efforts to tax the colonies without a by-your-leave. He opposed the Stamp Act, and he would have taken part in the Boston Tea Party if he had been anywhere in the American Northeast. His speech on conciliation was once read in hundreds of American schools. It was dropped when the teaching of history was abandoned in favor of that vague thing called social studies.

Two books are available to help revive the name of Burke. One, just published by Peter J. Stanlis, is titled *Edmund Burke: The Enlightenment and Revolution* (Transaction Publishers, New Brunswick, N.J., 259 pages, \$34.95 cloth). The older book, by Alice P. Miller, is *Edmund Burke and His World* (published some years ago by the now defunct Devin-Adair Company, Greenwich, Conn., 232 pages, \$12.95). Each book comes with a foreword by Russell Kirk, a one-man clique who gives more words to Stanlis than to Mrs. Miller.

Burke, a graduate of Trinity College in Dublin, was the son of a Protestant father and a Catholic mother. He believed that politics was more of an art than a science. Prudence was a big word in his vocabulary. This meant that he could follow his friends of the so-called Enlightenment just so far. He believed that the "moral natural law" had been violated by the British in both America and Ireland, and by the East India Company in India. He was for rescinding the charter of the East India Company because it was a political entity in the "disguise of a merchant."

Very much a Jeffersonian, Burke approved of

several rebellions—the English Revolution of 1688, the American Revolution, the efforts of the Poles to prevent partitioning, the rebellion of the Corsicans, and the many rebellions of the people of India against the rule of Warren Hastings. But, as a Whig, he was for parliamentary change, not violence.

Burke's colleagues of the Enlightenment erred in their lack of prudential willingness to respect tradition in pursuit of scientific truth. Gradualness was Burke's proposal for change. It was a key element to the moral prudence that should guide economic reforms. In his reflection on the French Revolution, Burke said that "thanks to our sullen resistance to innovation, thanks to the cold sluggishness of our national character, we still bear the stamp of our forefathers." We had been saved, he said, from the violence of the guillotine where the French were not.

Burke's view of the extremist nature of the French Revolution brought him into conflict with Charles James Fox, Richard Brinsley Sheridan, and other Whigs. He said that if Britain took revolutionary France as a model, there would be anarchy in government and atheism in religion. Burke proved to be a good prophet, and in time the Whigs came around to his view.

Burke went to a Quaker school in Ireland called Ballitore. The school, barely mentioned by Stanlis, instilled in Burke practically all the beliefs that guided him through his many years in Parliament. At Ballitore, Burke studied Latin and Greek, wrote poetry with the son of the school proprietor, and passed the entrance exams into Trinity. He debated and did extemporaneous speaking, calling mild attention to some of the defects of the class

system, and went on to London to study law and become a writer. Next came marriage and the long period in which he championed the anti-tax cause of the American colonies. Mrs. Miller adds many homey touches to the running story of Burke's life. His friends included Oliver Goldsmith and Sir Joshua Reynolds. He lost his own son, but found solace in bringing French children displaced by the Revolution to the "nursery" he established at his home in Beaconfield.

Personally, I found the chapters in the Stanlis book very confusing. They are choked with names that are almost immediately forgotten. The Miller book, which establishes a chronological sequence and sticks to it, is much easier to follow. □

AUSTRIAN ECONOMICS: PERSPECTIVES ON THE PAST AND PROSPECTS FOR THE FUTURE

edited by Richard M. Ebeling

Hillsdale College Press, Hillsdale, MI 49242 • 1991
541 pages • \$9.95 paper

Reviewed by William H. Peterson

As the 20th century winds down, two landmark books in the history of economic thought in the past near-100 years seem to have moved Western opinion and policy in a significant way, both positively and negatively. The two books are in a sense juxtaposed and get a big play, directly and indirectly, in this insightful volume 17—the 1990 lectures—of the "Champions of Freedom" Ludwig von Mises Lecture Series. Hillsdale College established this lecture series in 1973, and it has undeniably helped sustain the astounding growth of the Austrian school of economics.

One book is Mises' *Human Action* (1949), a work offering the extraordinary idea of praxeology, the science of human action involving the sovereignty of the individual, the daily, rational, purposeful behavior of men and women who freely advance social cooperation through open markets and private property rights. These principles make *Human Action* a profoundly ethical book, says contributor Hans-Hermann Hoppe of the University of Nevada at Las Vegas: "For is it not natural that every person should own his own body as well as all scarce goods which he puts to use with the help of this body before anyone else

does? Is it not obvious that every owner should have the right to employ these goods as he sees fit so long as in so doing he does not uninvitedly change the physical integrity of another's property?"

The other book is John Maynard Keynes' *General Theory of Employment, Interest and Money* (1936). In this "New Economics," Keynes sought to have central governments macro-manage "aggregate demand" to maintain their economies at "full employment."

In his contributions here editor Richard Ebeling, holder of the Mises chair in economics at Hillsdale College, sees such reasoning as moribund social engineering that disregards the primacy of human action. This disregard allows government macro-managers to push individuals around as if they were but pieces on a chessboard. Here Ebeling invokes Adam Smith's famous chessboard analogy and Hayek's stinging phrase, "the pretense of knowledge." Thus at the highest levels of government, inexorable ignorance of the dynamics of society and the economy leads pretentious macro-managers to the grossest mismanagement of the economy, i.e., of the people.

In his paper, Mark Skousen of Rollins College goes after Keynes for his anti-saving focus. Keynes saw thrift reducing consumer spending, hence decreasing consumer goods output and possibly inducing a downward business spiral.

This anti-saving focus still pops up in leading Keynesian textbooks. For example, William J. Baumol and Alan S. Blinder write in *Economics*: "While savings may pave the road to riches for an individual, if the nation as a whole decides to save more, the results may be a recession and poverty for all."

Such reasoning is shortsighted, indeed "perverse," says Skousen, because it overlooks the role of time preference in the lengthening or "round-aboutness" of the production process, leading in the long run to productivity gains, rising consumer spending, and higher living standards. He also contends that in the short run greater savings push down interest rates, which makes investment more attractive, with resulting higher capital goods demand tending to offset lower consumer goods demand.

If Keynes represents the quintessence of regulation and interventionism in a nominally capi-

talistic economy, contributor Jack High's paper on the theory, history, and doctrine of government regulation offers insights galore from the viewpoint of Austrian economics. High, director of graduate studies in economics at George Mason University, notes, for example, that niche-seeking entrepreneurship, so central in praxeology and free markets, becomes bizarre and counterproductive in a climate of interventionism.

Professor High points to pioneering work by Gabriel Kolko. Historian Kolko demonstrated in his *The Triumph of Conservatism* (1963) that quite a few businessmen in the Progressive Era actively sought government regulation in banking, railroads, and many other industries as a way of subverting competition. In other words, businessmen have been often the leaders, not the unwilling victims, of "regulatory reform."

Mises. Keynes. Who will prevail in the 21st century? Contributors and commentators in this full, rich, and provocative volume are betting on a Misesian revolution. I hope they are right. They deserve to be. □

Dr. Peterson, Heritage Foundation and Mises Institute adjunct scholar, is the Lundy Professor of Business Philosophy at Campbell University, Buies Creek, North Carolina.

FEMINISM WITHOUT ILLUSIONS: A CRITIQUE OF INDIVIDUALISM

by Elizabeth Fox-Genovese

University of North Carolina Press, P.O. Box 2288, Chapel Hill, NC 27515-2288 • 1991 • 347 pages • \$24.95 cloth

Reviewed by Elizabeth Larson

By claiming that individualism is a documented failure and that modern feminism betrays itself by not acknowledging its dependence on that defunct philosophy, Elizabeth Fox-Genovese's latest contribution to women's studies has raised eyebrows and tempers at many points along the political spectrum.

Although punctuated with criticism of today's mainstream feminists, this book amounts to a sweeping assault on individual liberty. Fox-Genovese blames individualism for all that is wrong with America today—from homelessness and the growing black underclass to pornography and the widening rift between men and women.

Fox-Genovese's version of the "American myth of individualism" goes something like this: Ruthless and rampant, individualism took hold of America with the Industrial Revolution and has been strangling us ever since. Since the marketplace had little time for the traditionally female qualities of nurturing, caring, and community (and since men didn't want to live without those comforts), women were suppressed to keep that corner of society alive: "The American version of the myth of individualism that promised success to those [men] who played by its rules assumed that unpaid female labor and devotion would buttress [male] individuals' efforts in the struggle to cope with the capitalist market." (brackets in original)

Out of that universal oppression, Fox-Genovese continues, arose a sense of sisterhood, which, while it couldn't reverse the injustices women suffered under capitalism, at least let women know they weren't alone in their misery. Then came suffrage, property rights, and the rush to fill jobs left vacant by men leaving for World War II. Women advanced into the men's world, into their offices, their classrooms, and even their locker rooms. Some succeeded; some failed. But those who did succeed (and this Fox-Genovese considers an unfortunate consequence of the women's movement) tended to become more individualistic and to identify themselves in terms of their race or economic class rather than in terms of their sex. The theory of collectivist feminism gave way to the practice of individualism. What came next, Fox-Genovese tells us, was even worse.

The feminist movement of the '60s and '70s with its battle cry "Sisterhood is Powerful!" employed the language of female solidarity without considering the roots of that solidarity. Born as a reaction to capitalism, sisterhood was inextricably tied to the capitalist system; it was the result of women's silent acceptance of the system of "rugged individualism." Feminists today, Fox-Genovese maintains, should realize that implicit in the language of sisterhood is an acceptance of the status quo: the capitalist society.

With the empty language of female solidarity, today's feminists claim to speak for all women, and Fox-Genovese is most interesting when she discusses such problems within the women's movement. In reality, she writes, the movement is made

up mostly of white upper-middle-class women—women who have the financial means and sufficient leisure to over-analyze their successes and failings as, of course, the inevitable consequences of the American patriarchy—so how can they speak as the collective voice of women of all cultures and colors?

That is a legitimate criticism. The majority of *Feminism Without Illusions*, however, is confusing and contradictory; it seems as though Fox-Genovese loses her train of thought between paragraphs. Perhaps she's taken to heart the words of her more radical feminist colleagues who insist that logic and argument cannot be divorced from the patriarchy (and therefore must go).

Fox-Genovese harshly criticizes moderate feminists marching under the banner of "Sisterhood is Powerful!" Her ideas on ethical and legal issues bring to mind women on the fringes of feminist theory, such as Catharine MacKinnon, a law professor at the University of Michigan.

Like MacKinnon, Fox-Genovese argues that the tension between the individual (male) and the community (female) can be resolved only by replacing the patriarchy with a world order based on the virtues of the female community. Ideally, care, bonding, and a system of gender-based justice would replace individual rights and the objective rule of law.

Upon reaching that conclusion, Fox-Genovese immediately retreats, suddenly rhapsodizing about how great America is and lauding the Constitution and the Declaration of Independence. Such contradiction only adds to the general confusion of her prose. Asserting that a gender-based system of justice should replace our traditional rights-based system, while with her next breath lauding America's founding principles (she never explains what she thinks these principles are), indicates both sloppy thinking and confusion about American political philosophy.

"The American version of the myth of individualism" has not brought happiness and material success to all women, Fox-Genovese complains. Well, that's life. American individualism never promised happiness for all; it promised that we would be free to *pursue* happiness. Fox-Genovese needs to sit down with a copy of the Declaration of Independence and study it well. Maybe then she'll understand that the Founders promised not a fair and happy life for all Americans but a society

where individuals would find justice and the freedom to succeed—or to fail. □

Elizabeth Larson is a writer for Reason magazine.

THE BIRTH OF THE MODERN: WORLD SOCIETY 1815-1830

by Paul Johnson

HarperCollins Publishers, 10 East 53rd Street, New York, NY 10022 • 1991 • 1,095 pages • \$35.00 cloth

Reviewed by Raymond J. Keating

Few historians have made their subject more compelling than Paul Johnson. In his *Modern Times* (recently updated), Johnson eloquently relayed the story of the 20th century—from the 1920s up to the 1990s—with new insights and a keen historical eye untarnished by the leftist ideology that afflicts many of today's historians. Now, in *The Birth of the Modern*, Johnson has brought his considerable talents to bear on the formative years of 1815-1830.

Johnson describes how, as the Napoleonic Wars came to an end, many of the ideas conceived in the 1770s and 1780s finally were given birth during 1815-1830, laying the foundations of modernity. The numerous and often quite diverse themes that emerged during the rise of the modern era—encompassing economics, politics, science, philosophy, and culture—are exhaustively explored.

One recurrent theme is the great expansion of economic opportunity. The parts of the globe that adopted the free enterprise system—liberating trade, securing property rights, limiting government intrusions in the marketplace, and reducing taxes—witnessed prosperity and stability. According to Johnson, when English entrepreneur Thomas Hulme visited Pittsburgh in 1817 he found the city to be "already a major coal-iron and manufacturing center, crowded with 'skillful and industrious artisans and mechanics from all over the world,' who were paid wages at twice the British level with much lower taxes."

However, Great Britain also provided an amenable growth environment. Johnson points out that one of the reasons behind emigration from Europe was that it was "a painfully overtaxed continent." He continues by noting that the "British were spared internal customs, but they groaned under the income tax. . . . The radicals saw

it not merely as a monstrous burden, but as an 'inquisitorial' intrusion into the privacy of a man's financial affairs. . . . [S]uccess in getting the Commons to abolish the tax on 18 March 1816 by a majority of 238 to 201 dumbfounded the government and was one of the most popular political victories of the decade." Johnson neatly summarizes the British economy: "[C]lever and enterprising men came to the British Isles because of the opportunities provided by its great wealth and, still more, by its free economic climate. The English universities might be comatose and the government indifferent to industry, but the law left the entrepreneur and the self-advancing artisan free to pursue their genius. Moreover, it was the only country with an effective patent system."

Free enterprise and economic growth also were buttressed by the new private-sector movement in international banking led by the Rothschilds, the restoration of the gold standard in Great Britain, and by U.S. Supreme Court Justice John Marshall's role in securing American property rights. Such developments contrast starkly with, for example, the "few markets and a general absence of economic incentive to improve and invest" in Russia, and with the corrupt and flawed systems that were thrust upon Latin America. Though, Johnson also notes some instances of Luddite and union appeasements in Great Britain, which "were portents of her long-term relative decline."

The author weighs the positives and negatives of the Industrial Revolution, and draws a favorable conclusion: "The Industrial Revolution, which first developed its irresistible momentum in the 1780s. . . is often presented as a time of horror for working men. In fact it was the age, above all, in history of matchless opportunities for penniless men with powerful brains and imaginations, and it is astonishing how quickly they came to the fore." In fact, in the early 19th century there was not yet a schism (real or imagined) between the industrial and the aesthetic. At the dawn of the modern, men "saw art and science, industry and nature as a continuum of creation and the quest for knowledge as a common activity, shared by chemists and poets, painters and engineers, inventors and philosophers alike. . . . Men spoke of the 'art of machine making' and those who designed the great engines and structures were often artists, also, in the sense

we understand the word today."

The power and, in Schumpeterian terms, creative destruction of the Industrial Revolution mirrored an overarching aspect of the birth of modernity—its gigantism. Johnson declares, "The modern age was beckoning [man] into the wilderness, to conquer it." And while the Industrial Revolution unleashed creative energy, much darker forces also came to the fore. Johnson identifies the seeds of totalitarianism, instability, and terrorism, including the Napoleonic genesis of secret state police, as well as Hegel's "force of history" and his world-spirit nation with its commensurate "absolute autonomy." As Johnson points out, "So the forces of progress spread rapidly in these years, sometimes like a manumission, sometimes like a plague."

Johnson examines many other aspects of the birth of the modern, including Andrew Jackson's Presidential campaign and its effect on the American political system (e.g., the introduction of the "kitchen cabinet," the use of the political machine, the increased role of the press, and a transfer of power from the elite to the nation's populace), the Treaty of Ghent as "one of the great acts of statesmanship in history," commercialization of music, the role of the artist in society, the beginning of interior decorating and developments in fashion, increased incidents of body snatching (a strange link between great surgeons and gangs of criminals), suicide attempts among the prominent (including "poor Augur, the perpetual secretary of the Académie française, who killed himself in a fit of depression at the triumph of romantic over classical-style literature"), as well as political developments from all major points on the globe.

This is a stunning book in terms of its breadth and depth of knowledge. But it is important for its sober and balanced view of history; for its illustrations that freedom is superior to totalitarianism on both material and moral grounds; and for its recognition that the word "progress" has numerous definitions often quite different from each other. Few will be disappointed with this historical tour de force. □

Mr. Keating is New York Director of Citizens for a Sound Economy.

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What Free Enterprise Means

I believe the universe demands that each person become a responsible individual by making decisions about the course of his life—big decisions, little decisions, all decisions. To make decisions, one must be free to choose, and it is through this decision-making process that character is developed. Character, in the final analysis, may be all we shall be able to take with us, and its development should be our prime goal in life.

Those who framed our Constitution were well aware of the need to be free in matters of conscience and, therefore, the need to protect individuals from the fetters of authority in areas where authority should play no part. With such principles as guidelines, they weaved a fabric of freedom that became our Constitution and Bill of Rights.

To produce and exchange, to save, to invest, to create, to innovate, to profit—these are a few parts of the whole fabric. Those having to do with productive matters we call "free enterprise" because, through them, enterprise is free. And so we find that free enterprise is not big business, it is not small business, it is not a system; it is the framework within which people produce and exchange; it is the atmosphere in which society carries out its productive efforts.

In creating the most nearly free society in history, the goal of those remarkable, far-sighted men was not material prosperity but that man should be free to fulfill himself, to realize his full potential. Nonetheless, the Founders' extension of freedom gave rise to a general living standard that remains the envy of the world.

Socialism is the order of the day in many other nations, and in virtually every case such economies are a shambles. It is no accident. Only the free market, which is a compendium of the freewill decisions of buyers and sellers, brings material prosperity.

In America, enterprise is not truly free—simply more so than in most other countries. It has been shot through with the nostrums of those who believe they know more about what people should do than the people know themselves. Their "cures" threaten to destroy the fabric of freedom, always tenuous at best. Changes may be needed, but never those that reduce freedom.

Entrepreneurs' decisions on when to take risks, producers' decisions on what to make, consumers' decisions on what to buy and when to save, all add up to an unpredictable mix that produces a predictable result—prosperity—when freedom is the main ingredient. Because decision-making is so frequent and so vital in the earning of our livelihoods, free enterprise takes on added importance as a key to growth—both spiritual and material.

—E. W. DYKES
Canton, Ohio

Teens and Sex

We are morally bankrupt, indeed, if we cannot stand in front of our children and say that birth control is when girls keep their pants on and when boys keep their zippers closed. No government can give motivation or a sense of self-worth to a child. It's up to parents and church leaders to say, "Son, your problem isn't society, your problem is you." It's our obligation at all times to impress a moral standard on our young, in spite of what's popular.

—REV. BUSTER SOARIES, quoted in the summer 1991 issue of *Issues & Views*

The Political Process

As we enter another political season, and Americans stand ready to expend millions of dollars and untold man-hours in support of their favorite candidates, we might do well to reflect on Leonard E. Read's advice on how best to effect political change:

"Legislatures, laws, courts, constabularies, bureaucracies can do little more than exert a mild influence along lines consistent with the current consensus. The consensus moves this way or that in

accord with its content; it rises when filled with truths and virtues and sinks when bogged down with nonsense. So, what I can do about the government depends upon the quality of the ideas I feed into the consensus. This defines both my limitation and my potentiality."

Meditations on Freedom, p. 23

The Fundamentals

Education is important, but it isn't everything the world needs so desperately today. We must have insight. And courage. And stamina. And perseverance. None of which you get from books.

—VERN HANSEN
Los Gatos, California

Spreading the Word

The *Freeman* op-ed program is beginning its sixth year. Results have been heartening: More than 1,800 *Freeman* columns have been published in over 260 different newspapers in the United States and Latin America. *Freeman* newspaper columns reach more than a million readers a month.

In recent months, material from *The Freeman* has appeared in the *New York Times*, *Wall Street Journal*, *Chicago Tribune*, *Detroit News*, *Cleveland Plain Dealer*, *St. Louis Post-Dispatch*, *Houston Post*, *Orange County Register*, *Arizona Republic*, *Allentown (Pa.) Morning Call*, *Las Vegas Review-Journal*, *Peoria Journal Star*, *Mobile Press Register*, *Colorado Springs Gazette*, *Camden (N.J.) Courier-Post*, and many other newspapers across the United States. Internationally, *Freeman* articles appeared in Argentina, Australia, Barbados, Bolivia, Bulgaria, the Dominican Republic, El Salvador, Great Britain, Guatemala, Mexico, New Zealand, Panama, Paraguay, Peru, Poland, and South Africa.

Warren Brookes, 1929-1991

by Tim W. Ferguson

It was a late evening in 1981 when I met Warren Brookes over the transom. I was sorting through prospective op-ed material at California's *Orange County Register* when I came across this guy who used real, meaty numbers to build his argument—Census and IRS and Labor Department calculations I hadn't seen in all the papers and magazines I scanned.

Warren won my editorial heart and soon a regular place in the *Register's* lineup. It helped that he seemed willing to take calls at all hours from some nobody in California who, much as he too loved data, never saw a table he didn't have a question about.

In those days Warren was usually available because, I learned, he was something of a recluse. A personal preference going back to some unhappy days in Boston, word had it. Only after Tom Bray, editorial chief of *The Detroit News*, made Warren his man in Washington a few years later did he begin making the rounds of the political cocktail circuit.

Still, when he died at age 62 trying to outwork pneumonia on the last weekend of 1991, Warren remained mainly a presence on the pages of newspapers in secondary markets and conservative journals. Although politicians were confronted with his arguments thanks to an outlet in *The Washington Times*, he remained virtu-

ally unknown to the Pooh-Bahs of the big-city press.

Television? Except for a moment of glory on a *60 Minutes* segment following up on his work, forget it. I remember calling Ray Brady, economics correspondent of CBS News, months after a media watchdog had chided him for being ignorant of Warren's writings and statistics. Mr. Brady maintained he'd still never heard of Warren Brookes.

Warren got harder to ignore over the last few years, however, as his powerful drive and independence led him away from the macro-economy and into the area of environmental science. Many of us market-oriented commentators tend to shy away from that subject because the topics often seem so technical that precious weeks of study would be needed before one could write with confidence about them. A Harvard grad with an average guy's instincts, Warren showed no such trepidation. He wrote pathbreaking articles challenging conventions of the environmental media about pollution, food safety, you name it.

He had a strong notion that the various scares were a left-wing fraud, just as years before he had kept writing—to only belated notice—that Michael Dukakis's "miracle" in Massachusetts was bogus. Warren was proven right on that latter story and I suspect that, even conceding the genuineness of some environmental perils, he will emerge correct in his more recent cause.

He raised some conservative eyebrows toward

Mr. Ferguson writes the Business World column for The Wall Street Journal.

The Need for Moral Standards

At its roots, economics is a metaphysical rather than a mathematical science, in which intangible spiritual values and attitudes are at least as important as physical assets and morale more fundamental than the money supply. Products, after all, are the assembly of qualities, and their value derives directly from the innate character and ideals of those who create them and the workmanship of those who produce them. Things are, in their final analysis, the expression of thoughts. Quality products derive from quality thoughts, shoddy products from shoddy thoughts.

Plainly, then, a national economy, like an individual business or a specific product, is the sum of the spiritual and mental qualities of its people, and its output of value will be only as strong as the values of society. There are many examples of barbaric societies which practiced the "free market" of the jungle and finally perished in the poverty of hedonism. Without the civilizing force of universal moral standards, particularly honesty, trust, self-respect, integrity, and loyalty, the marketplace quickly degenerates. A society that has no values will not produce much value; a nation whose values are declining should not be surprised at a declining economy.

—WARREN BROOKES
The Economy in Mind

the end when he aligned himself with Representative John Dingell in attacking "political science" by tax-paid investigators. Maybe he didn't always consider the whole chessboard of power. But, at the very least, in his overall efforts he succeeded in engaging the regulatory bureaucracy in popular argument where it had hardly before been so tested.

In recent years, Warren was not only writing, but speaking, and proved popular with business audiences. His stuff was somewhat of a *samizdat* on the right. Among free-market conservatives, you would hear increasing references to his find-

ings, even while the prestige media would carry nary a reference. I was surprised he got even a three-inch obituary in *The New York Times*.

His columns weren't often stylistic gems. Interviews seemed to require "so-and-so told us" references, and he used exclamation marks where punchy rhetoric would have sufficed. Only in his spiritual column each Christmas season did he let his humanity show. But by sheer dint of information, his stuff was one-of-a-kind. With a bit of Warren's tenacity, a number of us might try to shoulder his load. If only we had his grasp of the numbers. □

George Mason and the Bills of Rights

by Gary Williams

The Bill of Rights received a lot of attention during its recent 200th anniversary, but little recognition was given to George Mason, who was the driving force behind the document. Mason (1725-1792) was the author of the 1776 Virginia Declaration of Rights, which the Marquis de Condorcet called "the first Bill of Rights to merit the name." Mason fought against ratification of the United States Constitution because it contained no bill of rights. As a leader of the Anti-Federalists, his objections led to the first 10 amendments, which were ratified in 1791.

Mason is relatively unknown among the Founders, but his intellect was renowned as one of the finest in the Colonies. In fact, Thomas Jefferson called Mason "the wisest man of his generation." Fellow Virginian Edmund Randolph added: "He was behind none of the sons of Virginia in knowledge of her history and interest. At a glance, he saw to the bottom of every proposition which affected her." James Madison praised Mason as "a powerful reasoner, a profound statesman, and a devoted republican."

That this plantation owner and neighbor of George Washington was not well-known outside his native Virginia was due to his reluctance to become involved in politics. Mason had a distaste for committee work and a contempt for what he called the "babblers" who predominated in politics. In his will he advised his heirs to prefer "the happiness and independence [of] a private station to the troubles and vexations of public busi-

ness" unless "the necessity of the times should engage them in public affairs."

Mason turned down appointments to the Continental Congress and the U.S. Senate, but the needs of his turbulent times did cause him to leave home on two significant occasions. From 1775 to 1780, he served reluctantly in the Virginia House of Delegates, where he took a leading role in every aspect of formulating a new state government and almost single-handedly wrote the state constitution and the Declaration of Rights. The second occasion was in 1787, when Mason was persuaded to leave his native state to attend the Constitutional Convention in Philadelphia. Here he was one of the five most frequent speakers, arguing passionately for individual freedoms and against centralized governmental authority. His prescient objections ring no less true today, and his refusal to sign the final document helped bring attention to the need for a bill of rights.

George Mason was born in 1725 on a plantation on the Potomac in Fairfax County, Virginia. He was the fourth in a line of George Masons who had established considerable landholdings in the Virginia colony. When George was 10, his father drowned in a Potomac sailing accident, and his barrister uncle, John Mercer, took over as Mason's tutor. Mercer had one of the most extensive libraries in the Colonies, and Mason immersed himself in its collected wisdom. He had virtually no formal schooling and essentially educated himself from his uncle's library.

Upon attaining his majority, Mason took over the administration of his self-sufficient plantation. He actively supervised every detail, as well as the

design of Gunston Hall, the home he built. Mason even spelled out how the mortar was to be mixed to best keep out "those pernicious little vermin, the cockroaches."

Mason married Ann Eilbeck in 1750, and their union produced nine children. The squire of Gunston Hall took his place in plantation society and was well liked by all, despite a tendency toward hypochondria and a sometimes irascible personality.

Public Life

What first drew Mason into public life was involvement as an officer in the Ohio Company, a group of local land speculators that included his friend and neighbor, George Washington. At the time, British royal policy prohibited settlement west of the Appalachians, and the Ohio Company lobbied to open the West for settlement. When war broke out on the frontier, Mason acted as supply agent for troops commanded by Washington. This service in the French and Indian War earned Mason the rank of colonel in the Virginia Militia, although he never served in the field.

It was oppressive British tax policies that got Mason involved in the political arena. New and steeper taxes imposed by the ministers of George III led to Mason's writing in 1766 an open letter "To the Committee of Merchants in London" that was published in the *London Public Ledger*. Later, when taxation grew even harsher, Mason became involved in the inter-colonial Committees of Correspondence and the drafting of non-importation resolves that were boycotts of British products.

In the midst of this burgeoning conflict, Mason's wife died in 1773 after a lingering illness. Her death at age 39 left Mason with nine children to raise as well as a plantation to run, yet he continued his anti-taxation efforts. In July 1774, Mason and Patrick Henry spent the night at Mount Vernon, where Mason wrote the Fairfax Resolves, a statement of the colonists' position. The next day, Washington left to carry the document to the Virginia House of Burgesses and the Continental Congress.

When Washington was named Commander-in-Chief of the Continental Army in 1775, Mason was prevailed upon to take his friend's seat in the Virginia Legislature. What he first saw of what he called the "parties and factions which prevailed"

did little to allay his suspicions of government service. He wrote Washington that "I was never in so disagreeable a situation, and almost despaired of a cause which I saw so ill conducted. Mere vexation and disgust threw me into such an ill state of health that before the convention rose, I was sometimes near fainting in the House." However, he did concede that "after some weeks, the babblers were pretty well silenced [and] a few weighty members began to take the lead."

Mason continued to serve reluctantly in the Assembly, although he regularly arrived late for sessions, on one occasion giving as an excuse a bad reaction to a smallpox inoculation. However, once he arrived, no other legislator was as prolific, respected, or thorough.

At the time of the Revolution, Virginia was basically instituting a new government, as were all the Colonies, and Mason had a hand in every major facet. During one session, John Augustine Washington, brother of George, wrote to Richard Henry Lee, "I have not yet heard particularly what our Assembly are about; but it is said it will be a short session, unless Colonel Mason who is not yet got down, should carve out more business for them than they have yet thought of." Mason's fiscal acumen also was widely respected. George Washington wrote: "It is much to be wished that a remedy could be applied to the depreciation of our currency. I know of no person better qualified to do this than Colonel Mason and shall be very happy to hear that he has taken it in hand."

The Virginia Bill of Rights

But the most significant contribution Mason made to the fledgling state government was writing a constitution and bill of rights during a six-week period in May and June of 1776. Mason's readings in history had convinced him that "there never was a government over a very extensive country without destroying the liberties of the people," and he sought to remedy that with a declaration of rights. A committee was assigned to do the writing, but except for Madison's insertion of stronger wording on freedom of religion, the words are entirely Mason's. Some of Mason's phrases appear in the U.S. Bill of Rights that passed 15 years later. The idea as well as the wording caught on, and by the end of 1776 five colonies had adopted declarations of rights, and

by 1783 every state had some form of a bill of rights.

Mason's hand was clearly the guiding force behind this process. Edmund Pendleton, president of the Virginia Assembly, wrote to Jefferson, who was in Philadelphia working on the Declaration of Independence, that "the political cooks are busy in preparing the dish, and as Colonel Mason seems to have the ascendancy in the great work, I have sanguine hopes it will be framed so as to answer its end."

Edmund Randolph said that of all the plans being discussed, "those proposed by George Mason swallowed up all the rest." Nearly 50 years later, Jefferson added, "the fact is unquestionable that the Bill of Rights and the Constitution of Virginia were drawn originally by George Mason."

The Declaration of Rights was approved by the Assembly on June 12, 1776, and 17 days later Mason had a final draft of the state constitution approved by that body. Although he remained in the legislature four more years and influenced nearly all major bills, Mason never made a more important contribution than authoring the first American document that limited the authority of governments and strengthened the rights of individuals.

By 1780, Mason felt the new government was on firm foundation and he could safely leave office. In that year, he remarried and retired to Gunston Hall, letting it be known that he would consider any effort to draft him back into the legislature as "an oppressive and unjust invasion of my personal liberty."

But Mason was too respected, important, and opinionated to stay retired. At first, he spoke out from Gunston Hall on certain issues. In particular, he felt that American debts to British merchants should be honored, as the Revolution had not been fought merely to elude creditors.

Since Gunston Hall was located on the road from Richmond to Philadelphia, leaders on the way from one capital to another began to stop and seek Mason's counsel. In 1783, when debate was going on over revising the Articles of Confederation, the wisest minds sought to involve Mason again. Jefferson wrote to Madison asking if he had stopped by Gunston Hall on his way home from the Continental Congress: "You have seen G. M., I hope, and had much conversation with him. What are his sentiments on the amendment of our

constitution? What amendments would he approve? Is he determined to sleep on, or will he rouse and be active?"

Madison replied, "I took Colonel Mason in my way and had an evening's conversation with him . . . on the article of convention for revising our form of government, he was sound and ripe and I think would not decline participation in such a work." Shortly afterward, Mason was part of a panel that negotiated a Potomac navigation agreement between Virginia and Maryland, which served as a sign that cooperation between states could be achieved and that Mason was ready to come out of retirement.

Drafting the Constitution

When the Constitutional Convention of 1787 was called, Mason agreed to go to Philadelphia as one of Virginia's delegates. He arrived on May 17, typically the last of his delegation to arrive, and lost no time in complaining. He had been in town less than two weeks when he wrote to his son that he had begun "to grow heartily tired of the etiquette and nonsense so fashionable in this city."

Yet for once Mason was impressed by his peers, writing that "America has certainly, upon this occasion, drawn forth her first characters." He was also impressed by the seriousness of the business at hand, noting that "the eyes of the United States are turned upon this assembly, . . . may God grant that we may be able to gratify them, by establishing a wise and just government."

Throughout the convention, Mason consistently spoke out in favor of the rights of individuals and the states as opposed to the federal government. He spoke out strongly against a 10-mile-square Federal district that ironically came to be located just a few miles from his home. Concerning the proposed District of Columbia, Mason said: "This ten miles square may set at defiance the laws of the surrounding states and may . . . become the sanctuary of the blackest crimes! Here the federal courts are to sit . . . what sort of jury shall we have within the ten miles square? The immediate creatures of government!"

Mason also spoke out in favor of popular elections, unrestricted admission of new western states, and in favor of a three-part executive. As the summer wore on, compromises were reached on most major issues, but a growing Federalist

consensus began to emerge. What finally turned Mason against the proceedings were decisions reached on a bill of rights and on slavery.

Although a lifelong slaveholder, Mason abhorred the institution, feeling that "every master of slaves is born a petty tyrant." He favored abolition as soon as it was economically feasible and wished to halt all future importation of slaves. However, a hasty compromise was worked out permitting the slave trade to continue for another 20 years.

This compromise upset Mason, and he wrote bitterly to Jefferson of "the precipitate, and not to say indecent, manner in which the business was conducted, during the last week of the Convention, after the patrons of this new plan found they had a decided majority in their favor; which was attained by a compromise between the Eastern and the two Southern states to permit the latter to continue the importation of slaves for twenty odd years; a more favorite object with them than the liberty and happiness of the people."

For Mason, the last straw came on September 12, 1787, when his proposal to include a bill of rights in the new Constitution was defeated 10 states to none. Not even Mason's offer to write an immediate version himself was enough to sway the delegates who were impatient to wrap up matters and go home. The convention also voted down Mason's proposal to hold a second convention, and Mason declared he could not support the final version. "Colonel Mason left Philadelphia in an exceeding ill humor indeed," Madison wrote to Jefferson, and Mason was not present when the other delegates signed on September 17.

Instead, Mason was one of the leaders in the fight against ratification of the new Constitution. He composed a three-page list of objections, and, after dutifully forwarding a copy to George Washington, published them in the *Pennsylvania Packet* on October 4. This publication served as a counter to the *Federalist Papers* that were written during the ratification fight.

Foremost among Mason's objections was that

"there is no Declaration of Rights, and the laws of the general government being paramount to the laws and constitution of the several states, the Declaration of Rights in the separate states are no security." There were several other objections raised as well, but it was the lack of a bill of rights that was seized as a rallying point for the Anti-Federalists.

Nine of the 13 states were needed for ratification, and the fight was a heated one in many states. One of the casualties was the friendship of Mason and Washington, as the latter bitterly referred to Mason as his "quondam friend." When the Virginia ratification convention began in June 1788, the Anti-Federalist contingent was led by Mason and Patrick Henry. Among the supporters of the Constitution in the Virginia delegation were such luminaries as Madison, George Wythe, Richard Henry Lee, John Tyler, Benjamin Harrison, and John Marshall, as well as Washington and Jefferson, who did not attend but were known supporters. After much emotional debate, Virginia ratified the Constitution by an 89-79 vote, four days after New Hampshire became the ninth state to ratify.

After this defeat, Mason retired to Gunston Hall for the final time. He turned down a seat in the U.S. Senate, preferring as usual to offer advice from home. James Madison introduced a bill of rights that was essentially based on Mason's to the first session of Congress. Mason commented that "I have received much satisfaction from amendments to the federal Constitution that have lately passed . . . with two or three further amendments . . . I could cheerfully put my hand and heart to the new government."

Mason continued to offer advice to any who would stop by for it. Thomas Jefferson complimented him by saying, "whenever I pass your road I shall do myself the honor of turning into it." Jefferson visited Mason in late September of 1792, and found the Sage of Gunston Hall reconciled with himself on every issue except the slavery compromise. A week later, Mason died peacefully—to the end a man who hated politics but loved liberty. □

A Most Sensible Man

by Donald G. Smith

Every man, as long as he does not violate the laws of justice, is left perfectly free to pursue his own interest in his own way, and to bring both his industry and capital into competition with those of any other man, or order of men.

ADAM SMITH
The Wealth of Nations

Adam Smith was a product of the 18th century. For those wanting hard facts, he was born in Kirkcaldy, Scotland, in 1723 and died in 1790. He lived during the Hanover regime, and was a contemporary of George Washington and Frederick the Great. During his lifetime he saw the beginning of the great age of railroading, the Industrial Revolution, and the emerging power of the New World on the other side of the Atlantic.

Although Adam Smith is remembered primarily as an economist, it is misleading to picture him as a man with a cold eye turned solely toward profit and loss statements. He was actually an interesting and rather engaging fellow. Perhaps the model for the quintessential absent-minded professor, he was well-known in Glasgow and enjoyed a reputation as one of the city's leading characters, muttering to himself as he meandered through the streets in his knee breeches and tricornered hat, invariably forgetting his next appointment.

An incontestably brilliant man, Oxford-educated, he taught moral philosophy at the University of Glasgow and could list among his circle

of friends and admirers such luminaries as David Hume, Benjamin Franklin, Edmund Burke, and William Pitt. His solid background in philosophical morality is one of the more interesting facets of Smith's nature because his pioneering work in economics had a firm base in the uncompromised righteousness of a thoroughly decent human being.

Smith's interest in economics was influenced by François Quesnay, a French medical doctor who was to gain a reputation as an economist. Until Quesnay, economics had been primarily a gold-and-silver science where wealth was measured in hard currency and the richest nation was the one whose king had the most precious metal in his vault. Quesnay recognized the dynamic concept of circulating wealth, money that passed from hand to hand and made an impact with each transaction. He measured the wealth of a society by the flow of its currency rather than the weight of a pile of gold lying in a box. He and Smith saw economics as a process. They parted company, however, with Quesnay's insistence that all wealth sprang from a nation's agriculture. Smith had seen too much industry in Scotland to discount manufacturing as a vital element in the creation of wealth.

Adam Smith is often considered the father of capitalism, although he never used nor probably even heard the word. He was essentially an observer and, unlike Marx and Engels, had no interest in using economics to engender some manner of social utopia. His world was one of natural laws, forces that were undeniable and would always prevail. His interest was in understanding these laws and thus understanding the world in which he

Mr. Smith, a frequent contributor to The Freeman, lives in Santa Maria, California.

lived. In that the laws were natural, they could not be created at a conference table.

To Adam Smith the laws of the marketplace were the laws of an organized society. A product was created and sold only through self-interest, which Smith saw as not only morally right but essential to the economic process. As he said, "It is not from the benevolence of the butcher, the brewer, or the baker that we expect our dinner, but from their regard to their own interest."

He explained that self-interest guided the producer in creating a product that the consumer needed and wanted and at a price he could afford. The great regulator was competition. Should self-interest turn to greed and the price of the product be raised, then a competitor would offer the same product at a lower price and sell it to the consumer. Thus man did not have to be essentially righteous. The marketplace dictated ethical behavior.

The Importance of the Consumer

Of the two elements, producer and consumer, Smith saw the consumer as the more important. The consumer presented the need and controlled the price by deciding how much he was willing to spend. The producer merely reacted to this need, and if he didn't, a competitor would step in and fill the void, again motivated by self-interest.

His great message was that goodness and humanity are inherent in the system itself. The laws of the marketplace could and would provide for mankind, and thus benevolence sprang from self-interest. His argument for the abolition of slavery, for example, was that the practice was in opposition to the laws of the marketplace—it wasn't an economically sound practice. It was a simple case of good triumphing over evil because the system demanded it. He believed that all social reform would evolve in the same way. Government wasn't up to the task because government represented artificially induced forces.

To Adam Smith there was an inherent morality in sound, unfettered economics, which could be realized only with private control of industry

and agriculture. That which interfered with the natural flow of the process was evil. He would have disapproved as much of unscrupulous dealings on the Right as he would have shuddered at the thought of the New Deal, Fair Deal, and Great Society. All of them, in Smith's mind, would represent obstructions to something that had to flow freely in order to work. He encouraged the accumulation of wealth, but it had to be obtained by running with the flow and not by trickery or chicanery. Government, of course, was the great evil, and this is where free men had to be on the alert. Let us remember that Smith was essentially a moralist, and his entire economic philosophy was based upon a system of spreading the wealth, but by natural laws and not by government interference. His message, repeated often, was to keep all unnecessary fingers out of the pie and let the marketplace look after the welfare of the people.

Smith's lesson can well be applied to today's social problems because the laws of the marketplace are still there to help if we will just let them do what they do best. The best thing we can do for the unemployed is to let the economy create jobs for them. Handouts are not the answer to anything. The market economy is also the answer to poverty, hunger, homelessness, and the despair of a hopeless life.

Adam Smith made sense in the 18th century, and he makes sense today. He was a most sensible man, and it is unfortunate that he isn't more widely read than he is. It was Smith who presented economics as a unique discipline and who first saw the producer and the consumer as vital elements in the economy of a nation.

Adam Smith left a legacy to the world that compares favorably with that of any other person in history. He was not only a brilliant individual but a kind and likeable man as well. To those of us who believe in free markets, property rights, and individual enterprise, it is good to know that more than two centuries ago a very wise man was saying the same thing. It is our responsibility to go on saying it. □

The Best for Priscilla

by Robert A. Peterson

When our sixth child was born a few months ago, we were distressed to hear that she might have a problem with her hips. Visions of a baby in braces raced through our minds. Trying to be the strong husband, I said to my wife, "Don't worry, we'll get the best for Priscilla."

Our pediatrician advised us to have ultrasound testing to see if Priscilla's legs were joining properly with the hip sockets. He sent us to a hospital especially for children—the Alfred I. duPont Institute in Wilmington, Delaware. I didn't know it at the time, but I was in for a lesson in economics that I'll never forget.

The hospital is on the former estate of American inventor, businessman, and philanthropist Alfred duPont, whose money founded the Institute. A remarkable man from a remarkable family, he inherited a substantial fortune and built it into an even larger sum. Like most duPonts, he worked his way up from the bottom, learning the family business in the powder mills along the Brandywine River. In his later years, he decided to move south and spent his time rebuilding Florida's economy after the boom and bust real estate deals of the 1920s. His holdings eventually included forests, banks, railroads, and real estate. His rule: invest only for long-term growth. In fact, duPont didn't expect to reap rewards from his investments during his lifetime.

When he died in 1935, he left an estate of some \$70 million. Nearly half—\$30 million—was consumed in state and Federal inheritance taxes.

Mr. Peterson is headmaster of The Pilgrim Academy in Egg Harbor City, New Jersey.

After leaving a few million to his wife and children, the remainder endowed the Nemours Foundation, which was charged with opening a hospital devoted to children. For nearly 60 years, the foundation has been benefiting children, operating with funds earned from profitable investments in America's free enterprise system. The hospital, which has never turned a child away, represents the best in free enterprise and philanthropy.

DuPont's grounds and mansion are beautiful, but it was the hospital that astonished me. It is a cross between Disney World and a high-tech research center. The receptionist told us that it was especially designed to be non-threatening to children. The interior of each wing is decorated in a different color—bright red, green, yellow, or blue.

We carried little Priscilla past playroom after playroom and finally reached the ultrasound room. With its soft lighting and colorful aquarium, the room was far from institutional. On the wall were posters of Pinocchio, Snow White, Bambi—cartoon creations from the studio of American artist-entrepreneur Walt Disney. Suspended from the ceiling were more cartoon characters, originally marketed to make a profit for their creators, but who have since delighted—and sometimes comforted—a generation of Americans. Here, also, were doctors and nurses who really cared. Little Priscilla was too young to be impressed by all this, but it sure eased my mind!

The ultrasound imaging took only a few minutes. As we waited for the results and the specialist's opinion, I picked up some literature and began reading more about this wonderful hospital.

At duPont a pre-operative visit helps young surgical patients feel at home and overcome their fears about the procedures they will undergo. They meet "Mr. Teddy Bear," another patient (whose intravenous tube is connected to a bottle of "Hospital 7-Up"), receive a "real" surgical mask, and may take a ride in the red wagon that will transport them to the operating room. As a result, patients are happier, calmer, and easier to help—and so are the parents, who take these things harder than the children do.

On surgery day, the family remains together in a cheerfully decorated room. The patient may play, read, or watch TV until—with a favorite toy or blanket in hand—he is taken to surgery. After surgery, the child is immediately reunited with his parents. More important, the adults are often relieved to find that every anesthesiologist is also certified in pediatrics.

Searching for Tomorrow's Cures

The Nemours Foundation is funding a number of research projects that will benefit the next generation of children. The Institute already is a leader in Lyme disease detection and treatment. Institute scientists also are searching for the causes of muscular dystrophy. So far, researchers have discovered that the chemical compound hemin, when injected into laboratory animals, dramatically increases muscle strength and significantly reduces the invasion of connective tissue cells seen in the disease. Human tests will follow.

The Institute also is adapting computer technology to assist disabled children. Portable robotic arms are being developed that can be placed at a work station or on the side of a wheelchair. These arms then will be programmed to perform specific functions.

Computer devices also are being developed to aid children with speech and hearing impairments. Projects include a telephone system for the deaf that uses video sign language and a speech synthesizer that reflects the age and personality of the user.

The Institute's ultimate goal is to "prolong and improve the lives of children everywhere." But the Institute can't do that without the benefits of a free society. A free society generates the wealth needed to fund continued treatment and research, and provides the climate needed for innovation, discovery, and experimentation.

Today, Alfred duPont's Nemours Foundation continues to invest in profit-seeking enterprises, with the proceeds supporting the hospital's programs. Interest, profits, capital accumulation—things so disparaged by Marx and his followers—are what make the duPont Institute possible. Destroy the profit motive and you throw the baby out with the bath water. Destroy the businesses in which the Nemours Foundation invests and you destroy the Institute. The more business is regulated, the fewer dividends are available to maintain and expand the hospital.

After about a half hour, two doctors came in and gave us their analysis of the ultrasound: Priscilla was okay. There would be no need for a cast, a brace, or any treatment whatsoever. Her hip sockets were fine.

As we were leaving, I asked a hospital administrator if there were any hospitals like this outside the Western world.

"None," she said.

"Have you ever had visitors from Eastern Europe or the Soviet Union?" I asked.

"Yes, as a matter of fact we had some visitors from Russia just a few weeks ago. When they saw what we had here, they wept."

These visitors knew that they could never have such a hospital until their country is free. No amount of central planning, Western subsidies, socialized medicine, or national health insurance could create a duPont Institute. Only the continuing vitality of a free society, where people can innovate, create, invest, and serve others as they choose, makes such an institution possible.

There are many arguments for the free society, but none so compelling as the health and welfare of our children. The best for our little Priscilla—the best for children everywhere—is the fruit of freedom. □

Canadian Medicare: Doomed from the Start

by Terence Corcoran

Canada's health care system is lumbering toward disintegration. Born 30 years ago in Saskatchewan, medicare's massive bureaucratic and political structure will fall apart unless action is taken. There seems little disagreement on this point, mainly because the evidence is everywhere.

The medicare debate, instead, is building around the salvage operation—how to fix the system and halt its decline, how to control and manage the delivery of health care services to a population that now regards free, socialized medical care as a national birthright. In the words of the British Columbia Royal Commission on Health Care and Costs, "It is a great system, but it needs to change."

The salvage operation has taken a predictable course. In newspaper commentaries, political debates, royal commission reports, and at hospital association meetings, the common themes of reform are restated over and over again. We need a comprehensive national strategy, a major resetting of priorities, a reallocation of funds, better management.

The problem with this approach to reform of the health care system is that it overlooks an important complication: It won't work. The best intentions, the most diligent effort, the greatest minds cannot and will not be able to overcome the problem at the heart of the decline of Canadian medical care.

The health care crisis is rooted in the same swamp that leads to the decline of all socialized systems all over the world. Numerous economists long ago pointed out that socialized structures cannot be managed, and are doomed to collapse and chaos, because they suffer from a lack of essential economic information and an inability to make economic calculations and decisions.

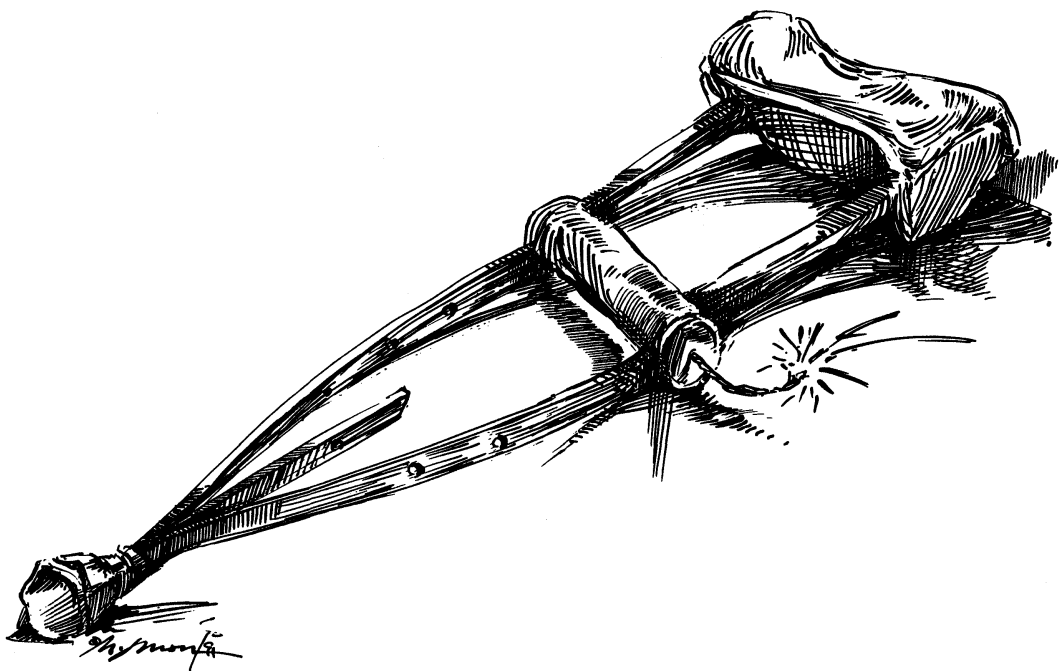
The problem of economic calculation is not merely a technical matter that can be resolved with a few more computers or overcome by a more concentrated and dedicated brain trust. The inability to make rational economic calculations—to determine how much money to spend where, when, how, and why—occurs because the system has outlawed the basis for making economic calculations.

Canadian medicare is expected to deliver health care to 25 million people without the three essential ingredients of a workable economic system: prices, markets, and profits.

The arguments against prices and markets are legion. Looming largest in health care is the moral argument. We cannot, critics tell us, leave something as crucial as health care to a market-based system. There's no denying that the moral issues are important and worthy of every attention. But that is not the point here. The point is this: You can believe that socialized medicare is the most moral system in the world, *if you want*, but the fact is that socialized medicare will not work.

Another popular argument against markets is to point to the United States. But the U.S. system is

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WASHINGTON POST WRITERS GROUP

not a market-based system. More than 40 percent of the U.S. health care system is paid for by government, the industry is heavily regulated by national and state laws, and evidence of bureaucratic and government-caused waste abounds.

Canadian medical care costs an average of \$5,000 a year (in Canadian dollars) for each household. This cost, however, is not paid by consumers of health care, which means that the essential price signals telling the system what services to provide are nonexistent. Since governments own virtually all of the health care system, there are no profit signals telling the owners where to invest and where not to invest.

No Prices, No Markets

Replacing the market are the bureaucrats and the politicians, who must make every decision and calculation—without having the essential information. There are no prices, no costs, no profits, no markets.

The result is the current turmoil and the ultimately insoluble political and pressure-group debates over numbers of hospital beds, doctors' salaries, service cutbacks, uncontrolled costs, mounting debts, nurses' responsibilities—all of

which will have to be resolved by arbitrary political fiat.

All we need to do, others say, is manage the system better, bring in some good, sound business practices. This is a fruitless exercise. Little pockets of seeming efficiency might be created in some hospitals and in some areas, but the whole economic structure cannot be managed into economic health.

The recent report of the British Columbia Royal Commission is a tragic demonstration of the futility of the current debate. By rough count, there are 650 recommendations and sub-recommendations, the majority of which require the government to expand bureaucratic control through thousands of additional recommendations and regulations.

As the commission said: "There has never been an overall plan, and, quite naturally, the structure that has evolved lacked coherence and, sometimes, logic. It also lacks the ability to assess itself, to objectively judge how just, efficient and effective it is in providing health care."

Another 650 recommendations will not change the reason the system cannot assess itself—and the recommendations, if implemented, will only make matters worse. □

The Little Railroad That Could

by Anthony Young

Woven into the rich fabric of American history and folklore are some of the most famous railroads still operating today. You needn't be a railroad buff to recognize them: the Atchison, Topeka and Santa Fe (established 1895), the Grand Trunk Western (1852), and the Union Pacific (1862) to name just three. Among these great railroads are those created recently by mergers of existing companies, with names like Conrail, Burlington Northern, and CSX. Of the thirteen Class 1 freight carriers operating in the United States, the smallest is the Florida East Coast Railway (FEC).¹

The FEC operates only 783 miles of track between its Jacksonville headquarters and Miami, but in a heavily regulated and unionized industry, it is a model of efficiency and profitability. How has this small railroad, established in 1895, managed to survive and prosper in an industry that has seen countless railroads, both great and small, vanish from the scene?

The Flagler System

Railroading has always attracted the thickest-skinned entrepreneurs—captains of industry and empire builders. This was true of even a small railroad like the FEC. Henry Morrison Flagler (1830-1913) was such a man. The partnership he formed with John D. and William Rockefeller to operate a small refinery in Cleveland eventually grew to become the Standard Oil Company of Ohio. He became a multi-millionaire, and by

the 1880s was looking for new empires to build.

In the winter of 1883-84 he visited St. Augustine, Florida. He thought the small city charming and the climate to his liking, but found the accommodations lacking. While considering building a luxury hotel, he became convinced that he could make St. Augustine a travel destination for wealthy Americans. He announced plans to build a hotel to rival anything in Europe, and that was to be the draw.

To get the vast quantities of construction material to the burgeoning city and offer a route to his new hotel, Flagler purchased the bonds to the Jacksonville, St. Augustine and Halifax River Railway. The Ponce de Leon opened in January 1888, the first of many luxury hotels Flagler would build or refurbish in Florida. These became known as the Flagler System Hotels.

Flagler realized that the means of expanding Florida tourism was the railroad, and he began acquiring other lines along the state's east coast. In 1888 the first all-Pullman vestibule train began running between New York and Florida. He built a bridge across the St. Johns River to permit trains to travel directly to St. Augustine; before, passengers traveled to Jacksonville and took a ferry across the river, then traveled by train to St. Augustine.

Pushing farther south, Flagler established resorts in Palm Beach and Miami. In the spring of 1892, he incorporated a new line, the Florida Coast and Gulf Railway. Later that year, he changed the name to the Jacksonville, St. Augustine and Indian River Railway. In 1895 this became the Florida

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East Coast Railway, and Flagler merged his other railroads under this banner.

With vision some called folly, Flagler set his sights on Key West as the railroad's final destination. This massive engineering project, called the Key West Extension, was begun in 1904 and completed in 1912 at a cost of tens of millions of dollars and a loss of more than 700 lives due to storms, diseases, and other mishaps. On the inaugural trip from New York to Key West, Flagler rode in his private railway car, "Rambler." Nearly blind, he lived to witness, but not see, his greatest accomplishment. The "railroad that went to sea," as some called it, operated for 23 years, until it was destroyed by a hurricane in 1935.²

Freight as well as passengers were vitally important to the FEC during the 1920s and 1930s. The Atlantic Coast Line Railway and the Seaboard Air Line Railroad were its chief competitors in Florida during this time and in the decades that followed. Forced to file for bankruptcy in the Great Depression year of 1931, the FEC continued to operate in receivership, yet stubbornly refused to go under.

Union Trouble

The FEC's most vexing problems ultimately would come from within, as well as from the government. Between 1950 and 1962, it earned a profit in only one year, 1955. The railroad lost over \$29 million during that time.³ In 1961 the Interstate Commerce Commission awarded trusteeship to Edward Ball, chairman of the board of the FEC, which was now a subsidiary of St. Joe Paper Company, itself a subsidiary of the Alfred I. duPont Estate. As a trustee of the estate, Ball had been buying up the second mortgage bonds of the FEC since 1941. For the next 20 years, he was the railroad's greatest champion and defender. That did not include, however, supporting a bloated payroll. As part of reorganization efforts, he cut the number of employees from 3,300 to 2,200.

Ball conferred closely with two other officers of the company, Raymond W. Wyckoff and Winfred L. Thornton. They soon agreed that to save the railroad, they would have to challenge the unions. In 1962 the FEC refused union wage demands and decided to negotiate directly with

its employees. One of the longest and most destructive strikes in American railroad history, involving five operating unions and 22 non-operating unions (those not running the trains), began on January 23, 1963.

In the first 10 days of the strike, nothing moved on FEC tracks. Ed Ball was resolute: He would not acquiesce to union demands, despite intense pressure from the Kennedy Administration. Company officers made a bold decision. They would operate the railroad with supervisory personnel and employ new workers. The alternative was a return to bankruptcy. On February 3, 1963, the first train with a supervisory crew set out from the Bowden terminal in Jacksonville.

In the months that followed, hundreds of acts of violence and sabotage were committed against the railroad. These included removing rails, damaging switches, and firing gunshots at the locomotive cabs. There were several wrecks and in two instances trains were blown up, but there were no serious injuries or deaths.

No passengers were carried during the strike until the Florida Railroad and Public Utilities Commission (FR&PUC) examined the company's charter and ordered the FEC to reinstate passenger service. On August 2, 1965, passenger trains once again were running between Jacksonville and Miami, but the railroad warned passengers they traveled at their own risk.

Rail travel in general had been declining since the 1950s. The FEC had been losing money for years on its passenger service, and the strike exacerbated the situation. The company petitioned the FR&PUC to end service, and this was granted. The last FEC passenger train ran on July 31, 1968.

The strikes dragged on into the 1970s. Many railroad workers gave up hope of there ever being a settlement and moved on to other jobs, never to return to the industry. The strike by the non-operating unions didn't end until December 1974. The National Mediation Board finally called a halt to the strikes by the operating unions on May 3, 1977.

Cutting the Fat

The strike and subsequent operation by supervisory personnel and new hires proved to the FEC just how much featherbedding there had been.

The railroad found it could operate with far fewer workers.

The FEC implemented changes that were radical for the industry—changes that would make the railroad profitable. The following work rules were eliminated:

1. The archaic 100-mile-day rule that required three separate five-man crews to move a train from Jacksonville to Miami. The FEC implemented an eight-hour day, plus time-and-a-half for overtime. In the process, they reduced the crew to two operators per train for the entire trip, eliminating 13 non-essential workers.

2. Restrictions on road crews operating within a terminal.

3. Rules preventing yard crews from performing road work, or vice versa.

4. Restrictions fixing the number of men in a yard or train crew.

5. Rules dictating when yard engines (locomotives) could be started.

The FEC also established a single seniority date—the date of hire—for all engine and train employees in both yard and road service, so that an employee could apply for the different positions he was qualified to hold without penalty. This has given employees unprecedented flexibility in planning their careers.

In addition, the FEC started an aggressive capital improvement program that today is the model for the industry. In the mid-1960s, the FEC began developing concrete ties, which are now used on all the company's main track from Jacksonville to Miami. This greatly reduces track maintenance and costs.

To insure safety and optimal equipment operation, automatic devices installed every 20 miles of track check for loose wheels, overheated journals, and dragging equipment, and verify the presence of the tail-end monitor since cabooses are no longer used. Overhead gantries fitted with photo-beams check for shifted loads every 40 miles.

The FEC's outstanding profits come from its ability to quickly load trailers coming off the inter-

state, usually two to a flatcar; keeping the trains short, usually 20 cars per train, permits quick turnaround and frequent departures held to a strict timetable. This piggyback service saves wear and tear on customer equipment, reduces driver fatigue, and cuts freight costs to and from Miami. High volume permits the FEC to keep its rates low.

A Lesson to Follow

Can the FEC's innovations be adopted by other railroads? This has been bandied about for years. Some railroads have adopted aspects of the FEC's operations, but these are exceptions. Others have tried, only to be driven back by the unions. Some industry analysts say the FEC's position is unique. Nevertheless, company officers would be the first to say procedures such as theirs *could* be implemented, but the industry mind-set precludes it. FEC president W. L. Thornton made his views clear: "The Florida East Coast has demonstrated how much you can do if you allow yourself not to be constrained by the way things *have* been done. You see all kinds of things done unconventionally on the FEC, at all levels—in the mechanical department, in operations, in the yards. One reason for this is that they brought in 'inexperienced' people instead of embracing the institutionalized verities that were there before them. Conventional wisdom went out the window, where it so often belongs."⁴

Clearly, the FEC's key executives have embraced this view for the past three decades. It would take a similar commitment for other, larger railroads to make comparable changes. In any event, the Florida East Coast Railway will continue to be an innovative leader, an example of what can be done if the will to do so is there. □

1. The Interstate Commerce Commission ranks railroads according to size. Rail systems with operating revenues of \$93.5 million or more are categorized Class 1.

2. Pat Parks, *The Railroad That Died at Sea* (Key West, Fla.: The Langley Press, 1968), p. 38.

3. Seth H. Bramson, *Speedway to Sunshine* (Erin, Ontario, Canada: Boston Mills Press, 1984), p. 141.

4. Quoted by Luther S. Miller, editor, *Railway Age*, May 8, 1978.

Business and the “Adopt-a-School” Fiasco

by John Hood

The debate over public education reform in the United States has largely become an exchange of clichés, of orphaned terminology searching for practical meaning. All sides are calling for school “restructuring,” though the architecture of the education edifice to be created from the ruins of the old is rarely defined. The National Education Association, the nation’s largest teacher union, is running an “Invest in Education” advertising campaign, as if massive increases in public education spending over the last two decades haven’t already tested the efficacy of “investment” that does not yield results.

Slogans and clichés have been especially prominent in discussions about what role American business should play in education reform. Businesses have entered into “public-private partnerships,” they have “adopted schools,” and they have formed “business compacts” to encourage change and performance.

But do America’s public schools suffer from a lack of private partners or adoptive parents? Not really. “So long as adopt-a-schools, partnerships, and cooperative ventures are the first, exploratory steps, they are important; as last steps, they are not worth the paper they’re written on,” comments Denis P. Doyle, a Hudson Institute scholar. “As a device to lay the groundwork for restructuring, they are invaluable; if they simply represent transient, cosmetic changes, they are wasted effort.”

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Unfortunately, most attempts by businesses to reform education in the middle-to-late 1980s can only be described as cosmetic surgery—while the health of American public education continues to deteriorate. Furthermore, in a few cases business leaders have been co-opted by the education establishment, so that businesses have advocated more of the same “reforms” proven to be wasteful and counterproductive in the past: massive cash infusions, continued reduction of teacher productivity, and more government regulation of school operations, personnel, and curricula. This goes beyond cosmetic surgery—these businesses are helping to kill the patient.

Identifying the Crisis

Accustomed to the demands of a competitive marketplace and the incentives it provides to produce the best and most goods at lowest cost, business executives often have a uniquely insightful understanding of the education dilemma. “It is a bitter irony that at a time of unprecedented high-tech affluence, virtually full employment, and our highest level of mean education achievement, our school systems are producing so many ‘products’ subject to recall,” said Preston Townley, president and chief executive officer of The Conference Board, in a 1989 speech in Los Angeles.

Businesses have sound reasons to be concerned about the current flood of ill-prepared, sometimes illiterate high school graduates into the American job market. First, young people entering the work force often don’t have the basic skills to perform the tasks demanded by the modern competitive

economy. In studies made in conjunction with the "Workforce 2000" report by the Hudson Institute, researchers William Johnston and Arnold H. Packer found that the reading level of the average young adult, 21 to 25 years old, was significantly below that required to do the typical job available in 1984—and even more significantly below the level required to fill the jobs to be created from now until the end of the century.

The impact of this job-skills gap is being felt throughout the American economy. Metal Fab Corporation, a Florida manufacturing firm, estimated in 1988 that it could save \$1.2 million a year if its employees had stronger reading and math skills—they wouldn't misread blueprints so often or measure costly production materials incorrectly. Concerned about worker mistakes, New York Life began airlifting its health-insurance claims to Ireland for processing. In 1990 Citicorp Savings Bank of Illinois rejected 84 percent of applications for bank teller and clerical positions. Most of those rejected couldn't fill out the application forms.

When employers do accept ill-prepared applicants, they must spend time and money teaching their new employees to read, write, and solve simple mathematics problems. IBM, for instance, spends about 17 percent of its \$60 billion in total revenues each year on education and training, including funds for salaries for 7,000 teachers, for classrooms, and for textbooks—and that doesn't include the cost of paying employees a salary while being taught the skills to do the jobs they were hired to perform. Some corporations have gone even further by setting up classes for potential job seekers, just to create a suitable applicant pool.

Despite these efforts, discussed in more detail below, new workers in most businesses remain generally unprepared for the demands of their jobs. After all, while large businesses can afford to re-educate at least some of their employees, small businesses more precariously positioned above the break-even line can't afford such programs. In an American Management Association survey of companies with sales under \$50 million (which are still sizable firms compared with the vast majority of American businesses), only 6 percent had tested their employees for basic skills, and only 25 percent of companies administering tests provided remedial instruction or required employees to attend remedial courses elsewhere.

Business involvement in American pre-college education, while varied and in some cases manifested in unique programs, can be divided into three basic categories: 1) *businesses helping schools*—donations and other aid to elementary and secondary schools, 2) *businesses acting as schools*—company-run training and remedial programs, and 3) *businesses changing schools*—involvement in the social and political debate over education reform.

Businesses Helping Schools: How Large an Allowance?

It's difficult to argue with the notion, widely held throughout the post-*Nation at Risk* reform wave of the 1980s, that business involvement with and aid to local schools is a good idea. All things being equal, a little encouragement from business executives might be just the thing to keep a particular student on track and motivated with the prospect of future reward in the working world. After all, it's gratifying and inspiring to learn that someone cares whether you succeed in your studies, especially for students whose parents are uninterested or unable to provide encouragement at home.

Taking this notion to heart, American businesses greatly increased programs to provide funds, technical assistance, volunteers, and other aid to selected schools or school systems during the 1980s. Many of these programs were constructed as "public-private partnerships," in which businesses find out what needs their partner schools have and then make arrangements to fill those needs. By 1988 the number of partnerships between U.S. businesses and schools had reached 140,000, up from 40,000 in 1983. According to statistics compiled by the Council for Aid to Education, corporate donations to schools totaled about \$225 million in 1989, an increase of 125 percent from 1986. And this doesn't factor in the dollar value of volunteer efforts by business executives, managers, and other employees.

Corporate monetary and in-kind donations are made in a number of ways. One popular method in the 1980s was for a company to "adopt a school," usually one located near a business office or plant. In many cases, company employees would meet with school personnel to plan visits to teach or help teach classes, make guest

appearances as lecturers or motivational speakers, plan and staff fund-raisers, and serve as mentors for students.

It's fair to say that since the early days of partnerships and "adopt-a-school" programs, enthusiasm has waned. Despite costly and time-consuming efforts, businesses couldn't see practical results. In a *Fortune* magazine survey, 55 percent of corporate leaders who have given money or in-kind contributions to schools said their involvement made little or no difference. "Adopting schools and buying chic uniforms for school bands and school basketball teams made some local people happy," said Preston Townley of The Conference Board. "But business leaders began to realize that they did nothing for true educational reform."

One reason businesses seem less enthusiastic about direct partnerships with schools is that contact with school personnel has pointed up significant differences between the two groups. Government regulations and union contracts have frequently limited the ability of school employees to take action or create programs as quickly and as imaginatively as business leaders want.

Jane Salodof of *Management Review* describes one case in which a corporation donated a computer to its adopted school, only to find that after several months, the computer still hadn't been used. It couldn't be—a chalkboard was in the way. "Such a delay may be taken in stride for school officials, who often do not control unionized school custodians," Salodof writes, "but it is difficult for corporate leaders to accept as routine." At another school, a \$10,000 business donation wasn't deposited for nearly a year because approval was required from a committee that didn't meet very often (which explains why many businesses and schools preferred in-kind, rather than monetary, contributions).

Fundamentally, most business and school leaders have come to believe that partnerships and donations alone won't make much of a difference. The dollar amount of donations, while substantial, never made up more than a small percentage of school budgets. And businesses seeking to make donations faced a dilemma—if they set specific goals for schools to reach as a condition for aid, they were accused of inappropriate meddling in education policy. But if businesses wrote blank checks to be spent by schools for more of the same

old programs, their efforts would be wasted or counterproductive.

Businesses Acting As Schools: Whose Assignment Is It?

Faced with the failure of public education—and the shortcomings of partnerships and donations—many companies have resolved to address the problem themselves by providing basic education to workers. Training programs have been a mainstay for years, of course, but a significant number of today's "corporate classrooms" are as likely to be teaching workers how to read and solve math problems as they are to be teaching how to operate machinery or follow production procedures.

Considered in the broadest sense, American business is an enormous educational enterprise. Some \$210 billion is spent each year by businesses for training and education, either directly (\$30 billion for formal classes and training programs) or indirectly (\$180 billion for on-the-job instruction, informal lessons from a supervisor or co-worker, and so on). By comparison, the total budget for K-12 education in the United States is around \$200 billion a year, and college and university spending is well over \$100 billion.

There are notable examples of businesses taking up the slack for failed public education:

- Philadelphia Newspapers, owner of *The Philadelphia Inquirer* and *The Philadelphia Daily News*, provides co-worker tutors and classes for employees with poor reading skills. It began the program after learning that 20 percent of employees couldn't read the newspaper they were printing or delivering.
- Aetna Life & Casualty operates the Aetna Institute for Corporate Education in Connecticut. Educating 28,000 students each year, the institute offers more than 250 courses to Aetna employees, ranging from management techniques to basic writing.
- Motorola tests prospective employees for basic skills, requiring workers to reach a fifth-grade level in math and a seventh-grade level in reading. At any given time, about 4 percent of production workers are in company-sponsored classes.
- Honeywell, Boeing, Eldec, and other corporations in the Pacific Northwest sponsor classes at a vocational center near Seattle. They hire most of the program's graduates.

Company education programs demonstrate that students can be taught basic skills, but they also show that competitive pressures, a focus on productivity and results, streamlined management, and proper student motivation (wages and benefits waiting for them in their new jobs) are crucial to successful education.

Businesses Changing Schools: What Potential?

The most direct route to improving American education is radically to change the way public schools operate. But this is one role that businesses have not been performing, mostly because school officials—and the local, state, and Federal policymakers taking their cue from school officials—have resisted “interference” from the business world. It’s as if the government were encouraging businesses to adopt schools, but preventing the new “parents” from disciplining or instructing their adoptees.

That which creates a spoiled child within a family seems to do the same in education. By and large, public schools have failed to meet the expectations and demands of students, parents, and the general public. But rather than accepting the responsibility and undertaking serious reforms, public educators blame lack of resources, absence of community support, and similar factors.

Educators sometimes say that business involvement in public schooling is hypocritical because many businesses have opposed tax increases. Some have accused businesses of sabotaging legislative proposals that would raise teacher salaries, reduce class sizes, or equalize spending among rich and poor school districts.

Actually, a growing number of business leaders have supported school reform plans devised by the education establishment, including higher taxes. In recent years, business organizations in New Orleans, Cincinnati, Memphis, and in South Carolina, North Carolina, and California have supported local or state tax increases to fund education spending hikes. In 1991 the Committee for Economic Development, a national group of 250 business and education leaders, called for at least \$10 billion in new Federal spending on education. They announced that the national school reform effort would fail unless the federal government

expanded Head Start, an early-childhood education program, from its current focus on poor children to all children aged 5 and under.

Teacher unions, education officials, and other supporters of the public education monopoly have made a spirited effort to convince business leaders that the problems of education are mostly monetary and that markets would destroy education. Many schools, in fact, use the partnership model as a political tool to recruit business allies. Cultivating business contacts is part of a marketing strategy to raise public support for increased education spending.

To a surprising degree, the education establishment’s strategy has worked. Even as business leaders complain about the shortcomings of their early involvement with school reform, many support the initiatives and programs devised by the very people who have been in charge of American education during its decline. These programs—more spending for public schools, expansion of Head Start, school “equalization”—are variations on an old theme, not an innovative set of reforms.

American public schools already spend more per student than any other country except Switzerland. Moreover, the 1980s were a decade of rapidly expanding school budgets, reduced class sizes, and increased teacher salaries. Total Federal, state, and local spending for current (non-capital) expenses in public schools rose by one-third after inflation during the 1980s. Much of this was related to further attempts to reduce the already declining average class size (which is 63 percent lower today than in 1955), even though countries such as Japan, South Korea, Spain, and France—whose students perform much better on standardized tests than Americans—have significantly larger class sizes. If more money and smaller classes were the answer to our educational woes, some evidence of student progress would exist. But it doesn’t.

The surprisingly widespread support for Head Start expansion among education-minded business leaders is especially disconcerting. The program was never intended to be expanded to all children, as Edward Zigler, a creator of Head Start in the 1960s, points out. “Those who argue in favor of universal preschool education ignore evidence that indicates early schooling is inappropriate for many four-year-olds and that it may even be harmful to their development,” he writes.

It is primarily the health and nutritional components of Head Start, not its educational content, that help poor children. And even that help appears to be short-lived, at least as measured by its effects on schooling. A Federal study of Head Start released in 1985 found that by the end of the second year of elementary school, "there are no educationally meaningful differences on any of the measures" between Head Start children and their peers.

Making a major expansion of Head Start the linchpin of education reform, as many business groups have advocated during the past two or three years, would be a costly and destructive mistake. Moreover, it assumes that America's education problems arise because publicly supported institutions don't have enough control over the children's instruction—that schools fail to educate children in grades K-12 simply because they aren't teaching them at the pre-kindergarten level.

A Real Business Agenda for School Reform

What should American business be doing to promote real reform? First, business leaders should return to first principles. They must begin to apply the lessons they learn every day in the marketplace—competition breeds quality, investment without productivity is wasteful, producers must be accountable to consumers—to an education system they rightly view as a failure. These principles suggest that markets, rather than bureaucratic monopolies, should be delivering the service of education to American students. Business leaders must be in the forefront in advocating this change. "If we in business don't close ranks and insist on radical reform, and do this very soon, I say . . . forget it," declares Thomas F. Roeser, president of the City Club of Chicago. "By the year 2000 we'll be even further behind in the international education standings than we are now."

Businesses must scrutinize their philanthropic involvement with public schools to make sure they aren't simply buttressing the current system. Consider the absurdity of improving the U.S. Postal Service, a government monopoly generally regarded as providing relatively poor service at high cost, by having businesses "adopt a post office." It wouldn't change anything. If "partnerships" with public schools are to be retained at all, they should be reconstituted as avenues to create pressure for real reform—to be used, for instance, to locate and cultivate relationships with superintendents, principals, and teachers who support market-oriented reform. (There are quite a few, but they have no union to speak for them.)

Most important, however, businesses must seek out their own information, ideas, and opinions on crucial educational questions, rather than rely on the answers provided by the education establishment. Advocates of more of the same—tax increases, higher spending, state control and regulation, rigid tenure rules—actively identify and cultivate business relationships that advance their political and educational goals. Businesses must turn the tables on this strategy and find allies among educators who want real change in American schooling. If education-establishment lobbyists can use the support of prominent business leaders to great effect in political debates, advocates of education markets can use the support of reform-minded educators to equally persuasive effect.

Through research, advocacy, and political organization, businesses can bring about the kind of reform needed in American public education—but only if they remember that "adopting schools" isn't enough and can often be used to protect the status quo. The discipline of the marketplace must be applied to education, for the same reason that parents must enforce discipline at home: If you spare the rod, you spoil the child. □



The Rebirth of Mexico

by Sheila Melvin

The traffic light dangling above the massive intersection in downtown Mexico City changed to red, and our airport taxi driver unwillingly slammed his foot on the brake. All around, cars, trucks, and cycles ground to a momentary halt. Although the day had been clear in the air above Mexico, here on the ground pollution, particle-laden and thick as fog, obscured all traces of sunshine.

Stepping out of the smog and into the clogged roadway, a young man with a painted face and harlequinesque clothing approached our cab. In his right hand he held a flaming torch which he brandished theatrically before his captive commuter audience. Looking at me through the open window, he raised the torch to his mouth and swallowed the flames with a flourish.

I blinked. I had never seen a fire-eater close up, and had certainly never seen one at a busy intersection in a major world capital. After a moment, the young man pulled the torch out of his mouth, waved it as though to prove that the flames had really been extinguished, and held out his hand for a donation.

I blinked again, but was convinced that the act had not been an illusion—the flames had been real and, somehow, the young man had swallowed them. As I fumbled for some coins, the light changed and the cab driver accelerated. Craning my neck for a last look as we careened away, I saw the flame swallower relighting his torch in preparation for his next performance.

These were the first moments of my first visit

to Mexico. Over the next three weeks, I would have more than a few occasions to blink as I attempted to reconcile my rather murky image of Mexico as a desperately poor, corrupt, Third World country with an abysmal economy, a socialist-leaning government, and an anti-American populace, with the reality of the Mexico I saw around me. But by the end of my visit, I was convinced that the Mexico I was seeing—hard-working, friendly, efficient, open, and developing economically at an astounding pace—was no illusion.

“Salinastroika”

“Salinastroika” is the word coined to describe the transformation the Mexican economy has undergone since Carlos Salinas de Gortari became president in 1988. It is a catchy term, but the difference between it and the “perestroika” it is derived from is that “Salinastroika” is actually working.

President Salinas has a Ph.D. in economics from Harvard and he has surrounded himself with talented advisers; *The Economist* calls the current Mexican leadership “probably the most economically literate group that has ever governed any nation anywhere.” Under Salinas’s guidance, many of the socialist policies that hobbled the Mexican economy have been disassembled. Nationalized banks, state enterprises, high tariffs, nontariff barriers, and much of the other paraphernalia of a statist economy have been swept away in favor of private banks, private enterprise, and foreign investment. Inflation,

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which reached 160 percent in 1987, has been brought way down. Salinas's policies are considered so successful that some Western analysts have even suggested that Eastern Europeans should emulate "Salinastroika" as they attempt to drag their economies out of the Communist abyss.

By allowing foreign investment and greater competition in the domestic market, by limiting government intervention, and by pushing to enter into a free trade agreement with the United States and Canada, Salinas and his advisers hope to give Mexico's 90 million people the best opportunity they have had in years to pull themselves upward economically. There is strong evidence that "Salinastroika" is succeeding in doing just that.

This Is the Third World?

Prior to visiting Mexico, my travel companions and I immersed ourselves in literature on Mayan hieroglyphs and Indian villages, but read next to nothing about the 1991 Mexican reality. We knew only that Mexico was a poor Third World country, and we approached it with the assumptions and attitudes formed in a year spent traveling together in China, India, Indonesia, and half a dozen other Third World Asian nations.

Wishing to purchase train tickets from Mexico City to Oaxaca, we scheduled half a day to wait in line and hoped that it would be enough time. When we got to the station, a gleaming modern building, we were astounded to find no lines. An English-speaking information officer guided us to the ticket counter where a clerk issued computer-generated tickets in less than five minutes. On the way out, we noticed an automatic teller machine with links to our banks in the United States. Although they needed no money, both my friends pulled out their bank cards and got cash just to see the machine access their American bank accounts and spit out crisp peso bills. "This," we asked each other, "is the Third World?"

The long-distance bus system, comprised of a number of competing companies, was even more convenient than the trains. As one Australian who had just spent four months traveling by bus in the U.S. put it, "Mexico's bus system puts Greyhound to shame." Mexico's worst buses, we concluded, were as good as China's best, and Mexico's best

buses—with reclining seats, air conditioning, VCRs, and TV monitors—were better than any we had ever seen.

As we wandered through Oaxaca and Chiapas, two of Mexico's poorest states, we repeatedly wondered how Americans, ourselves included, had formed their impressions of Mexico. One by one, we lifted our stereotypes of "south of the border" up to the Mexico we saw around us and found them to be fundamentally unsound.

No, the water could not be drunk by foreigners, but bottled mineral water was available in even the most off-the-beaten-track destinations, and we never had to use the iodine tablets we had used regularly in other nations. The roads were not super-highways, but they were for the most part well-paved and well-maintained and were far from terrifying. Traveling by night bus, we encountered not the proverbial *banditos*, but courteous, if overzealous, police officers who boarded the bus to check passengers' identification cards and passports. With one exception, every bus we took arrived on time or early.

Most important of all to us, we experienced none of the virulent anti-Americanism we had been told was common in Mexico. On the contrary, any time we looked the slightest bit lost or confused, someone would approach and offer us help in English. None of us spoke Spanish, but rather than getting angry or impatient as the three *gringas* mispronounced Spanish words or, worse, Aztec names like Teotihuacan, ticket clerks, waiters, and cab drivers listened in amusement and did their best to help us.

A New Market for Pepsi?

Demand for American goods in Mexico is high, having skyrocketed since Mexico joined the General Agreement on Tariffs and Trade (GATT) in 1986. As Herminio Blanco, chief Mexican negotiator for the Free Trade Agreement, has stressed, if the agreement is passed, this demand will grow with the wealth that will be generated by it.

American cars are everywhere, and consumer items such as film, soft drinks, and candy are available in remote towns, even in ghost towns. The manner in which one American product (Pepsi-Cola) has penetrated a segment of the Mexican market not renowned for its openness is startling.

San Juan Chamula is an Indian village located in



SHEILA MELVIN

The church at San Juan Chamula.

the southern state of Chiapas, just outside the colonial city of San Cristobal de las Casas. The 60,000 Tzotzil-speaking Chamula Indians who live in the town and its surrounding mountains are known for their mistrust of change and firm adherence to tradition. Several years ago, two foreign tourists who violated Chamula sensibilities and town regulations by taking a photograph inside the church were reportedly stoned to death. In 1987 the Chamulas, who have been Catholic for hundreds of years, expelled all Catholic clergy from their town and began assaulting any tribal members who worshipped at the cathedral in San Cristobal; Chamula leaders claimed that the local Catholic bishop was not respectful enough of traditional Mayan forms of worship.

San Juan Chamula's 400-year-old church is a windowless building with no pews or other furnishings. Figures of saints, draped in velvet robes with mirrors dangling from their necks, line its walls. The church floor is scattered with fresh pine branches, and burning candles stand upright in their own wax. Families of Chamula worshippers kneel among pine and the candles, chanting and bowing as they pray in a manner that does not remotely resemble the worship most Catholics

would recognize.

During their prayers they pass a live chicken back and forth over the candle flames. The bird's startled clucks blend with the eerie chanting; combined with the scent of the pine and the glow of the candles, the scene is truly exotic. The chicken is placed back in the bag, and eggs are passed over the flames in the same manner. Then, the denouement—16-ounce bottles of Pepsi-Cola are brought out. The Pepsi, which is substituted more and more for the traditional *pash*, a strong sugarcane liquor, is passed over the burning candles and held up reverently before the figures of the saints. Next, the man of the family pops open a bottle and takes a swig. Family members lean back on their heels and rest as they sip from the communal Pepsi, and nearby worshippers are sometimes invited to partake of the refreshing beverage. When the man decides the Pepsi break is over, he recaps the bottle, sets it down gently, and the family resumes its worship.

The Word Is Spreading

In 1990 *Business Week* wrote that Mexico, for the first time in a century, "is starting to look like

one of the world's best places to do business." Apparently, many investors agree. Some restrictions on foreign investment still exist, but investors from the U.S., Europe, and Japan are investing more and more in both manufacturing facilities and securities. Word of the burgeoning Mexican economy and the benefits of investing in it have spread farther afield than many people realize and have proved irresistible to some.

A case in point is Han Zhu, a 36-year-old Beijing native who heard about the investment possibilities in Mexico and decided to take advantage of them. Risking it all, Han picked up and moved from Beijing to Oaxaca City in the spring of 1991. He and his sister, who is married to a Mexican, are the only Chinese in the entire state. Together, they have opened Oaxaca's first—and only—Chinese restaurant and Chinese emporium. Han's experiences can hardly be called typical, but they are certainly encouraging.

Han Zhu's Qing Long Chinese Restaurant and his shop are located on the second floor of a shiny new shopping mall. The restaurant's floor-to-ceiling windows look out on the soaring stone bell towers of the Church of Santo Domingo.

Prior to leaving China, Han had considered going to New York, but decided against it because "it's too crazy and there are too many Chinese people." He and his sister chose Oaxaca for several reasons, one being that there were no Chinese for hundreds of miles. This, they reasoned, would give them a leg up in selling Chinese cuisine and products. "Everybody comes to my restaurant if they want Chinese food," Han explained simply. "There is no other Chinese restaurant in Oaxaca!"

Han, who worked in the import-export business in China, had never run a restaurant before he came to Mexico, but the Qing Long is doing fairly well. Half the customers are foreign tourists, the biggest groups being American, European, and Japanese. The cooks are Mexican and, though the food is ostensibly authentic Chinese, it has a distinctive Mexican flair. "I have

to respect their tastes," Han says of his Mexican customers.

Han's true love is his shop, the Ni Hao Import Export Company (*ni hao* means "hello" in Chinese), which he says is the only import store in the country with products directly from China. He plans to drive his Ford pickup truck to Mexico City twice a year and from there to travel to China to restock his inventory.

Han has had remarkably few problems with his shop. In fact, his biggest problem is that "the people here know nothing about China, and they want things explained to them. But my Spanish is not good enough to explain everything. So I explain it to my salesclerks in bad Spanish, and they explain it to the customers."

Han has retained his Chinese citizenship and does not consider himself to be an immigrant. He would not comment on the political or economic situation in China. "I don't want to say anything bad about China," he demurred. "I may go back there after I have gotten rich." But for now, Han is settled in Mexico and couldn't be happier. "The Mexican market is just beginning to open and develop," he said with a broad smile. "I am like a pioneer here. I like it very much."

Mexico still has numerous problems to overcome. Grinding poverty persists, and as many as 25 percent of the houses are without running water. Corruption continues to plague the country, and charges of election fraud are frequently leveled against Salinas's party, the PRI. Economists worry that 75 percent of the capital flowing into the country is going into easily liquidated investments, rather than factories, and that it could quickly be withdrawn if investors lose confidence in Mexico's continued development. However, such a loss of confidence seems unlikely, particularly if the Free Trade Agreement succeeds. Mexico appears to be close to attaining the economic prosperity its long-suffering people deserve. When that prosperity arrives, much of the credit will go to the free-market policies of "Salinastroika." □

Sex, Lies, and History

by Tibor R. Machan

For the last couple of decades, feminism has been a major force in American politics. This, in itself, is lamentable: Why should every movement become a matter of politics?

But we should not dismiss feminism. After all, John Stuart Mill, one of the intellectual heroes of classical liberalism, was a feminist. He argued forcefully against the subjugation of women, for universal suffrage and other sound feminist objectives. And there have been plenty of injustices against women; when feminists call this to our attention, they should be congratulated. Women are human beings, first; and whatever a human being has a right to, women have a right to as well. Any system of law that denies this—and there are many such around the world—needs improvement.

However, we also should consider some of the feminists' more extreme positions. These tend to center around the theme that males have waged a deliberate vendetta against women throughout human history. In several academic disciplines—English, history, philosophy, sociology, psychology, and economics—we find the forceful development of this thesis.

In my own field, philosophy, there are feminists claiming that the prominent role of men has involved deliberate distortions in established doctrines. Even in the philosophy of scientific method there are feminists who claim that men have put forth a lopsided view of how science

should be conducted. Feminist ethics, in turn, often amounts to the thesis that since most of the moral philosophers have been men, the ethical theories we have offered for consideration have favored male domination. Great composers, playwrights, and novelists have come under similar indictment—that they put men first and distorted the worth of women.

No doubt there is something to the claim that men have been the focus of much of our cultural activity. Yet, if men and women are basically equal, this should not have amounted to a major distortion. Except for issues relating specifically to sexuality, whatever matters or is true should be as easy to reveal through our understanding of males as it is from our understanding of females.

But the worst claim by extreme feminists is not that there has been a bias in favor of men but that it has been perpetrated deliberately, so as to deprive women. Keeping women down is supposed to be a major objective behind the bias.

There are several things wrong with this position. First, if it were true, we would have to believe that males are indeed very different from women, for better or for worse. In that case there is no justice in the call for equal treatment of the sexes.

Second, this implies that men have been much better off than women in how they lived their lives. Is that credible? Men went hunting, to war, to the office, to government, to business—women were left in the home, in the nurturing professions, and so on. Is that such a break for men?

Third, if the extreme feminist thesis is correct,

there is no hope for anything but an ongoing battle of the sexes. We can look forward to continued strife, hostility, misunderstanding, and power struggles. What is the point of seeking solutions when, supposedly, the nature of the human animal makes it impossible to find any? If men are bent on hurting women and if women cannot escape this, where is the point to any proposed remedy? Any gesture of goodwill from males to females would have to be dismissed as subterfuge.

However, there is a more reasonable view of how things have turned out between men and women. Briefly, certain job specializations that made sense in the past have been extended beyond their usefulness, and we are struggling to catch up with new possibilities and, thus, with the need for new sensibilities. Human beings generally don't change rapidly. We shouldn't be appalled when outmoded traditions aren't immediately rejected as soon as we see they are point-

less. Just think how tough it is for someone to follow up on the realization that smoking, lack of exercise, or a fatty diet may be harmful. Clearly, our unwillingness to change, including in our relationships between the sexes, is not usually a matter of deliberate misconduct. More often it is inertia, negligence, or fear of novelty.

I am not arguing that these are innocent practices. Negligence can be destructive. But just as in the law, there is much difference between misconduct stemming from negligence as opposed to premeditation. Feminists who claim that our problems stem from the latter are misjudging the situation to the detriment of us all. And they fail to acknowledge that the negligence involved in keeping up with new developments that would warrant changes in attitudes and conduct is something of which both men and women are guilty. There would be no need for sexual scapegoating if such an acknowledgment were made up front and were to moderate the rhetoric of feminism. □

Capitalism and Women

Economic advancement has resulted in increased cooperation between the sexes. Deep, fundamental economic developments, not political agitation, lobbying and legislation, have brought changing roles for men and women in their work places. Less time and energy is consumed by burdensome material problems.

Indeed, it seems that women benefit more from productivity gains than do men. In today's modern economy, physical strength is not a crucial factor. Anyone strong enough to use a pencil can win a top-flight position. This is capitalism's greatest contribution to women.

As government intervention wastes capital resources, women suffer more than men. They are first to become "marginal workers" as capital is lost. Seemingly, all women should be staunch supporters of capitalism. But, alas, many of them are not. They are unwittingly cutting their own throats by helping to undermine free enterprise.

—ROBERT L. GUARNIERI, writing in
A Man of Principle,
Essays in Honor of Hans F. Sennholz

IDEAS
ON
LIBERTY



Street Performers and the Social Contract

by Robert Zimmerman

Albert Owens is a rugged-faced black man with a wonderful sense of humor. As he says, "I have an emotional need to make people laugh." For 10 years he has performed stand-up comedy every day on the streets of New York City. In less than 15 minutes he can gather over a hundred laughing people, and hold them to watch his entire act. No one is required to pay admission, yet when he passes the hat near the end of his performance he invariably collects between 50 to several hundred dollars. People give gladly.

Joe "Joey-Joey" Colone once worked for a circus. He is a skilled juggler, sword swallower, and unicyclist (sometimes all at once!). Each day during good weather he can be found performing in New York City's Washington Square Park. As with Mr. Owens, he requires nothing from his audience but that they laugh at his comedy and gasp at his stunts. Yet, before he finishes a performance, he can easily collect over \$200, given eagerly by people appreciative of his skills.

Both these men are part of a wonderfully talented subculture of street performers that exists in every major city throughout the world. They work for no one but themselves, require no one to pay them, and yet earn a good and productive livelihood.

Street performing has its drawbacks, however. Because street performers are considered outside "normal" society, they enjoy few legal protections and often are harassed. In addition, there are no official laws or rules to enforce good behavior from within or without.

Harassment is the main problem. All street performers fear the police, who often not only prevent them from earning a living but can seriously harm them as well. "My only review in *The New York Times* came about because I was arrested for attracting too large a crowd," says Owens. The police handcuffed him, confiscated his equipment, and jailed him overnight.

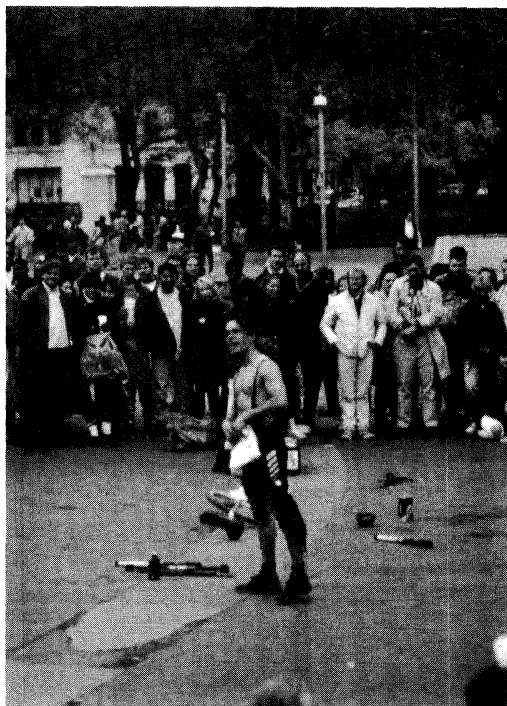
"I try to tread lightly where the police are concerned," says Victor McSurley, a music composer who plays his new-age music daily in Washington Square Park. "Often the police will ask me to move on, for no reason but they've had a bad day."

Being considered outside the law causes other problems. The performers, having no recourse or protection, can be harassed by hecklers, the homeless, and the disreputable characters who thrive on the vulnerable. The homeless and insane often interfere with performances, and can even pose a physical threat. All the performers can do is use this harassment as a tool for improving their repertoire.

Thugs and extortionists are another problem. Following one of Joey-Joey's performances, a man came up and demanded "his share" of the earnings. Without this share, the man threatened to break up Joey's next performance. Joey shrugged and ignored the threats. "This happens all the time. I can easily handle him in front of a crowd of 500." And calling the police over did not help. The officer shrugged as well. "I don't see anything happening. Call me when something happens."

Being outside the law also means there are no established rules of behavior for the street per-

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ROBERT ZIMMERMAN

Joey-Joe sings for the crowd.

formers themselves. At the center of Washington Square Park is an unused fountain. "It's a natural amphitheater, one of the best places in the world to perform," says William "Master" Lee, kung fu comedian and juggler. Around its circle are several steps, allowing people to sit and watch. It is possible for almost a thousand people to enjoy a performance.

Competition for access to this space became intense in the 1980s. The number of talented performers had grown so large that they began to trip over each other. "You'd be working the fountain, and another performer would set up right next to you, and steal your audience. That could get pretty ugly," says William Lee. "They go too long," says Albert Owens. "I want to get out there and perform."

However, unlike their problems with the police and hecklers, this was a situation the performers could do something about. They didn't hold protest demonstrations; they didn't demand government action and laws; nor did they use force among themselves to solve the problem.

Instead, they *talked* to each other and worked the problem out among themselves. They now wait their turn for access to the fountain, and introduce the performer who follows them. New

performers are allowed time and space to perform, though not during the prime slots. If they are good, however, they will earn the right to the best slots. As William Lee says: "If you're a good performer and can attract and hold a crowd, we can't stop you from performing. All we do is accommodate each other."

Common respect for their dignity as human beings led them to establish reasonable rules that all could agree with. No government agency did this. Nor are these rules enforced by law. The performers did it themselves to improve their working conditions without submitting to control from an outside source.

A "Social Contract"?

A finer, more obvious demonstration of John Locke's concept of the "social contract" cannot be found.

Meanwhile, the homeless, the thugs, and the police harass and interfere with these free souls, refusing to allow them to make their way peaceably in a difficult world. It is as if certain parts of society have decided that the social contract does not have to include everyone for it to be just.

Locke said that when legislators deny the people their share of the social contract, and "... either by ambition, fear, folly or corruption, endeavor to grasp themselves, or put into the hands of any other an absolute power over the lives, liberties, and estates of the people; by this breach of trust they forfeit the power, the people had put into their hands, . . ." (*The Second Treatise of Government*, paragraph 222)

While it is unfortunate that there are those who act to harm the social contract, either because they are incapable of participating in it (the homeless and the insane), or because they are willing to destroy it (the violent and the criminal), no social order is perfect, and such individuals exist in all societies.

It is the function of the social order to prevent these souls from harming others. In New York City, however, society no longer does this. Instead, represented by the police, government no longer applies the social contract equally to all citizens, and even allows some citizens to wield power arbitrarily over others. This indicates a breaking down of the social contract and, as Locke describes, the eventual failure of all government. □

Two Kinds of Influence

by Leonard E. Read

Most persons have some notion of their dependence on others. Most of us realize that we cannot by ourselves build the houses in which we live, raise the foods we eat, make the cars we drive, create the opportunities constantly presented to us, originate the knowledge and ideas by which we live, garner the fuel we burn, fabricate the clothes we wear, construct the telephones over which we talk—indeed, few among us could in a thousand years produce what we consume in a single day!

Anyone who is aware of the extent to which he is dependent on others is, or should be, familiar with his stake in the proficiency of others. Let all others fail, and I shall perish. Let all others become increasingly creative, and I shall in all likelihood receive more in exchange for the little I can create.

No doubt about it, most of us do concern ourselves with others. Every law is an attempt to do something to others. Wars are aimed at others, as are strikes and all coercive hassles. Sermons, lectures, schooling, pamphlets, books, statements like this—all are communications to others.

The important question at issue is not: "Should we have an interest in others?" Obviously we should. Instead, the vital question is: "In what way can we best aid the millions of others upon whom we are unquestionably dependent?"

There are two ways, constantly in action. One commends the influencing of others by *force*. The other commends the influencing of others by

attraction. Both are useful if understood and properly practiced.

There isn't any doubt but that force is an effective method of influencing others. Force, however, is of two kinds. There is initiated or coercive force—aggression. It is inconceivable that this kind of force can have any moral justification among men under any circumstances. There is, though, another kind of force—defensive or repellent force. But even defensive force has only the capacity to destroy or restrain and, therefore, is the type of influence that should be limited to negating aggression or coercive force, regardless of source: all violence, all fraud, all misrepresentation, all predatory practices. To avoid the authoritarianism of each citizen being a complete law unto himself—each person his own gun-toter—we should, in good theory, delegate the defensive function to a formal, codified, societal-wide agency called government. (When delegating only defensive functions to government, we grant no collective rights that are not the prior rights of individuals; for the collective cannot logically or morally exercise rights which are not inherent in the very persons who organize the collective.)

Defensive force, to be used profitably, must be confined to minimizing coercive or aggressive force—that is, to securing those rights to life and honestly acquired livelihood common to all men. Force cannot, by its nature, otherwise serve us creatively. Yet, force of the coercive brand is attempted currently as a means of influencing others in tens of thousands of instances. All socialistic acts by government are cases in point

Leonard E. Read established The Foundation for Economic Education in 1946 and served as its president until his death in 1983. He wrote this article in 1954.

—public housing, for example. How? The force of government—not defensive but coercive force—is employed to take the property of some for the “benefit” of others. In what manner is this aggression? The use of one’s livelihood in one’s own way is forcibly denied by the aggressive taking of it—effective, indeed!

Force as a device for having others behave in ways seemingly advantageous to oneself is not intelligent attention to self-interest—except when used to restrain them from coercive acts. To aggressively force others is to thwart others. Self-interest requires that all others become more creative, not more thwarted.

The Power of Attraction

Attraction is the best answer to influencing others creatively. Daily experiences supply evidence to support this conclusion. If one would influence another to become a better cook or golfer, he should increase his own proficiency at cooking or golfing. He should attain a perfection, a leadership, a head-of-the-class status that would attract others to draw on him. No person is influenced to greater creative activity on any subject by one who is inferior on that subject. Influence of one on

another in upgrading—materialistically, intellectually, spiritually—is by attraction only.

One can do things to others destructively, but not creatively. Creatively, one must confine himself to what he can do for others. One can do things for others materialistically by having money or tools to lend or give, or goods and services to exchange; intellectually by having knowledge and understanding; spiritually by possessing insights that can be imparted to those who want them.

Self-interest can best be served by minding one’s own business—that is, by the process of self-perfection. It isn’t that this idea has been tried and found wanting; it is that it has been tried and too often found difficult, and thus rejected. Actually, coercive meddling in other people’s affairs has its origin in the rejection of self-perfection.

Many persons conclude that they can easily improve others in ways they refuse to attempt on themselves. This is an absurd conclusion. Thus it is that in our dealings with our fellow men, we so often try to coerce them into likenesses of our own little images instead of trying to make of ourselves images that are attractive and worth emulating. □

Throwing Money at Social Problems

by James L. Payne

Otto von Bismarck once said that people fond of either laws or sausages shouldn’t look too closely into how they are made. His advice applies emphatically in today’s media era, where politicians are interested primarily in name recognition and TV coverage, and only secondarily in actual issues. The results, all too

often, are political programs that don’t address the problem.

I recently saw a good example of how such unproductive programs begin. Some local citizens concerned about homelessness in our area had called a general meeting to air the problem and possible solutions. It was quite an education listening to the many views.

One woman reported that she had been homeless because she couldn’t find a motel room to rent

Political scientist James L. Payne lives in Sandpoint, Idaho. His latest book is The Culture of Spending: Why Congress Lives Beyond Our Means.

when she came to town on Labor Day weekend. One of the hobos explained their point of view. They weren't interested in going into any shelter, he said. They just wanted to be allowed to build their shacks on other people's land. The deputy sheriff reported that each time the hobo village was destroyed, with the drifters moving on, the local robbery rate declined.

Other witnesses told of battered women needing shelter from abusive situations. Others mentioned youngsters who had run away from home. We also heard reports of families who came to the area looking for work but who had found none, and of other people who were working but whose earnings were insufficient to pay their rent.

As the evening progressed, the group grew disheartened. The audience began to realize that "homelessness" is not a single problem with an obvious solution, but a swirl of issues, too many for the mind to grasp. That's when the thinking turned to government. We need a "comprehensive program," said speaker after speaker, to deal with this overwhelming problem. A state legislator—who had arrived late—agreed: She declared she was eager to work at the state capital on behalf of such a program.

Welcome to boondoggeland! We had just learned that "homelessness" is an agglomeration of social, moral, and semantic issues. Now, in the name of this broad cliché, a state legislator who knows less than we do is ready to appropriate millions of taxpayer dollars. No wonder so many public policies end in disappointment.

The Voluntary Way

There is an alternative to this wasteful approach. It's the logical, natural process called voluntarism. It starts with reformers who have broken down complex questions into manageable sub-problems. On the homeless issue, for exam-

ple, one might develop an arrangement for overflow lodging when motels are full, or another might set up a safe house for battered women. The funding for these projects is raised on a voluntary basis from local donors who are in a position to evaluate the viability of the reformer's project.

In this system, money isn't thrown at a problem in the hope that a solution will be found. The process operates the other way around: Until someone has a specific plan, he won't get support. Leaders can't just say that they are "concerned." They have to prove to their friends and neighbors that their solution is workable in order to attract donations and volunteers.

This voluntary problem-solving is already quite common, but we often overlook it. For example, in our community we have a specific solution to one aspect of the homeless problem in the form of the local Gospel Mission. Founded by a lay minister, Corky Kalben, just two years ago, the mission aims at helping homeless men, especially those with alcohol, drug, and employment problems. Corky—a builder of fiberglass boats by trade—volunteered in prison ministry and halfway house situations for many years, and he has a clear vision of how to run a shelter for these men. He believes in stipulating basic rules at the mission (no drugs or alcohol, you must take a shower, and so on), and believes the message of Jesus is the key to rehabilitation. He obtained the bulk of his early funding from one of the local churches that supported his concept, and now that he has demonstrated its viability, he receives donations and in-kind support from many individuals and local groups.

It's time we learned to address social problems directly, with voluntary, non-governmental methods. Money is getting too tight to keep dumping our policy confusions in the laps of far-off politicians and pretending it's a solution. □

BOOKS

A DICTIONARY OF CONSERVATIVE AND LIBERTARIAN THOUGHT

edited by Nigel Ashford and Stephen Davies

Routledge, 29 West 35th Street, New York, NY 10001 • 1991
303 pages • \$49.95 cloth

Reviewed by William H. Peterson

From American Conservatism to Austrian Economics, from the Enlightenment to Entrepreneurship, from Environment to Family, from Libertarianism to Manchester School, from Prejudice to Public Choice, from Religion to Revolution, from Totalitarianism to Utopianism, from Voluntarism to Welfare, this reference work supplies definitional discussions from the viewpoint of conservatism, libertarianism, and classical liberalism, and does so on 91 topics of keen interest to the student of political and economic thought.

The British editors—Nigel Ashford is senior lecturer in politics of Staffordshire Polytechnic and Stephen Davies is senior lecturer in history at Manchester Polytechnic—employ 11 contributors from both sides of the Atlantic and do a good job of explaining and economizing for the busy reader oftentimes complex ideas. Too, they furnish with every entry a short list of relevant books for further reading.

In addition, they provide an appendix of brief identifications and the main works of 188 conservatives, libertarians, and classical liberals cited in the text—thinkers such as Lord Acton, James Buchanan, Frederic Bastiat, Hilaire Belloc, John C. Calhoun, Adam Ferguson, Milton Friedman, Edward Gibbon, Nathan Glazer, Alexander Hamilton, F. A. Hayek, Gustave Le Bon, Bruno Leoni, Frank Meyer, Ludwig von Mises, Robert Nozick, Karl Popper, Ayn Rand, Wilhelm Roepke, Murray Rothbard, George Santayana, Jean Baptiste Say, Lysander Spooner, Jacob Viner, and Mary Wollstonecraft.

Some illustrative excerpts:

ANARCHISM: [D]octrine that supposes that it is possible for there to be an orderly and predictable social

order in the absence of the state. This simple definition, however, conceals a wide variety of anarchist thought. Furthermore, it begs some key questions in political thought. Does anarchism mean that order is possible without government of any kind or merely that it can be achieved without the modern, coercive state? Does it hold that law and rules are required but that an enforcement agency with a monopoly of power is dispensable? Is it the case that anarchism entails a revolutionary change in human nature to be viable or merely the removal of existing, arbitrary social institutions? . . .

CLASS: For the classical liberal, and even more the libertarian, a class is simply a category, an aggregate of individuals sharing a common market position. Classes are open both in the sense that they have no clear or obvious boundaries and in that the arbitrary category boundaries used by the social observer or market researcher are permeable. Individuals can move up or down from one class to another as they make use or fail to make use of the opportunities the marketplace offers for acquiring income, wealth, skills, or qualifications. . . .

HUMAN NATURE: Classical liberalism and conservatism exemplify sharply contrasting views of human nature. Indeed, it could be said that the differences between the two political philosophies resolve into differences in beliefs about the powers, limitations, and prospects of human beings. On the view of the classical liberal, in order to flourish human nature needs to be emancipated from a multiplicity of social, cultural, and religious hindrances. Among the most noteworthy of these are restrictions on free trade, class structure, national boundaries, and religious dogmatism. The fact that such hindrances have grown up as a result of human activity, and therefore show human nature at work, is only partly recognized by the [classical] liberal. . . .

POLITICS: The question was once set in an Oxford philosophy examination: "Power politics—what other sorts of politics are there?" Certainly all politics must be concerned in some way with power. But, equally certainly, those conflicts of interest between states which are resolved wholly or mainly by appeals to force or the threat of force are not the sole sort. For there are also the paradigmatically peaceful internal politics of long-established democracies, where the only appeal to force is usually tacit, and to the lawful force sustaining orderly procedures and preventing intimidatory intrusions. There are, no doubt, such similarly nonviolent politics even in the Vatican. . . .

WAR: In the Western intellectual tradition there are broadly two ways of looking at war. One sees it as inevitable, even good under certain circumstances. The other sees war as the consequence of particular things or

conditions, hence in theory at least not inevitable, and always bad—even if no moral alternative exists. This second school of thought can be further subdivided into the pacifist variety which argues that war is never justified and the ‘just war’ type wherein war is justified only if certain strict conditions apply and the war is fought in a particular way. Briefly, the war must be fought in self-defense, it must have a just end, it must be the last possible resort, and the expected benefits must exceed the costs. The fighting must be limited in scope and confined to combatants, it must be done according to certain rules, and it cannot include wanton cruelty. Both the pacifist and just war arguments derive mainly from Christian theology. . . .

The above abbreviated smorgasbord does little justice to the richness of the ideas and arguments presented here. In all, quite a Baedeker to the issues facing the intellectual on the right, be that person a conservative, libertarian, or classical liberal. □

Dr. Peterson, Heritage Foundation and Mises Institute adjunct scholar, is the Lundy Professor of Business Philosophy at Campbell University, Buies Creek, North Carolina.

OUT OF THE BARRIO: TOWARD A NEW POLITICS OF HISPANIC ASSIMILATION

by Linda Chavez

Basic Books, 10 East 53rd Street, New York, NY 10022
1991 • 288 pages • \$22.95 cloth

Reviewed by Jim Christie

Linda Chavez has earned a reputation as an opponent of Hispanic policy-oriented groups that equate civil rights with government entitlements of one kind or another. Her stand against bilingual education, for example, hardly endears her to pro-entitlement groups such as the Mexican American Legal Defense and Education Fund (MALDEF). And now, with *Out of the Barrio*, Chavez promises to be even more of an irritant to the spin-masters of the Hispanic political status quo.

This book concentrates on raising issues—not always debating them—in brief polemics, each no more than a few pages long. Along with salvos at the standard issues defended by Hispanic policy groups, Chavez puts forth a pro-assimilation thesis that native-born Hispanics of almost every

cultural and national origin are following the path of assimilation cleared by ethnic Europeans, even if current Hispanic politics run ideologically counter to this trend.

And throughout, as well, there is her belief in the self that confronts the politics of self-pity.

“A careful examination of the voluminous data on the Hispanic population gathered by the Census Bureau and other federal agencies shows that, as a group, Hispanics have made progress in this society and that most have moved into the social and economic mainstream,” she writes. “In most respects, Hispanics—particularly those born here—are very much like other Americans: they work hard, support their own families without outside assistance, have more education and higher earnings than their parents, and own their own homes. In short, they are pursuing the American Dream—with increasing success.”

Chavez’s research bears her out insofar as native-born Hispanics are concerned. They are becoming Americanized in a traditional pattern of moving into middle-class stability, pursuing higher education, marrying non-Hispanics in large numbers, and forgoing their native language for English.

Media-savvy Hispanic activists, however, have focused on the needs of Hispanic immigrants. And what has resulted, says Chavez, are the familiar politics of addressing Hispanics as a monolithic group in desperate need of the kind of economic, political, and social relief granted to black Americans after the civil rights movement.

To Hispanics this may come as old news, as they are well aware of their own cultural and political rifts. But it is news worth repeating for those who have been taught to think of Hispanics as a monolithic ethnic force. Nothing could be farther from the truth, as Chavez’s surveys of influential Hispanics in New Mexico, entrepreneurial Cubanos in Florida, and suburbia-aspiring Mexican Americans in Texas and California highlight the socioeconomic and political diversity among American Hispanics.

As Chavez points out, “It is only in the United States that ‘Hispanics’ exist; a Cakchiquel Indian in Guatemala would find it remarkable that anyone could consider his culture to be the same as a Spanish Argentinean’s.” Chavez concedes that recent Latin American immigrants don’t fit into the assimilation pattern of the native-born

(although in many cases they hope to), and that their needs are special and do count in the policy realm. However, she takes offense at what she sees major Hispanic advocacy groups now championing to the detriment of the native-born, including bilingual education and ballots, affirmative action, and set-aside electoral districts.

"In the current era," she writes, "assimilation for Hispanic immigrants appears to mean adopting the ethos of entitlement."

And entitlements, Chavez proposes in a poignant update on New York's Puerto Rican underclass, with its 31 percent male unemployment rate and 50 percent illegitimate birth rate, can do more to hold back certain Hispanics than to help them. "Each year brings evidence that more are slipping further into dependency and that Puerto Rican families are becoming increasingly dysfunctional," because of this ethos of entitlement, she writes. "The state has functioned too much like an anonymous *patrón*, dispensing welfare checks that allowed recipients to avoid the responsibilities of autonomous adults. The safety net became a web of dependency."

Chavez will no doubt infuriate many for her tough talk on prioritizing assimilation and giving the heave-ho to the separatist fancies of her ideological opposites, who run the danger of falling into petty squabbling over who should be defined as Hispanic. It happened in San Francisco when two firefighters of Spanish-American descent tried to use their ethnicity in an affirmative action program.

Her detractors will take further offense at Chavez, who pulls no punches: "These groups [with MALDEF at the fore] consider themselves to be on the cutting edge of social change, but the future they envision for Hispanics is one in which Hispanics attain permanent entitlement status based on ethnicity. It is not one in which Hispanics, like other groups before them, choose to become part of the mainstream. . . . Winning court battles to have Hispanic children taught in Spanish in a society in which the best jobs go to people who speak, read, and write English hardly empowers Hispanic youngsters. Insisting the political fortunes of middle-class Hispanics must be determined by the most disadvantaged Hispanics does not empower either group, but makes the former hostage to the latter. The only groups that benefit from such misguided policy objec-

tives are those that broker the policies in the first place." □

Jim Christie is a San Francisco-based journalist.

REACHING FOR HEAVEN ON EARTH: THE THEOLOGICAL MEANING OF ECONOMICS

by Robert H. Nelson

Rowman & Littlefield, 8705 Bollman Place, Savage, MD
20763 • 1991 • 378 pages • \$24.95 cloth

Reviewed by Jean A. Briggs

God was never dead, as Nietzsche once proclaimed. He was simply recast as a concept and called Efficiency; the role of priest was assumed by economists.

That is only one of the insights in this fascinating new book by Robert H. Nelson. Subtitled *The Theological Meaning of Economics*, the volume is a fresh if iconoclastic look at the history of Western thought and how two main traditions in that thought have taken turns ruling the affairs of men since the days of the Greeks. It is also a look at how these two traditions influence us today and might affect us tomorrow.

Nelson has labeled the two great traditions the Roman and the Protestant. Thinkers whom he categorizes as Roman tend to believe deeply in reason, that mankind can improve his lot, find salvation even, by applying reason. Thinkers in the Protestant tradition do not have such faith. They see mankind as depraved and alienated, to be saved by grace or some other force outside its own power. They despair of the institutions set up to govern mankind, pointing out that such creations do not perform as intended (that is, as reason might dictate), but willy-nilly. They become bureaucratic, if not corrupt, and need to be overthrown.

Thinkers in neither tradition have given up the idea of paradise. The argument is whether it can be attained through reason and effort here during life on earth or only in some version of the hereafter, after death or revolution.

The Roman tradition, in Nelson's analysis, begins with Aristotle and is with us today in the credo of the American welfare state. The Protestant begins with Plato, and today is found among

those people turning against rapid economic growth and/or against welfare state institutions.

Aristotle's thinking not only held sway during the Roman Empire, but was later reinterpreted and updated by Thomas Aquinas, thus giving legitimacy to the ways of the Roman Catholic Church. Hence Nelson calls this mode of looking at the world "Roman." Plato, of course, was a great protester. So, too, was Martin Luther, who saw clearly that the church was not what it purported to be and launched a revolution against it. And so the label "Protestant."

Some of Nelson's categorizations are surprising. We find Milton Friedman and John Kenneth Galbraith not antagonists, but in the same Roman tradition. Both believe that reason can be used to improve the workings of the modern welfare state and thus mankind's lot, bringing him closer to heaven on earth. And we find Herbert Spencer and Karl Marx in the same tradition, both protesting against institutions created by man by applying reason. Spencer called for the recognition of the forces of nature, Marx for revolution to get closer to heaven on earth.

Nelson is an economist by training, and one of his aims is to show the roots of modern economic ideas in these Roman and Protestant traditions. He points out that ideas about the benefits to society of private property date back to Aristotle and are discussed at length by Aquinas, the great theologian of the Middle Ages. Ideas about pricing, too, have a long history. Aquinas, for example, defined the just price in terms remarkably similar to our market price. The idea that money can be used to compensate victims of economic undertakings—neighbors of a tanning factory, for example—can be found in medieval Jewish rabbinical writings. Even the notion that the pursuit of private gain is evil has a lengthy history. Plato said it long before Marx and modern-day deep ecologists. There is, Nelson proves again and again, nothing new under the sun in terms of our ideas. Each has a long history.

In the centuries when the Roman tradition has held sway, the world has been fairly peaceful. But its governing mechanisms have tended to become stultifying, rigid, and self-serving, thus calling forth protest.

When the Protestant tradition has been ascendant, the world has often been subjected to war and chaos. A century of religious warfare followed Martin Luther, Nelson points out, and the wars of

the 20th century followed Marx and Spencer.

Where are we today? The American welfare state, clearly in the Roman tradition, predominates but is under attack by protesters who, as always, have a point. The theological underpinning of the welfare state has been a belief in economic growth. One could believe in and work for continuous growth because it would provide more goods for everyone. The belief is of a secular religious nature in the sense that it has given meaning to life.

The protesters, many of them embracing environmentalism, don't share that belief. They call for a halt to economic growth, in some cases to a dismantling of the results of prior growth. Many find their religion in nature. They are joined by other protesters, some libertarians, who find the institutions of the welfare state ineffective if not corrupt, in need of overhaul or overthrow.

In Nelson's view, then, we are at a critical point. In the nuclear age the world cannot afford another round of chaos and warfare.

What to do? Nelson does not offer a blueprint. He puts forth some suggestions and calls for debate. He suggests a synthesis of the two traditions, impossible though that might seem. It might involve, he says, a worldwide recognition of some values—keeping the peace, for example, or providing disaster relief—with worldwide bodies to administer them along with considerable local autonomy. Presumably then the Roman tradition based on reason would prevail in the world at large while protesters could form their own states based on their own values and, of course, economies. The modern state might disappear, the right of free secession prevail.

In some ways the world is already moving in this direction. The Soviet Union has already broken up, and several Eastern European countries may follow. The United Nations is called on more and more frequently to send its peacekeeping forces to trouble spots.

Reaching for Heaven on Earth is an important book for two reasons: its clear-eyed look at where we are today, with the dangers we face if we don't listen to the protesters; and its historical analysis which, like a good education, provides a framework for interpreting current events. It's an analysis far removed from the outmoded left versus right. □

GAINING ACCESS: CONGRESS AND THE FARM LOBBY, 1919-1981

by John Mark Hansen

University of Chicago Press, 11030 S. Langley Avenue, Chicago, IL 60628 • 1991 • 265 pages • \$38.00 cloth, \$15.95 paper

Reviewed by Doug Bandow

One of the great political oddities today is the continuing power of the farm lobby in the industrialized West. Farmers make up the majority of the population in Third World countries, yet they are routinely robbed by their governments. In contrast, in the United States, Europe, and Japan, farmers regularly use their governments to rob everyone else.

This phenomenon—the ability of concentrated interest groups to dominate the political process—has been explored by public choice economists. Most special interests have lobbying and trade organizations operating in Washington, and farmers are no exception. Hansen's book focuses on the relative influence of such agricultural groups as the Farm Bureau.

What is the impact of lobbies on legislation, asks Hansen? "The decisive stage of interest group influence," he argues, "is the choice of the problems and pressures to which to respond. Lobbies achieve influence in Congress to the degree that legislators choose their counsel, to the degree that legislators grant them access."

Although the U.S. began its life as an agricultural nation, farmers' political influence was for years relatively limited. Until 1920 rural areas accounted for the majority of America's population, yet, writes Hansen, "Congress had traditionally rebuffed agrarian demands for direct intervention in the agricultural marketplace." That began to change in the 1920s, however.

At that time there were some 8,600 different farm organizations, but the multiplicity of voices worked against their lobbying efforts. Observes Hansen, "working with the farm groups was hardly more efficient than starting from scratch." Then four of the largest lobbies set up shop in Washington: the American Farm Bureau Federation, Farmers National Council, National Board of Farm Organizations, and National Grange of Patrons of Husbandry. Of these, the Farm Bureau, with a large and geographically broad-

based membership, became the most influential.

The first major farm lobby victory came in 1921, when Congress passed a package of six bills, including an extension of the War Finance Corporation's authority to make agricultural loans. But farmers' objectives were relatively modest then. Observes Hansen, "only six months after its great victory, [the Farm Bloc] ran out of things to do."

As the agricultural market slumped, the farm lobby soon thought of new benefits to demand, however. Farmers organized against what they saw as the do-nothing Coolidge Administration, then intensified their campaign for subsidies as the U.S. fell into the Great Depression. Not surprisingly, President Franklin Roosevelt was sympathetic to the farmers' demands, so he advanced the Agricultural Adjustment Act, "the fruit of the farm lobby's decade-long labor," writes Hansen.

The act was quite popular, despite being overturned by the Supreme Court. And legislators got the message. Reports Hansen:

[E]lections in the 1930s consistently underscored the farm lobby's competitive advantage. The Farm Bureau's prominence in the passage and administration of the Agricultural Adjustment Act enabled it to stabilize and expand its membership, especially in the South, where in the late 1930s membership increased tenfold, to more than one hundred thousand. In the minds of voters and politicians alike, the close association between the farm organizations and the Triple A program turned farm state elections into tests of their mandate, and the supporters of government aid to agriculture won many more than they lost.

Republicans as well as Democrats endorsed New Deal farm policies. Thus began nearly two decades of bipartisan subservience to farm interests. In fact, there was little that the Farm Bloc wanted that it did not get. "In sheer reputation for power, the agricultural organizations reigned alongside the business lobbies and the labor unions as the 'Big Three' of American politics," observes Hansen.

Farmers' political clout persisted even as the number of rural residents fell. But power was redistributed within the agricultural lobby. In the 1950s the Farm Bureau lost its pre-eminence. Its enthusiasm for subsidies lagged behind that of many farmers, and its leadership was seen as too

closely allied with the Republican Eisenhower Administration. The Democrats were only too happy to respond with a bidding war in which taxpayers were the losers.

The Kennedy Administration fared little better than its predecessor, and Republican legislators were soon using agriculture policy to oust Democrats. By 1965, however, bipartisanship returned, with Republicans and Democrats uniting to mulct non-farmers. Thereafter, writes Hansen, "the distinctions between Republican and Democratic farm policy blurred, except among a handful of conservative Republican and liberal Democratic ideologues."

Not that there weren't differences between Presidents and Congresses. Presidents Nixon, Carter, and Reagan all tried in their own ways to limit farm spending, but Congress consistently upped the ante. Capitol Hill's generosity with the American people's money was due in no small part to the continuing influence of the different agricultural groups.

The Farm Bureau, however, never regained its pre-eminence. Instead, Congress turned increasingly to specific commodity groups, such as dairy-men. "Their competitive advantage lay in part in specialization," writes Hansen, but two other factors came into play. One was that these groups tended to support existing agricultural programs during the 1950s and 1960s while the Farm Bureau worked against them; the other is that such groups were more interventionist than the relatively conservative Farm Bureau.

Gaining Access is not primarily about the substance of farm policy, but it does give an occasional glimpse of the craziness of Federal programs. In the late 1940s, for instance, the Commodity Credit Corporation purchased fully one-fourth of the potato crop, torching some of the surplus. But while "editorial writers raged in protest, and Congress launched an investigation," reports Hansen, the subsidies continued. The House Agriculture Committee, for instance, "greeted the uproar with exceptional calm. It warned potato growers that they had one more chance to get their house in order before Congress abandoned them, but it assured them that whatever kind of program they wanted, the Committee would get it for them."

And farm state legislators could do so because urban Democrats, whose poor constituents are

most injured by the higher taxes and prices engendered by farm programs, consistently supported agricultural subsidies. They did so for several reasons, in Hansen's view: "the small, hidden impact of agricultural subsidies on consumer prices," "the relative safety of [urban congressmen's] seats," and the Democrats' use of agricultural policy for partisan advantage. When urban support seemed to wane in the 1960s, rural legislators thoughtfully offered Food Stamp appropriations in exchange for continued votes for farm programs.

The 1970s was a decade of consumer activism, but these groups exercised virtually no influence on farm policy. The basic problem is that it is hard to organize a large, diffuse mass of people who have less at stake than do members of opposing organizations, such as farmers. Without active popular support, consumer advocates cannot interest legislators in their issues or perspectives. Explains Hansen: "The consumer movement's problem in breaking farm producers' hold on food policy was obvious. Before 1973, the salience of farm policy to urban voters was too low to justify substantial investments of their representatives' time, or even a membership on the House Agriculture Committee."

In succeeding years, a few urban legislators joined the Agriculture Committee in order to raise consumer concerns. But they found themselves routinely outvoted by the coalition of farm program and Food Stamp advocates. Rural legislators were particularly careful to log-roll within the agricultural community, bundling farm programs in an attempt to generate a "one-for-all and all-for-one" attitude amongst farmers. All too often such tactics brought, and still bring, the farm lobby victory.

This year the federal government is spending almost \$1.5 trillion, double just 10 years ago. Even under avowedly conservative administrations, Washington has proved to be a seemingly limitless cornucopia for the well-connected. And for 70 years few have been as influential as farmers. John Mark Hansen's *Gaining Access* makes great reading for anyone who wants a better understanding of the ups and downs of farm politics and how the agricultural lobby continues so efficiently to loot the public. □

Doug Bandow is a Senior Fellow at the Cato Institute and the author of The Politics of Plunder: Misgovernment in Washington.

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PERSPECTIVE

The New Statism

While the ordering of economic resources under a socialist structure is failing throughout the world today, a more insidious successor to state socialism has developed. A form of statism has evolved whose adherents are less concerned with outcome and more concerned with controlling the processes of society. These new statists are interested in a social order which can be manipulated politically to interfere with private property ownership without completely repudiating the market order framework. While state socialism seized all claims of private ownership to property, this new form of statism captures only the economic ownership of private property, achieving its political objectives by imposing mandates and injunctions upon the legal owners of the property. It has become a system of social organization which can best be described as a pragmatic, neo-fascist state.

—ROBERT G. ANDERSON, writing in

A Man of Principle:

Essays in Honor of Hans F. Sennholz

Who Benefits from Property Rights?

People who own no property at all benefit from property rights, because they benefit from living in an economy with a higher standard of living, made possible by having innumerable self-interested guardians of the economy's resources. In this sense, property rights are very similar to free speech rights, which do not exist just for the benefit of that 1 percent (or less) of the population who are writers or lecturers.

—THOMAS SOWELL, writing in the
March 2, 1992, issue of *Forbes*

Crime in the Black Community

I think that making excuses for criminals betrays our black tradition. In the days when every hand was against us in this country, when the laws were against us, when employers openly discriminated and were supported in law, fathers and grandfathers didn't use this as an excuse to destroy their own community, to prey on their own people. And the people who did were ostracized and

put down for what they were. And that's the way we understood things ought to be. In those times, we had a strong sense of religious values and moral standards, where people were bound to take care of each other, not slaughter one another.

And if in those days of oppression we didn't use that oppression as an excuse, how can we say today that there is any excuse for this kind of behavior? Doors are open, and people have worked to open those doors, and we need to move forward now with the same sense of discipline possessed by the people who suffered during Jim Crow and slavery.

—ALAN KEYES, quoted in the summer 1991 issue of *Issues & Views*

The Role of Rules

Today, much of the economic game is in the political arena. It is played by getting rules on your side, or making sure that somebody else doesn't get the rules on their side against you. The action is in Washington, D.C.

It's interesting to look at the statistics of many large companies and see how much of their time goes into lobbying, where their business headquarters are, who the big players are, etc. It turns out that it's just as important to try to make sure that the rules favor you as it is to produce better products. Any society in which the rules are not clearly defined, whatever they are, is at risk. You need a society of stable, legitimate and just rules in order to have people productively engaged.

—PETER J. HILL, from an interview in the November/December 1991 issue of *Religion & Liberty*

Man's Place in Nature

An environmentalism that began from the principles of American liberal democracy would recognize that the worst form of tyranny is not the tyranny of man over nature, bad as that might sometimes be, but the tyranny of man over man. In order to prevent the latter tyranny, it is necessary to recognize that it is not proper for men to treat other men as though they were but another species of animal. Men are worth more than animals. To sacrifice their freedom and the quality of their lives in the

name of species equality is both unethical and shortsighted. This is the proper starting point for environmental policy.

But from that recognition, it is not proper to draw the conclusion that we should be unconcerned with the protection of other species. It is wrong for humans to be cruel to animals, but the true evil cannot be grasped without seeing the evil this cruelty does to human beings. It is the corruption of the human soul revealed in cruelty to animals that is the most shocking aspect of this cruelty. For the same cruelty practiced by a hawk upon its prey would not be the same evil—indeed it would be no evil at all. Hawks are not interested in protecting kangaroo rats and cannot be blamed for their indifference. Human beings should care for the earth, but more for their own sake than for the sake of the earth. Earth is glorious among planets above all because it is the home for men. It would be unworthy of our human dignity, as well as being shortsighted, to foul our own nest.

—GLEN E. THUROW, "Endangered Species and Endangered Humanity," published by The Claremont Institute

On Bureaucracy

Bureaucrats, like private business people, act to further their self-interest. Instead of financial gain, their reward is the perquisites resulting from advancement. Because they do not "profit" from their decisions, they do not necessarily manage their bureau in a manner designed to generate the most satisfaction or benefits for the users of the bureau's services.

Decisions by the bureaucrat do not result in more or less profit as the customers or users react by purchasing more or fewer goods or services. People in private business, seeking profit, consider their customers. If their business decisions produce more satisfaction, they gain more income. A successful bureaucrat, in contrast, would gain salary, rank, and prestige. The bureaucrat's most advantageous policy, therefore, is one that increases the size of the bureau, the size of its budget, and the number of people the bureaucrat supervises.

—MICHAEL D. COPELAND, writing in *The Yellowstone Primer*

The Commonwealth of Independent States: Land of Opportunity

by Peter J. Hill

Conditions are dire in the Commonwealth of Independent States (CIS), the confederation of former Soviet republics. The economy is paralyzed. Agricultural products rot in the fields, while store shelves are empty. Workers make shoddy goods for which there is no market, and even if there were a market, the products couldn't be delivered because there is almost no distribution system.

But the bleak landscape of the CIS economy can be viewed through another set of glasses. Every one of the problems we hear about is also an opportunity, a chance in a lifetime for someone.

Today, for example, the inland waterways are dotted with rusting hulks of sunken ships. The state agency in charge of shipping found it too troublesome to remove ships that ran aground.

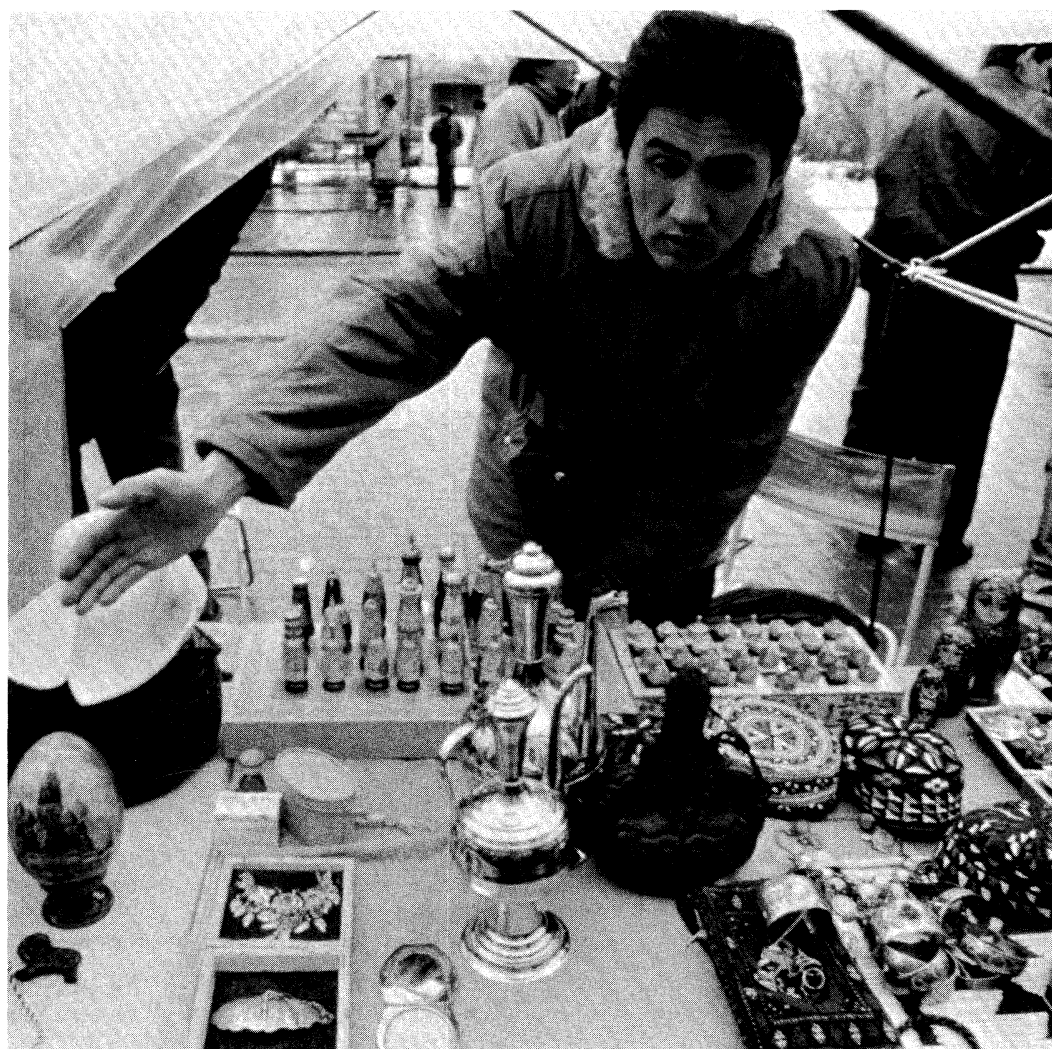
But to a man I will call Sergei, a former high official with this agency, they represent an opportunity for profit. He has obtained rights to these ships on sections of two rivers in Russia, the Volga and Oka, and is starting to find a market for the scrap metal he is removing.

Similarly, to a former student I will call Vladimir, the absence of consumer goods in state stores represents a chance for profit. Vladimir has dropped out of school, constructed three kiosks, and placed them on the streets of Gorky (now called by its original name, Nizhny-Novgorod), where he sells children's clothes, shoes, and whatever other consumer goods he can get his hands on. A recent visitor even found chewing gum from India for sale.

Such entrepreneurs are still few in number, and the lack of private rights in the Commonwealth of Independent States creates serious obstacles for even these. I have used pseudonyms for them because their legal status is hazy. It is not clear that they have the right to purchase the goods they are selling. Since most property still belongs, at least nominally, to the state, does the person they are buying from have clear title to those resources? Until these issues are resolved, many opportunities will go unmet.

If CIS citizens are to respond to the myriad opportunities around them, some conditions are critical. Private ownership and freedom of contract must be allowed. Without these conditions, individuals who perceive better ways to do things and better uses for existing resources will be unable to gain control of property or enter into profitable agreements with others. Entrepreneurs must also

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An entrepreneur selling Matrioshka dolls and other souvenirs on Arbat Street in Moscow.

have the assurance that their property rights will be protected from predatory activity by other citizens and from state expropriation. Confiscatory taxation must not remove most of the profits. A stable and convertible currency would facilitate exchange.

But one should not be too pessimistic.

Suppose a factory in Ukraine depends on a part manufactured 1,000 miles away in Uzbekistan; deliveries are sporadic and quality is low. This provides an opportunity for a Ukrainian entrepreneur who learns the specifications for the parts and opens a small operation nearby. He—or she—can earn profits by becoming a reliable supplier.

Is wheat disintegrating in the fields of Belarus while there is a shortage of bread in Moscow? If so,

anyone with a truck can profit by delivering grain to a miller near Moscow.

Does a factory in Georgia produce little of value? A competing, more efficient factory can hire away its workers by offering greater wages.

With even minimal progress toward the introduction of property rights, the people's mood could shift dramatically. Perhaps only a small fraction of the CIS population will be optimistic entrepreneurs at first, but others will observe and learn. Many who try to capture the new opportunities will fail, but some will succeed, and their success will encourage others. The people who seem to Westerners to be apathetic wards of the state may soon be ablaze with energy and zeal. Opportunity knocks! □

The Separation of Church and State

by Ralph A. Raimi

My father, Jacob, arrived in this country as an immigrant in 1923. He would have come here earlier, but was drafted for service in the Polish army in 1919 and, under the banner of Marshal Pilsudski, helped fight Poland's successful war against Trotsky and the Communists. In America he joined his wife and son, who had preceded him. He settled in Detroit and opened a dry-goods store, begot two more sons (myself the middle of the three), thrived, and prospered. He died last summer, at the age of 92 years, the seventh after the death of his faithful wife.

Fighting for Poland did not particularly please my father, since as a Jew in Nasielsk, a small town near Warsaw, he was never truly at home. The distinction between Jew and non-Jew in the Poland of the Russian Empire was in most ways more strict than the distinction between Negro and white in the American South in, say, the period 1890-1915. It had been a newly virulent sequence of pogroms, murderous mob attacks on Jews and their goods and houses, that had generated the great emigration of Polish (and other) Jews to America at that time. Jews feared Eastertide in particular, a time when provincial priests often preached the guilt of the Jews, and even fostered the libel, widely believed among the Polish and Russian peasants, that Jews used the blood of murdered Christian children in the making of matzos for the Passover.

But with the fall of the czar and the liberation of Poland one might hope for better times, even for Jews. My emigrating father left his own father and mother in a new Polish Republic, reborn with

his help and with that hope. The worst excesses of Polish anti-Semitism did in fact diminish after the war, and in the end—20 years later—it was the Nazis, not the Poles, who murdered those of his family that did not follow him to America.

At my father's death last year I collected some of his personal papers and among them found his Certificate of Naturalization, given in the U.S. District Court of the Eastern District of Michigan. It concludes, "IN TESTIMONY WHEREOF the seal of said court is hereunto affixed on the ninth day of July in the year of our Lord nineteen hundred and twenty-eight, and of our Independence the one hundred and fifty-third."

The "year of our Lord" 1928? Much evil had been done, in the name of that Lord, to my father and his family in Nasielsk. Too, anno Domini 1928 was equivalent to the year 5688 in the Hebrew calendar, which counts, instead of the years since Christ, the years since Creation, the work of an earlier Lord. Was not the language of the United States Court for the Eastern District of Michigan a bit ethnocentric? Insensitive? Did not my father feel left out of things, with his citizenship dated according to a Christian tradition with its casual assertion that "our" Lord was Jesus?

I must say that he did not. He never ceased to bless the United States of America, from the day of his arrival to the day of his death.

He loved even the police because he knew the nightstick was not intended for him, but for those who might want to harm him. In Nasielsk, he told me, the sight of a policeman would induce him to cross to the other side of the street and pass at a distance—why take a chance? Here in America, on the other hand, he would sometimes get a call

in the middle of the night from a policeman telling him that he had left a door unlocked in his store. "Best come round, sir, and lock it up properly," the cop might say. "Sir"? To a Jew? It was a miracle, America.

I never asked my father what he thought about the separation of church and state. It was not a question. They were separate here; he knew that, and he also knew the Constitution required it so. Everyone could attend the church of his choice, or no church at all, and at school nobody asked the religion of his children, either.

But Christmas was a legal holiday; what about that? We sang Christmas carols at school; what about that? I might have asked him these questions, but I never did, for it would never have occurred to him that these things constituted "an establishment of religion." They were merely an American tradition. We were in a country that had been founded by Christians, a country whose Constitution owed its structure to English philosophers, all of them Christians; why shouldn't the echoes of these origins remain in our public documents? There is a difference, after all, between a Christian sentiment and a pogrom.

My father knew all this. In America we speak a language whose origin was in England, and we follow a law whose origin was in England. Our very liberties, won "from" England in 1776, had their origins in England nonetheless; there was nothing like them in Russia either before or after their Revolution. That the year of my father's citizenship should be styled "anno Domini" 1928 did not make it for him any less blessed a year, or restrict its boon to Christians alone.

Even so, I'm glad the Certificate of Naturalization also included that other, more secular date, "and [in the year] of our Independence the one hundred and fifty-third," for my father (and I) owed a great deal to those who secured our inde-

pendence, as the celebration of the 200th anniversary of the Bill of Rights has recently reminded us. But the Founders, who insisted in the First Amendment that Congress should make no law respecting an establishment of religion, had no intention of making religion, or its milder echoes in our public observances, downright illegal. They knew as well as we that 1776, watershed though it was, was still not The Beginning. Unlike the French Jacobins who declared the date of their ill-fated revolution to be Year 1, our American forebears saw danger in rejecting all tradition, and they were right.

American Jews in 1791 were as free as Christians, and they still are, nor does their liberty suffer from an occasional Christian reference, whether in a prayer at the opening of Congress or in a carol sung at school. It is not words that tyrannize, after all, but evil intention. Communist Russia for 70 years oppressed all religion and practically forbade all public religious expression. Nineteen Seventeen was Year 1 for their new order; Lenin be praised! Did that make their Jews—or anyone else—free? Secure? At home?

I intend to have my father's and my mother's naturalization papers framed for the wall of my study. I am proud of those documents, or, more accurately, grateful. My parents came to America so that I might be free. I will point this out to visitors. It might be that some of them, infected by American Civil Liberties Union propaganda, will be horrified by that impermissible Christian reference, "in the year of our Lord," printed right there on a United States Federal Court document. If so, I will explain:

"Well, it's not exactly *my* Lord they're talking about, sure, but that's the way they said it in 1928. Maybe they still do. My father never saw any harm in it. 'Establishment of religion?' Don't make me laugh." □

George Washington on Religious Toleration

It is now no more that toleration is spoken of as if it was by the indulgence of one class of the people that another enjoyed the exercise of their inherent natural rights. For happily the Government of the United States, which gives to bigotry no sanction, to persecution no assistance, requires only that those who live under its protection should demean themselves as good citizens in giving it, on all occasions, their effectual support.

—A letter to the congregation of Touro Synagogue,
Newport, Rhode Island, 1790

**IDEAS
ON
LIBERTY**



Freedom of Education Will Solve Our Education Crisis

by Jack D. Douglas

Most Americans have always been passionately devoted to education. The current national panic over our plummeting learning scores is only the latest sign of this devotion and is remarkably similar to the panics over purported education crises that have occurred throughout U.S. history.

Unfortunately, almost all of the politicians and so-called expert educationalists rushing forward to solve this latest education crisis seem to have forgotten the simplest facts about the early history of American education, which enabled this country to produce far more than its share of the world's most creative thinkers. This ignorant panic is inspiring a headlong rush into the central planning and bureaucratization of education that have been increasingly destroying the effectiveness of U.S. education for over 40 years.

The founders of the new American colonies were completely convinced that individual learning was the way to self-improvement of all forms. That faith in individual learning was most intense among the Puritans of New England and was a direct result of their passionate religious faith. The Puritans knew from their experience that control of education was the foundation of the church bureaucracy's tyranny over individual hearts and minds. They believed that each individual must be

able to read the Bible in his native language so that the bureaucratic experts of the church could not assert themselves as the powerful intermediaries between Christians and their omnipotent God as revealed in ancient tongues read only by the bureaucrats. They knew that real learning—individual knowledge and thought free of the church's control—was the first prerequisite of freedom from the tyranny of bureaucracy.

As soon as they had overcome their immediate anxieties about starvation and disease, those devotees of individual education founded what is now Harvard College (in 1636) to ensure a steady supply of educated young men for their growing colony. By the time of the Revolution, that devotion to education had supplied the American people with a remarkable community of scholars and scientists who led them in creating "The First New Nation." The Founding Fathers of our constitutional democracy were probably the most brilliant, creative, and knowledgeable group of leaders in human history. They certainly vastly surpassed the politicians who now press upon us a miasma of bureaucratic solutions to our education crisis.

Individual Education

The great accomplishments of American scholarship and science in the nation's first three centuries were not the result of great wealth, huge government expenditures, massive centers of formal education, or expert theories of learning. Learning was overwhelmingly a simple, difficult,

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but excitingly challenging task of self-help and local community action. Families commonly taught their young the rudiments of the three R's. Some went on to the now-famous one-room schools where a local teacher worked one-on-one with individual students in the ancient ways of the tutor, the apprentice's master, and the novice's mentor. Some of the better-off and more dedicated students also had individual tutors, and they went on to the tiny colleges for more individual tutoring and small-group instruction.

The entire nonsystem of individual education was based on tutoring and apprenticeship—learning by directly doing and teaching, observing and doing, and self-help. The few tutors and teachers in any community worked for what today would be seen as slave wages, but they got far more self-fulfillment and self-education out of teaching than they would have from pieces of gold. Local help and self-education led to the great accomplishments of Franklin, Jefferson, Hamilton, Lincoln, Edison, and a multitude of other American scholars, scientists, inventors, and leaders.

The colonial and later state governments became increasingly, but sporadically, involved in passing laws mandating some vague, general standards of minimal educational achievement for everyone. But they had few powers of enforcement, since they had almost no bureaucracies to carry out their proclamations of anxiety for the state of general education. Most education seems to have been carried out by families, with intermittent help of a highly individual nature from paid tutors, unpaid tutors who were friends and neighbors, and the local schools.

These same basic forms of individual education have always been the foundation of learning for the most creative scholars and scientists of all Western societies since ancient times. From the gardens of the peripatetic philosophers of ancient Greece to the patent offices of modern Einsteins and the garages of personal computer whizzes, self-education and tutorial education have been the path to the most creative and productive learning.

Even in the famous large universities of Europe, such as Oxford and Cambridge, self-education and the help of the individual tutor have been the very heart of the highest formal education. The open secret of the success of Western formal education is that in fact it has

always been highly informal—highly individualized and unbureaucratic. The formal aspect consisted largely of setting public standards of achievement that, in effect, gave individuals an official stamp of approval as educated people that was much desired for status purposes.

Franklin and Jefferson

Benjamin Franklin, who was certainly the greatest technologist-inventor-scientist of his day, and one of the era's greatest businessmen, writers, and political leaders, was almost entirely self-educated. He learned to read very early, helped no doubt by any member of the family and any neighbor who was willing. He spent one year in a local grammar school, became a dropout, studied one year with a private tutor, and ended all formal education at the age of 10.

Although books at the time were rare treasures compared to today, Franklin taught himself well enough to work on the frontiers of science and become one of the most creative inventors and scientists. He learned the highly skilled craft of printing in the age-old apprenticeship way, by directly observing and doing. Mastery of that craft gave him a lifelong sense of fulfillment and pride that no formal certification can give an honest person who knows that such a degree is merely a symbol, not the reality, of knowledge and ability.

Thomas Jefferson is hailed to this day as the founder of America's whole tradition of public education. But his formal schooling is actually an extreme example of the creative power of tutorial learning by observing and doing, dialogue, and above all of self-education (autodidacticism). Virginians of his time were predominantly frontiersmen who learned few if any reading and writing skills because they did not need them and were fully engaged from dawn to dusk earning a living. But almost all of those who got ahead enough to have some leisure time quickly learned the rudiments and encouraged their children to learn far more.

Being the son of a well-off planter, Tom Jefferson spent several years in typical one-room local grammar and classical schools. His first schoolteacher, William Douglas, actually did little to help him learn, but his second, the Reverend James Maury, made a lasting impression on him. As was common at the time, Jefferson boarded with Maury's family, so his education was one of

total immersion. His class at the one-room school included four other boys, so learning was by the ancient tutorial. He proceeded entirely at his own pace, a torrid one indeed since he learned to read classical Greek and Latin works in the original in only about two years.

History books today routinely refer to Jefferson's education at the College of William and Mary, thereby summoning up modern images of large lecture halls and dozens of professors who did not even know his name. Actually, his foray into formal education was largely one prolonged tutorial and discussion between him and William Small, the only teacher there who had any significant effect on him.

William and Mary was in chaos at the time. The students were rowdy and in a state of near rebellion. The president admitted being drunk most of the time. Almost all of the professors were Anglican clergymen and were dismissed while Jefferson was there. The school was hardly a picture of centrally planned bureaucratic rationality. Dumas Malone noted in *Jefferson the Virginian* that:

Jefferson said that [Small] gave to his studies enlightened and affectionate guidance and was like a father to him. Actually . . . [Small] made a daily companion of young Jefferson, and taught him no less through informal talk than by his memorable lectures. . . . [if] his college course can be described separately it is best summed up by saying that he continued to be taught privately, and that his tutor was William Small. The same sort of statement can be made about the five years after that, when he studied law under George Wythe. He gained clear title to fame in later years as a prophet and architect of public education, but his own training was preeminently personal and private.

Self-imposed, rather than external, discipline shaped his education from his youth onward.¹

When Jefferson left William and Mary, he entered the law office of George Wythe and learned the practice of law by the ancient practice of self-study (that is, reading the law), tutoring, and apprenticeship by observing and doing. The many practices of the ancient forms of informal, individual mentoring and tutoring were the foundation of the education of the great philosophers, scientists, and leaders in our civilization until the advent of the age of bureaucratic education in this century.

(Mentoring and tutoring probably have been the primary modes of education in all civilizations during their creative periods, being replaced by bureaucratic education only in their final periods of stagnation and decay. However, I know of no study comparing civilizations in such terms.)

Although Jefferson's experience at William and Mary has often been presented—mistakenly—as evidence of his college education, there is no such distortion in the case of our appreciation of Abraham Lincoln's educational experience. Americans have long been thrilled by the texts, stories, and movies depicting Abe Lincoln walking miles to get a scarce book so he could read by the firelight after his day's work was done. And they learn in early childhood that this master of the English language never learned English from a Dick and Jane reader nor spent endless hours cutting up beautiful prose into lifeless words.

Does Science Require Formal Education?

It has often been claimed that although reading and writing skills can be learned by individual means, the highly technical fields of modern technology and science demand the formal education of specialized professionals—bureaucratically certified experts—using classrooms and laboratories full of expensive equipment that can be paid for only by millions of taxpayer dollars.

However, if there is any difference between the two cultures of learning—the humanities and science—in this context, it is probably the opposite. The basics of reading and writing are completely formalized—they are preordained symbolic forms that must be mastered before one can go on to creative enterprises. Formal education is better suited to the learning of such totally formalized symbolic activities than to any other kind of intellectual activity. The costs of such bureaucratized modes of teaching the basics of reading and writing are more long run, thus hidden.

If students are willing to have the basics pounded into their heads by such routinization, they can learn even if they have little enthusiasm and little individualized tutoring. But it kills their motivation and teaches them to take a generally submissive, dependent approach to learning, rather than the aggressive, independent initiative found in self-education. Formalized education of this sort

can teach the rudiments to millions, but it kills the spirit of learning—the passionately curious rage to know that is the beginning of all creative education and enterprise.²

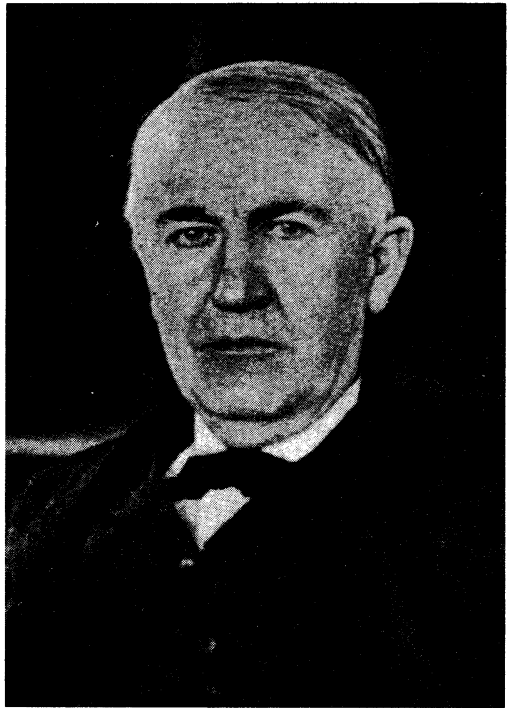
In technology and science, the short-run costs and the long-run costs of bureaucratic formalization are all much higher. Science and especially technology are only partially subject to formalization. The basics of mathematics can be learned as the alphabet can (one, two, three, two plus two, etc.), but as soon as one tries to apply mathematics to real-world problems, the element of uncertainty—“art”—must be considered in unroutinizable ways.

The creative struggle with the uncertainties of reality is inherent in all real science and technology, just as it is inherent in all free-enterprise business. Anyone who learns science by rote is actually unlearning the very heart of real science and will never be a good—creative—scientist until he or she unlearns the rote learning.

The best way to learn to be a creative scientist, technologist, or entrepreneur is to wrestle individually with all of the uncertainties from the beginning. An individual who has already been through this heroic struggle with the primordial uncertainties of life can help by serving as a model and as a mentor and tutor who encourages and allows learning by observing and doing. But a tutor cannot produce creativity by presenting formalized, textbook-based, bureaucratized knowledge in the rote forms of formalized education.

No American scientist or technologist, not even Benjamin Franklin, has had a more creative impact on the world than Thomas Edison. Edison had even less formal schooling than Franklin. Whereas Franklin lasted one year in the local one-room school, Edison lasted only three months. Rather than being allowed the graceful exit of becoming a 7-year-old dropout, he was expelled for being “retarded.” His mother then taught him the basics for three years by the universal methods of tutoring. As he later said, “She instilled in me the love and the purpose of learning.”³

When Edison was an overly tender 10 years old, his mother introduced him to an elementary book on physical science, and that marked the beginning of his lifelong effort to teach himself. He set up his own chemistry laboratory in the basement. Since he was crushed by the overwhelming disadvantage of poverty and had no welfare net to save him, he



Thomas A. Edison

DOVER BOOKS

went to work at the age of 12, and he became self-supporting while continuing to educate himself and carry on his own experiments that eventually helped to revolutionize the world.

Many years later, having built the first world-famous scientific laboratory, he was asked about the bureaucratic rules by which he ran the organization. As he said emphatically, “Organization! Hell! I’m the organization! . . . Hell! There ain’t no rules around here! We are trying to accomplish some’pn’.”⁴

It is almost always claimed by the expert educationalists that modern science cannot be learned or done by such informal methods. They claim that so-called Big Science is now done by huge bureaucracies because that is the most creative way or even the only way that creative advances can be made. Their claim, though, is the opposite of the truth, and the most creative scientists of our time generally realize that Big Science is a danger to all scientific creativity.

None of the great discoveries of modern science, such as the recent discovery of superconductivity at relatively high temperatures, has been made by scientists in our vastly expensive university or other government bureaucracies. As Robert Root-Bernstein argues in his recent book

Discovering, the important discoveries are made with remarkably cheap equipment in small, unheard-of laboratories, or in even cheaper garages.⁵

Physicist Richard Feynman worked in the niches of our scientific bureaucracies, but he lived his science by the rule of always thinking about it in concrete, real-world terms and did it himself in the simplest, most commonsensical way possible. After NASA lost the space shuttle *Challenger* and its crew in 1986, an official commission was set up to determine how a project costing so many tens of billions of dollars could have failed. The many experts who testified showed that, with all their expensive research, they could not determine whether the shuttle's O-rings might have become brittle and failed, thereby causing the fatal accident, because of the cold weather at Cape Canaveral on the morning of the flight.

As the conflicting public testimony swirled around him, Feynman placed a piece of an O-ring in a glass of the ice water set out for the commissioners to drink and showed that it quickly became brittle. This bit of very little science took only a few minutes to perform and cost a few pennies. Feynman wrote that "I never pay any attention to anything by experts. . . I calculate everything myself."⁶ Earlier in his career, teaching a class in Brazil, he had found that he could not convince the students to think of how the "principles" in the textbooks really work in the everyday world they observed and lived in. Latin American students were—and still are—taught by the bureaucratic methods and experts of the church and state against which the early American colonists revolted.

Root-Bernstein argues that other creative scientists agree overwhelmingly with Feynman. The two basic principles of creative science in this respect are "Do as large a proportion as possible of your experiments with your own hands" and accept something "Only when I have convinced myself."⁷ As Root-Bernstein says, "This means, in effect, you must train yourself—be an autodidact, learn your subject your way."⁸

Root-Bernstein takes note of "the surprising fact that many discoveries are made by young scientists just moving into a field and by older scientists with little or no formal training in that particular science. Pasteur and his invention of the germ theory of disease is a prime example."⁹ James Watson and Francis Crick's revolutionary

discovery of the double-helix structure of DNA is another prime example, since they worked on even less than a shoestring and without grants, and one of them had just earned a doctoral degree but was unemployed and the other was just a graduate student.

All really creative scientists are contrarians. They perform acts of creative deviance, going against the paradigms that are used as the formalized founts of wisdom for the least-common-denominator education of the students who will never become creative after their indoctrination into the accepted knowledge of their expert professions. Root-Bernstein's principles of scientific creativity sound like the nonrules of contrarian's *I Ching*: "Challenge expectation"; "Find a contradiction between theory and data"; and "Play contradictions."¹⁰

The Creativity of Dropouts

In an age in which the mass media of least-common-denominator doctrines keep dinning into us the horror stories about dropouts who can never earn a living without a certificate of formal education, it may be surprising to find how many people drop out anyway to create new worlds. George Gilder notes in *The Spirit of Enterprise* that Bill Gates dropped out of Harvard University to create Microsoft, which has been the most successful software firm in the age of computers. He also notes the general fact about the creators in these new high-technology enterprises:

In all the history of enterprise, most of the protagonists of major new products and companies began their education—and discovered the secrets of their later breakthroughs—not in the classroom, where the old ways are taught, but in the factories and labs, where new ways are wrought. Among all the legions of lawyers, financiers, bureaucrats, and masters of business administration strutting into the American economy from the nation's leading schools, nothing has been so rare in recent years as an Ivy League graduate who has made a significant innovation in American enterprise.¹¹

Although he does not mention it in his book, Gilder himself is a fine example of the dropout creators. Just like Gates, Gilder found that the educational atmosphere at Harvard tends to suffocate

creative deviance. He too dropped out and went on to become one of America's most creative social thinkers.

Of course, some Ivy League graduates do go on to become creative. There is actually a large minority of students in all these bureaucratic status mills who quietly deviate from the enshrined dogmas and retain their creativity. They wind up giving the public the false impression that such formal education produces creative thinkers. Their creativity occurs in spite of the bureaucratic controls, not because of them.

Many bright and creative young people choose to go to large and prestigious universities for various reasons: they do not know that such places can stifle creativity, they need the money, they crave discussions with other bright students that encourage creativity, they want the status that assuages the personal insecurities so common in creative people, or they know of one of the minority of faculty members who also encourage creativity. Correlations—such as that between formal education and creative thinking—can be totally deceiving when the relationships are not looked at over time to see which come first.

The brightest and most creative students at all levels who do not formally drop out of our leviathans of education generally find it easy to make high grades and, in their own parlance, beat the system, tune out the bureaucratese, and turn on to their own more serious and more creative interests. I had a very large group of friends and acquaintances who did that at Harvard even back in the less bureaucratized 1950s. Most of them also engaged in individual study and took graduate seminars. A small number of us even graduated in three years to escape it all.

Although the number was much smaller in high school, those same people were commonly far more tuned out in high school and spent most of their time doing their own work. At Miami Jackson High School, a small group of us were able to make nearly perfect grades to go on to college without spending much time at it, so we spent our time educating ourselves and each other in many different realms. The bureaucracy could be bothersome, as it was when the principal and dean of boys berated me for being a “Marxist nonconformist” because I read Russian literature and Marx and was a democratic socialist at the time. (That was in the early 1950s, the era of McCarthy-

ism.) But for the most part we could avoid the whole system and get on with our serious work. There were no social workers investigating our families, no psychological counselors trying to force us to conform in the name of science, and no omnipresent national testing system forcing the teachers and us into one great mold.

Bureaucracy and the Ordinary Student

Educationalists, who are not totally unmindful of such obvious facts of life in our schools, generally insist that self-education, mutual self-help, tutorials, and other forms of informal education are all fine for the brightest and most creative, but that they are totally unavailable or useless for the ordinary (mean or least-common-denominator) students. That is the opposite of the truth. All of our schools at all levels and in all communities are pervaded by a plethora of informal, local, individualized learning groups studying and teaching themselves and each other how to repair motorcycles and cars, how to build radios or computers, how to surf every good surfing area in the world, how to dive in the ocean or soar in the sky, and how to do millions of other things.

Most of those autodidacts, tutors, and mentors rely largely on direct learning experience and word-of-mouth traditions, just as the members of all human cultures always have. And in our literate society, almost all of them also make extensive use of the written word, such as the magazines and instruction manuals on everything from surfing and diving to fixing the most exotic sports cars. High school students who go completely “dumb” when faced with a bureaucratically mandated science text or literature quiz may well be whizzes at reading auto manuals that are all Greek to the math whizzes and Shakespeare “nerds.”

The obvious fact is that the education bureaucracies are far more destructive of the motivation and learning of the less symbolic students than of the symbolically brightest students. The bureaucratic teachers do not understand them or sympathize with them because they rely far more on direct learning by observing and doing and by word of mouth than on the textbooks the teachers use. They can be brilliant at doing marine biology when their fishing or diving motivations are fully engaged, and they can directly observe a master at

work; wading through a textbook mandated by a teacher or central planner, however, may turn them off completely. (As I am a highly symbolic type, textbooks were easy for me from the earliest years. A cousin, who was a whiz his whole life at personnel management but hated texts, dropped out of high school and completed it through painful correspondence courses. To reduce the pain, he bribed me to do his course on auto mechanics. I passed it quickly with flying colors, without knowing how to find the carburetor on a real car. If a real car needs repairs, I recommend my cousin, not me. I've written many books since then, but I have never fixed a car.)

Bureaucratic education has had little negative effect on the symbolically brightest and most creative. People like the late Richard Feynman still manage to survive the formal processing of their minds, largely by tuning out and going their own ways in spite of the bureaucratic tentacles. But the ever greater bureaucratization of U.S. education at all levels has had a devastating effect on the less symbolic and more least-common-denominator students. As the bureaucracy has grown, those students have come more and more to loathe the schools and almost any form of text-based learning associated with the schools.

Science has been the worst victim of this trend because the students are first introduced to science in the schools by the rote methods of bureaucracy and because creative science demands more freedom, more curiosity, more individualized learning, and more contrarianism than most other realms of knowledge. In a 1990 survey of U.S. science education, *Newsweek* summed up the situation nicely: "Unfortunately, few American students ever get to taste real science, for few of the nation's schools teach it. All parties now seem to agree that American science education serves not to nurture children's natural curiosity but to extinguish it with catalogs of dreary facts and terms."¹² What could be more dismal—and enraging—to already rebellious teenagers than to have authoritarian bureaucrats order them to learn everything in a dreary textbook—or else!

There is a direct and remarkably high correlation between the growth of the educational bureaucracies and the growth of rage and rebellion against education on the part of less-symbolic students. The bureaucratization came first and directly caused the rage. Now some of our schools trying

to educate such alienated students are literally being patrolled by police, but even they cannot stem the tide of revolution. Teachers dream of returning to the good old days of *Blackboard Jungle*, way back in the 1940s and 1950s when schools were neighborly and informal and before students hit, raped, and murdered teachers. In view of what has been happening in the centrally planned, bureaucratic states around the world, is this really so surprising?

Community leaders and the parents of the less-symbolic students are now revolting against the whole bureaucratic system. They know their children are not inherently dumb and really want to learn what they themselves value and what they can see from direct experience will help the children to develop in the world. They are seizing control of their local schools through decentralization movements that may return the schools to the traditional American form of local schools, self-education, tutoring, neighborly help, and individual initiative everywhere.

The educational bureaucrats are furiously resisting this reactionary movement, in spite of the violent revolution on their hands, and they contend that ignorant parents will only make a mess of it. They forget that motivation is the beginning of all real learning and that the complexity of individual motivation and learning is precisely the reason that radical decentralization—individualization—is the only nonsystem that works in education. Where the bureaucrats have incentives to preserve and expand the system, the parents and their children have all the incentives to learn, discover, and pursue the ways of learning that work for them in the real world they live in.

Big Schools and Big Government

The worst enemies of this return to the glorious past of real education in the United States are the bureaucratically educated elites that staff our universities, mass media, churches, foundations, government agencies, and most other big bureaucratic institutions. Even the best of our big bureaucratic schools at all levels not only focus the minds of the young on the past, as Gilder notes, but focus their minds on those parts of the past that embody and justify the bureaucratic mind-set that is now the foundation of all such schools, as well as our big government, big businesses, and big founda-

tions—and of much of the rest of our conflict-ridden society.

This situation is easy to demonstrate by application of a few commonsensical tests of the culture items learned by the students at the prestigious universities. Take any random sample of students from Harvard, Stanford, the University of Wisconsin, the University of California, or any other educational leviathan. Ask them whether they've read Adam Smith (or Edmund Burke) and Karl Marx. Result? Who now reads the ingenious analyses of Adam Smith? Who does not get subjected to the enraged hate-mongering of Karl Marx?

Go to your local college bookstore and look for the books on Smith and those on Marx. Look up the number of references to Smith and Marx in the indexes of the faculties' publications. Even more revealing, do the same culture-item test for Friedrich Hayek and John Kenneth Galbraith. Try to find even an economist at your local prestigious school who has read Hayek or any other real free-market economist.

The average ignorance quotient about the entire literature of freedom—Locke, Smith, Hume, Burke, the *Federalist Papers*, and on and on—is astounding. Average students from the best of the prestigious universities have a sure grasp of Marxism, socialism, and many other brands of collectivist-bureaucratic thinking, but they have never read any classical liberal thought and do not even know the names of the great thinkers about freedom in our own century.

It is not the least bit surprising that the most successful of our students from our big bureaucratic schools assume that big government, big science, and all forms of bureaucratic rationality are the embodiment and fount of all rationality—hence of creativity, productivity, and everything else good. They have succeeded in learning what they were taught explicitly and, far more important, implicitly over and over again—relentlessly and with the sincere, passionate convictions felt by their bureaucratic teachers. (Such students, of course, are not the creative students, the Richard Feynmans, who tuned out the texts. They are the bureaucratic successes who fit into the mold, generally without knowing it was a mold.) Did they not learn in minute detail in their sociology courses that Max Weber “proved” by his definition of bureaucracy that it is the most rationally organized form of human activity? Did they not

learn from John Kenneth Galbraith that big business is good because it can rationally (bureaucratically) plan its own sales, even of the Edsel? Did they not learn in their Keynesian economics courses that the only thing better than big business or big education is immensely bigger government, which is what is needed to make all the lesser goods really good?

The Bureaucratic Closing of Young Minds

Bureaucratic rationalism closes off possible new lines of action in direct proportion to its success. It is based overwhelmingly on the assumptions that there is no inherent uncertainty in the world and that the organizational rules developed to fit the past situation will work in the future because they worked in the past. (Bureaucrats assume the parameters remain basically the same, so the bureaucratic forms only have to be adjusted slightly as the world changes.) Bureaucratic, formalized, rule-bound education makes the same assumptions and takes the further step of assuming that there are no inherent uncertainties in the motivations and ways of learning of individuals. It assumes that all the peas and all their pods are basically the same and, therefore, that the more the methods of education are the same (that is, the more equal everything is), the more effective teaching and learning will be.

All the basic assumptions of the bureaucratic system lead rationally to the conclusion that the closing of minds is exactly the way to be creative and productive in anything. Thus, the closing of minds so well described by Allan Bloom¹³ is the rational outcome of the standard bureaucratic operating procedures of the central planning of our education system. The bureaucratically mind-closing ideas of the teachers and professors are the only ones consistent with the basic assumptions on which the entire system is built. The teachers are not the ultimate causes, they are only intermediate products—the people chosen to teach the students to have closed minds because they are the teachers who fit the assumptions of the political choosers.

Perform another simple culture-item test: Find a single president of a prestigious university, which is supposed to be dedicated to creativity, who now does anything creative. Once you despair in that quest for the holy grail of university education, try

to find a single president of such a prestige school who even says something different from what all the other university presidents say. There actually are a few such deviants at small, liberal arts schools, but you will probably never find them because they are so drowned out in the mass media by the big talks of standard bureaucratese.

In *The Troubled Crusade*, which is probably the most influential book written on U.S. education in many years, Diane Ravitch notes that from 1945 to the present, the Jefferson-proclaimed crusade against ignorance has become a crusade for equal education.¹⁴ During these 45 years, Americans have striven relentlessly to close out differences in the forms of education, to reduce all of education to the same basic rational formula administered in the most rational way possible—by a centralized bureaucracy of education experts. The result has been perceived as a growing crisis in education worse than any earlier ones. Over the decades, Americans have become more and more panicky over the obviously declining learning of students; government expenditures for education have soared steadily, increasing over 30 percent in real terms in the 1980s, and average real learning has plummeted steadily. (Test scores have stabilized because vastly more school effort now goes into teaching students how to take the tests.) How does this situation differ from what has happened in the highly planned, centrally bureaucratized economies?

If giant bureaucracies could centrally plan creative education, the Soviets long ago would have outdistanced all of us, instead of immiserating their entire society. In fact, if mandarin education experts could produce creativity, instead of causing all minds to stagnate, the massive, centralized, equal bureaucratic education system of the Chinese mandarins would have produced a great blossoming of Chinese civilization centuries ago, instead of the awful decay of that once-vibrant civilization.

Rising Costs, Declining Achievements

In the past 30 years the United States has steadily increased its spending on gigantic education bureaucracies, so that today we spend more per student per year than any other major nation. (The education bureaucrats try desperately to deny this



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fact by comparing percentages of GNP spent on lower education, excluding college costs, which are so much higher in the United States, and so on. We do actually spend more of our GNP on education than most other industrialized countries; but, more important, because we have a higher GNP per capita, our spending per student is much higher.) A higher percentage of our young people attend college than is the case in any other major nation. But by all significant measures, the educational attainments of our average young people (not the creative ones who tune out the system and learn the test items on their own) has steadily declined, so that today they rank near the bottom among major nations.

Japan, the nation that has rapidly improved in all categories of development and now frightens the entire world with its stunning productivity and creativity, spends almost nothing on research in gigantic university bureaucracies. It invests two to three times as much as the United States does in such research, but that research is undertaken by private businesses, not by gigantic government bureaucracies comparable to the University of California, the University of Wisconsin, or our hundreds of other leviathans of bureaucratic education.

The nation that rivals Japan, Germany, has not even a single university research leviathan that is comparable to the hundreds in the United States. The Germans rely far more on much less-expensive forms of direct learning by observing and doing—that is, by apprenticeship, on-the-job

education, part-time education, industrial research, and so on.

It is obvious from the entire history of learning that all real education, and especially all creative education, is the result of complex individual motivations and of ways of learning by observing and doing, tutoring, and mentoring. Any central planning or bureaucratization of this inherently individual activity will reduce the paths to learning to equal forms that close off almost all new ways of thinking and doing, and will turn them into the deadly rote education we have seen in all the once-great societies that have succumbed to government bureaucratization of education.

The present crusade that is carrying our society toward Federal testing standards for education is based explicitly on the assumption that there is a set, predetermined, closed body of culture-items that constitute worthwhile learning. If the crusade to make all our children learn this closed set of items succeeds, what will become of creativity—that openness to and production of new, unplannable, unforeseen items?

Teachers around the country are already focusing more and more student attention on learning those predetermined items, so that they themselves can get higher ratings and salaries tied to the test scores. And students have less and less time left to pursue their own unplanned, unbureaucratized interests.

The worst calamity will come if the bureaucrats succeed in attaining their goals. Fortunately, they probably cannot do all of what they are crusading to do because of the inherent ineffectiveness of bureaucracy. Unfortunately, with their greatly increasing resources and police powers, they are already succeeding at an accelerating rate in unintentionally murdering the curiosity and other motives to learn of ever more students and robbing them of the free time to learn what they really want to learn in the ways they can learn.

Conclusion

The goal of all people sincerely committed to real, creative education should be to decentralize, deregulate, decontrol, depoliticize, and debureaucratize, and to increase incentives for direct, individual, and local education of all forms. Some individuals will find that they learn best

entirely on their own. Some will find they need more group support, stimulation, and discipline. Almost all will find that the ancient forms of individual tutoring and mentoring will help immensely in any learning situation. The more freedom they have to decide how to learn, what to learn, how to fit learning to their long-run goals and opportunities, and how to continually change all of that to meet emerging motives and situations, the more effective their education will be—and the more effective and happy our entire society will be.

As long as most Americans and most of our officials continue to build leviathans of bureaucratic education, we can confidently predict more of what bureaucratization has been producing for many decades—less and less real learning, less and less creativity, more and more stagnation, more and more decline in our position around the world, and ever more anxiety and panic among a people who remain passionately committed to real education but have forgotten their own gloriously creative past. However, if we can return to the freedom of education that Americans enjoyed when they were astounding the world with their creative energies, then the vast new learning resources that technology makes available to individual learners will enable them to be more creative and productive than was ever before possible. Think of what self-reliant autodidacts such as Benjamin Franklin, Thomas Jefferson, or Thomas Edison would be able to do with the computer technology that will soon place the entire world at our fingertips. □

1. Dumas Malone, *Jefferson the Virginian* (Boston: Little, Brown, 1948), pp. 54-55.

2. Page Smith has entitled his brilliant historical indictment of American higher education *Killing the Spirit* (New York: Viking, 1990). Lower education is an even worse killing field.

3. "Thomas Alva Edison," in *The New Encyclopaedia Britannica* (Chicago: University of Chicago Press, 1983), vol. 6, Macropaedia, p. 308.

4. Wyn Wachhorst, *Thomas Alva Edison* (Cambridge: MIT Press, 1981), pp. 180-83.

5. Robert Scott Root-Bernstein, *Discovering* (Cambridge: Harvard University Press, 1989).

6. Richard Feynman, *Surely You're Joking, Mr. Feynman!* (New York: Norton, 1985), quoted in Root-Bernstein, p. 418.

7. Root-Bernstein, p. 418.

8. *Ibid.*

9. *Ibid.*, p. 417.

10. *Ibid.*, pp. 412-13.

11. George Gilder, *The Spirit of Enterprise* (New York: Simon and Schuster, 1984), pp. 246-47.

12. *Newsweek*, April 19, 1990.

13. Allan Bloom, *The Closing of the American Mind* (New York: Simon and Schuster, 1987).

14. Diane Ravitch, *The Troubled Crusade* (New York: Basic Books, 1983).

A School with a Money-Back Guarantee

by Scott Payne

In Lansing, Michigan, one finds a new wrinkle in education: a money-back guarantee. HOPE Academy, a primary and secondary school operated for profit by Eleanor Sambaer and Marina Farhat makes this unique offer: *Give us your kindergartner. If, by the end of the academic year, your child can't read at least on a second-grade level, you get your money back.*

The guarantee is one means by which HOPE's founders have given a future both to their school and to their dream of offering children an education of the highest caliber. Mrs. Sambaer and Mrs. Farhat began HOPE (Heightened Options in Private Education) because they believe that public schools neither challenge children academically, nor support families' beliefs and moral codes.

That the pair even managed to open HOPE is remarkable. Early on, they discovered that one cannot set up classrooms in, say, an empty store. State and local codes require prohibitively expensive retrofitting of wiring and plumbing, the addition of fire walls and security doors, removal of asbestos, plus a myriad of other requirements having little to do with education.

The women sidestepped these obstacles when they found a home for HOPE in a partly vacated public school dating from the 1930s. Like the school's oak doors and bannisters, the desks exhibit years of battering, but this doesn't concern HOPE's owners. "The amount of money public education wastes on brand-new architecture and pretty new desks is crazy," they say. "Education takes place in the mind. Old desks and 50-year-old buildings don't matter."

When the two women opened HOPE in 1985, half of its first 35 students were black children from inner-city homes—a proportion that persists

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today. HOPE's enrollment rose to 68 in 1986 and 80 in 1987.

HOPE Academy's teaching methods were inspired by Marva Collins' Westside Preparatory School in Chicago. Mrs. Farhat, in fact, attended Mrs. Collins' teacher-training program and employs some of the techniques Mrs. Collins has revived from the past:

- minute-to-minute teacher contact with each pupil
- strong non-denominational religious emphasis in the curriculum
- reliance upon timeless Western literature from *The Iliad* through *The Little Red Hen*
- use of phonics in reading instruction
- insistence on mastery of standard spoken English, with enforced use of complete sentences in classroom discourse
- relentless emphasis on neatness and proper conduct.

But whereas Marva Collins can subsidize Westside Prep with royalties from her books and fees from her lecture tours, no such resources were available to Mrs. Farhat or Mrs. Sambaer. By the end of 1988, HOPE seemed headed for financial collapse, despite holding costs to \$3,000 per student (substantially less than Michigan's public schools). "When I look back on what we went through," Marina Farhat says, "I'm surprised we were able to keep going."

The problem, in part, was that neither woman was trained in business. Mrs. Farhat is a teacher, and Mrs. Sambaer is a nurse. They were offering a unique curriculum, but in the manner of public schools: 8:00 to 4:00 daily, nine months a year. Perhaps the only thing keeping HOPE open was its founders' sense of mission.

Farhat and Sambaer wanted HOPE to train the

intellect. "We want our children to be able to think and act for themselves in a free society," Marina Farhat says. Whereas public education stresses feelings above reasoning, she says, she and her partner want HOPE to do the opposite. "You can't expect to lead life based on good feelings," Marina Farhat says. "We want children to be able to deal with the things that *don't* make them feel good."

Many parents would agree with that remark, but debates between liberal and conservative educators go over most laymen's heads. Accordingly, a businessman challenged HOPE's owners to stop responding to public education's feel-good jargon. He suggested instead that they focus on all parents' instinctive expectation of education: that their children leave school better equipped for life than were the parents when they completed their own schooling. And the only way parents can assess that, he added, is by observing how their youngsters measure up against other children. The thought chimed with Marina Farhat's feeling that large numbers of black parents want their children to attend HOPE to acquire the skills and training the parents themselves did not derive from public education.

Sacrifice and Commitment

Enrolling children at HOPE means sacrifice for most inner-city parents. One working couple with a modest income pays \$710 a month in tuition for three daughters—a kindergartner, a first-grader, and a third-grader. The school has no scholarship program, though the HOPE Academy Foundation is a vehicle through which contributors could assist with tuition. Farhat and Sambaer oppose full-ride scholarships, however. They believe direct parental financial commitment contributes to quality schooling.

That impression dovetails with the businessman's perception of preschool and kindergarten as the keys to the school's survival and growth. If parents could discern substantial progress in their children at those school levels, he said, they would not view tuition as a sacrifice—particularly not in the case of HOPE's year-long preschool which isn't available at all through public education. He further challenged Farhat and Sambaer not just to pay lip service to making a profit, but to pursue profit because it is the most reliable feedback. If HOPE is good, he told them, it will earn money.

The public schools' product is free, he added, so you've got to show the consumer that their product is not in the same league with yours.

Seeing their school through a businessman's eyes surprised HOPE's owners. They hadn't realized that by adopting public education's 8-to-4 day, they overlooked the convenience of parents, their sole revenue source. They also realized that public education's three-month summer vacation is a remnant of agrarian times that teachers' unions protect as a perk. But for a private school, summer vacation is a heavy cost. Rent and insurance payments don't stop in June—so revenue must not stop, either. Thus, Sambaer and Farhat put HOPE and its teachers on a year-around schedule.

With the help of a consultant, they developed a marketing campaign featuring the money-back guarantee for kindergartners. They also began fitting HOPE's schedule to parents' schedules, 6:30 A.M. to 6:15 P.M., so the school is a home away from home, and HOPE preschoolers and pupils need not be latchkey kids. Enrollment has climbed to 200—still equally divided between suburban and inner-city families—and the school is solvent. In addition to its preschool, HOPE's summer schedule offers remedial training for public school students and accelerated classes for students who want to get ahead.

Summer also is when HOPE screens prospective transfer enrollees to ascertain whether their work habits and academic skills are up to HOPE's speed—and, if not, to get them there. "Often we find that public school students just don't have work habits. And their skills aren't at a point that they can handle HOPE's program," Marina Farhat says. "Sometimes we have to tell parents that we must hold their child back a year."

In addition, Sambaer and Farhat are thinking about offering a full summer semester at HOPE. Marina Farhat says parents seem equally divided about enrolling their youngsters in the summer, but she believes that in a year or two HOPE will provide the option.

Meanwhile, she chuckles over the year-long debate in the state capitol about "equalizing" funding for public education's "rich" school districts, which spend \$6,000 per pupil per year, and "poor" districts that spend only \$4,000.

"Boy, with that kind of money . . ." she grins. "Well, we think we're doing pretty well here with only \$3,000." □

Private Treasures at Antietam

by Jo Ann Frobouck

The 1990 PBS documentary "The Civil War" stirred our emotions and sparked a renewed interest in the battlefields of the war. *Newsweek* noted that 14 million Americans—more than the entire population of the Confederacy—viewed the series, "rekindling old partisan passions" and raising questions about the meaning and memories of war. Literally overnight, legions of converts joined the ranks of preservationists answering the call to "save hallowed ground."

Nowhere is this pressure felt more keenly than in Sharpsburg, Maryland, where 23,000 soldiers fell on September 17, 1862, making the Battle of Antietam the war's bloodiest day. The creation of a national cemetery in 1867 at Sharpsburg, coupled with 1890 legislation establishing the Antietam National Battlefield Site, made Antietam a model for land-protection strategies. Long before PBS brought the war into our living rooms, Antietam was under the preservation microscope.

Since 1988, the National Park Service (NPS), working in concert with preservation organizations, has been developing a new general management plan at Antietam that will govern the management, use, and interpretation of park resources. The plan reviews changing land-use patterns to determine if they threaten the "integrity" (original character) of the battlefield. It calls for a public takeover of some privately held lands

within Antietam's 3,245-acre boundary to restore the historic scene and provide for tourist use of planned "interpretive plazas."

The private landowners who have been Antietam's faithful stewards, some for generations, are viewed by the NPS as impediments to the planned restoration. Their reward for preserving Antietam's pristine setting, virtually unchanged since the Civil War, may be the loss of their land and their heritage—a heritage that goes back 200 years, long before the Civil War.

The NPS plan prescribes land-use sanctions for other tracts along the perimeter that provide a visual backdrop for the park. To preserve the view from a central point, forced scenic easements will prohibit the erection of new farm structures such as barns, sheds, and silos.

Some farmers may be subjected to public right-of-way easements across their land, jeopardizing farming operations. The NPS plan, by endorsing such sanctions and controls, would reduce the viability of farming—which it is supposed to protect.

In 1990, the Conservation Fund, a private land trust, quietly bought a working farm inside the park boundary. Even though the Park Service has eminent-domain authority to protect land within the park, the NPS urged the purchase to save "blood-spilled" ground from exploitation. With great pomp and circumstance, the land was donated to the federal government last year.

The land, which was not imperiled, will not be any more protected: The only thing that changed is the name on the deed. The American public becomes the caretaker, footing the bill for maintenance and management.

Jo Ann Frobouck is co-founder and former editor of Land Rights Letter, a national newsletter focusing on private property rights issues. She lived for six years in Sharpsburg, Maryland, near Antietam Battlefield where she became interested in battlefield preservation issues. She currently lives in Middletown, Virginia.

Many landowners in and around the park are descendants of the families who lived there at the time of the battle. These fourth and fifth generation farmers feel they know something about historic preservation.

The Kefauver Farm

Millard and Nancy Kefauver, who own and operate a 280-acre dairy farm inside the northern edge of the park, worry about pressure for Federal acquisition of private land. Since the day in 1978 when they were informed by registered letter that their land was inside an expanded park boundary, the Kefauvers have been living with uncertainty about their future.

This uncertainty is fueled by Park Service studies to determine where Clara Barton, founder of the American Red Cross, nursed while at Antietam. The NPS has concluded that Barton used the Kefauver house as her headquarters, even though two other NPS studies concluded that she nursed at other farmhouses. The Kefauvers are certain the NPS picked the third study as a rationale for including their land in the expanded boundary.

The Kefauver farm has been in the family for four generations, since 1862. They have seen park superintendents come and go, as well as new management plans for the park, each time wondering if their land will be condemned.

While the Park Service claims that private lands are vulnerable, the Kefauvers—like many other farmers in the area—have preserved the agricultural and historical character of the region. Their incentive is pride of ownership and a unique heritage to pass on to their children.

Private stewardship has not gone entirely unnoticed at Antietam. Recognizing the pride of the people in their community and their resistance to the commercialism that characterizes many other battlefields, the National Trust for Historic Preservation paid tribute to local preservation efforts. A 1991 letter to residents concerned about public acquisition stated: "... we commend the stewardship that local landowners have demonstrated at Antietam and view continued farming operations as appropriate to the historic character of the battlefield and its vicinity."

Perhaps the most ambitious plan put together by the NPS and preservationists to seize private land is called "Preserving Richmond's Battle-

fields," released in early 1991. The plan proposes "green-lining" (targeting for preservation) 250,000 acres on the outskirts of Richmond, 95 percent of which is privately owned.

In the works since 1987, the plan recommends designation of potential areas for NPS acquisition, and Federal review of construction plans on remaining private lands. Much like Antietam's master plan, the Richmond plan would intensify tourist amenities through the construction of "heritage interpretive sites."

Is Public Ownership the Solution?

Contrary to NPS rhetoric about the vulnerability of privately owned historic property, historic structures under the aegis of the NPS do not bear out that public ownership is the solution. At Antietam, the farmhouses under park management (many of which are on the National Register of Historic Places) are in such disrepair that they are literally falling into the historic ground upon which they sit.

A 1991 report of the National Parks and Conservation Association, a private foundation and NPS lobbyist, concluded that the NPS is unable to maintain and operate the facilities it already owns nationwide. The report, *A Race Against Time: Five Threats That Endanger America's National Parks and the Solutions to Avert Them*, estimated a maintenance backlog of \$2 billion and a major repairs backlog of \$5 billion.

Despite maintenance backlogs and groaning Federal budgets, the NPS has appropriated \$500,000 for still more land acquisition at Antietam this year. The funds will be used to purchase 93 acres of farmland, taking more private land off county tax rolls and putting the burden of its upkeep on the public. Year after year, this wasteful scenario is repeated, tearing away at the vestiges of privately owned land inside the battlefield. Before the ink dries on a newly acquired deed, plans are being laid to get the next piece of land.

Private landowners have been the uncelebrated protectors of Antietam's rich history. They have preserved the region, so well, in fact, that historians call it a "time capsule" battlefield. When preservationists recognize the invaluable role of private owners, and seize upon the mutuality of their goals, the rural landscape that is an integral part of Antietam's legacy will be preserved for the enjoyment and enrichment of future generations. □

The Case of the Sighing Mechanics

by Tibor R. Machan

A few months ago, while Bush Administration officials were twisting Japanese arms to try to convince them to stop selling well-made cars at low prices, my local service manager was attending a regional meeting of American Mazda mechanics. It is interesting to note how the mechanics view American auto workers.

At the Mazda meeting, an announcement was made that some of the company's minivans henceforth would be assembled in Michigan. The 27 American mechanics reacted with a collective sigh. According to the service manager, they felt that even if the parts were assembled to exacting Mazda standards, there would be repair problems because American auto workers don't perform up to Japanese standards.

This, unfortunately, corresponds with my own experience. I drive a 1985 Chrysler minivan, and I am always faced with problems—mostly with the suspension and the CV joints. Every four months or so I have to spend around \$350 on something or other. My mechanic, an American, has told me I'd be much better off with a Japanese minivan. I can't afford one just now, but I am looking forward to when I can buy a Toyota or a Mazda.

Why is this happening in the United States, whose "Made in USA" emblem once was a mark of excellence?

One reason might be that we now live in a society where workers are more concerned with job security, health insurance, and other "entitlements" than with doing well at their jobs or careers. Moreover, this attitude is encouraged by social and political theorists.

American academics and politicians focus not on merit but on equal welfare. The main thing in life, they tell us, is fairness. And fairness is mostly concerned with how well one's salary and benefits stack up against other workers'. Fairness is the nice term to use when one feels envy.

So, the reason the American mechanics were distressed seems to be that they were beginning to sense the auto workers'—or at least their union leaders'—priorities. And these priorities no longer put a job well done at the top. Instead, U.S. auto workers are concerned mostly with getting even, obtaining a "fair" wage, ample pension, good health insurance, and whatever else their leaders—from academic political theorists to union officials—think they are "entitled."

Entitlement politics has turned into entitlement ethics—including the professional ethics of America's auto workers. That is what appears to have been perceived, at least implicitly, not only by car buyers but by their mechanics.

There are, no doubt, other problems with America's competitive posture. It is very likely, however, that in industries where workers are organized by leaders convinced that envy is a sound basis for collective bargaining, America's competitive edge will be difficult to recover. □

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Saying "Yes"

by Robert Zimmerman

It is the winter of 1992 in New York City, and everyone is talking economic doom and gloom. Macy's has just declared bankruptcy, Citicorp has lost almost a billion and a half dollars in the last six months, local unemployment has topped 10 percent, and shuttered storefronts dot local shopping districts.

Into the midst of this dismal situation comes yours truly, trying to find (of all things) a location for a film shoot. I am representing *Weekend at Bernie's II*, a Hollywood feature film with a week's shooting in middle May. One of the locations I am searching for is a high-level corporate boardroom with a spectacular view of the New York skyline. Filming would take a day, with a second day for setup and cleanup. Because this is a Hollywood film, we have the money to cover costs and pay any additional fees. In other words, the location can make a profit from our filmwork.

After some preliminary scouting, I located an excellent boardroom on the 40th floor of the corporate headquarters of one of the world's largest banks. This bank, which happened to be saddled with an enormous debit sheet, couldn't get its act together to do anything. Four different departments said that the other three had to give their approval before they would say "yes." Because we loved the location, and the office manager of that particular space was willing to let us use it, I spent four weeks bouncing back and forth between several different levels of bureaucracy before finally giving up.

Another bank was willing to rent us their space,

though its boardroom didn't have the exact look we wanted. The bank owned a building in a prime spot in lower Manhattan. Four of its five floors had been sitting empty for the last five years, and they saw this as a way to earn a little from the unused asset.

Though at first this seemed sensible, I couldn't understand why they hadn't rented the space to a more permanent tenant. The bank had owned the building for over 60 years, and their costs were limited to taxes and maintenance. With such low costs, they could certainly make a profit renting the space below the market rate, which would make it easy to find a tenant. Why let the space sit empty when it could be rented and, at a minimum, cover their costs? I was curious, and I asked the business manager if she knew. She shrugged her shoulders. "They can't make up their minds what to do, so it's easier to let it sit empty."

My search continued. I found about a dozen other banks and businesses with beautiful boardrooms overlooking the majestic towers of New York's skyline. One after another considered the idea of letting us film, and then rejected it. The typical reason was that they weren't in the movie business. One bank officer said, "Even for \$15,000 a day it wouldn't be worth our bother."

Too much bother? We would *pay* them for their bother, and would even shoot on the weekend to avoid interfering with their normal operations. Nah, they'd say, we don't want to deal with the problems.

Maybe the Japanese Prime Minister is right, and we Americans are losing our work ethic.

Mr. Zimmerman is a feature film producer in New York City.



ROBERT ZIMMERMAN

A New York City panorama.

One company willing to let us film on their property was a small real estate firm that managed a building in midtown Manhattan. They went to their tenants and found one who was eager to make some quick money on the side. Both the real estate company and tenant had rented to film companies before, and knew the job would involve long hours and numerous complications and surprises. They also knew that, with hard work, they could fit us in without losing any other business. Why not add to their profit sheet? Unfortunately, our director didn't like the view.

Eureka!

We finally found the right location on the 51st floor of a large corporate building. Once again I had to deal with three different departments all unwilling to make a commitment. After much haggling and many phone calls, we settled the deal and planned the shoot.

Consider the responses I got: One company couldn't get organized enough to make the deal and consequently let it pass them by. Another company was willing to deal for a quick, short-term gain (a one-day shoot), but seemed unwilling

to work for a more permanent profit (a long-term tenant). Most of the rest were just plain lazy, willing to let the business slip away because they didn't want to bother, even when guaranteed a profit.

And the people working in these businesses probably blame the Japanese because the economy is bad.

Most of the companies that said "yes" were small, and our fee would have gone directly to the individual owners. The firms that said "no" were large corporations, and their middle management employees were the ones saying so. Since these individuals didn't own the company, wouldn't earn any more money by letting us film on the property, and might catch some heat if things went wrong, they had no incentive to say "yes." Hence, they rejected the idea outright, and each company lost a chance to improve its bottom line.

The two large corporations that said "yes" did so only because I was extremely persistent, and used some influence with friends at higher executive levels. In other words, I had to pull strings. I wouldn't call this an efficient way to run a business.

Because the employees' earnings were at most tangentially connected with the company's profit-

or-loss statements, it didn't matter to them if their company did better. They did their jobs from 9:00 to 5:00, cashed their paychecks, and went home. As far as they were concerned, the company could go to the dogs and they wouldn't care, *until they lost their jobs*. Then they would blame their boss, the President, the Japanese, the American consumer, or anyone else they could point a finger at.

Obviously, if their salaries had been directly tied to profits, their incentive to figure out a way of saying "yes" would have increased by many orders of magnitude.

This, however, is only a partial explanation. Mere profit should never be the sole motivation for doing the right thing.

My first job out of college was in the northeast real property office of the Federal Aviation Administration (FAA). Because the operator was the federal government, there was no profit to be earned, nor could the company go out of business if managed badly. No one had any incentive to keep costs low. In that sense, the FAA employees were similar to the middle managers I had met during my location search.

Yet, the older supervisors and middle managers, government employees since the 1940s, would not have dreamed of wasting government funds. They had principles and respect for the organization where they worked, and insisted on doing the job right. As a result of this responsible attitude, three people had been able to run this FAA real property office efficiently and cheaply for almost 30 years, during a time when almost all the nation's airports and aviation facilities had been built from scratch.

In the three years I worked there, these older managers retired one by one, and were replaced by new people who had no reluctance to expand their offices unnecessarily, to sit at their desks and do as little work as possible, and to squander the government's resources in order to build their bureaucratic empires. By the time I left, the office had 11 people, and the manager in charge was drawing up plans to expand it further. And this was when newer technologies should have made it possible to reduce the real-estate costs of the FAA.

Because the work was not directly connected with profits, the employees had a choice: They could work efficiently and responsibly, or they could ignore the consequences and trash the

agency. The older employees chose the former; the newer employees chose the latter.

A Matter of Choice

It is *all* a matter of choice. Work is more than just making a few bucks for oneself. It is an act of creation. Even if my job is divorced from the company's profits, it is morally reprehensible to avoid my responsibilities simply because I am not forced to face them. Besides, I'm alive, I work there, why not do the best job I can? Anything else seems a waste of the precious gift of life given us all for so short a time.

The old-timers I met in the federal government knew this. Even though their incomes would not be affected, they were going to do right by their employer because they would be doing right for themselves.

By saying "yes," everyone gains. Even though we, the film company, would have to pay for using the space, we would be served because now we could make the film, from which a profit might be earned. Many people will see the film, serving them (we hope!) by the entertainment it will provide. Also served will be the many people on the periphery of the project—the janitors, theater workers, and manufacturers of film equipment—as well as everyone working on location. Saying "yes" allows many people to become creative and earn wealth for themselves.

Saying "no," however, accomplishes nothing. Like misers, everyone hoards their services while denying the commerce of human endeavor that is the very purpose of life. Eventually, this can only lead to bankruptcies, unemployment, empty storefronts, and poverty.

It is all a matter of choice. We can choose to build a society where creativity, wealth, and profit are directly linked with a person's actions, and as individuals we can choose to say "yes," to work well and responsibly.

Or, we choose a society where our actions have nothing to do with the successful creation of wealth, and as individuals pocket what we can, rip off everyone else, and let our children reap the whirlwind.

The United States and Japan chose the former and became prosperous. The Soviet Union chose the latter and went bankrupt. What do *we* choose, now, for the future? □

Microcosm: The Decline of U. S. Competitiveness

by Donald G. Smith

During my long stint in the aerospace industry, I spent ten years as a publications supervisor. I was responsible for the production of reports, proposals, manuals, technical papers, and slide and chart shows. In those Great Society years of 1965-1975, ominous changes occurred in our workplace.

When I took over the publications group, which usually numbered around 12 people, we used one of the typists as a part-time clerk. She answered the phone, typed memos, filed, collected and recorded time cards, and generally handled administrative details. For these duties, we allowed eight hours of overhead charge for the week, and this was quite realistic. The remaining 32 hours were spent on direct-charge work, which means she spent 80 percent of her time making money for the company and 20 percent on the unrecoverable costs of doing business.

By 1971, because of increased Federal regulations imposed on defense contractors, this job had grown to a full-time position: 40 hours a week spent as an overhead charge. By the time I left in 1975, I not only had a full-time administrative clerk, but another typist was authorized to assist her when needed.

Thanks to the Great Society and the increased complications of doing business with the federal government, we had to expend more than 40

hours a week in lost time to produce the same amount of work we had turned out ten years earlier. We not only had to contend with affirmative action and OSHA, but with edicts from such Federal departments as Defense, Commerce, Labor, and HEW, as well as state and county bureaucracies. All these involved forms, and most required memos and letters as well as exhaustive book-keeping. And there was record-keeping. Lots of it. We even had to record each employee's overtime, keeping a kind of point system so that each person had an equal share of the premium pay, as though we were passing out party favors.

This alone proved to be an added cost, since overtime, up to that point, had always been regarded as nothing more than a way to meet a deadline. The idea had been to get the job done and then go home. So, we used to meet an overtime assignment by grabbing the best people and getting the job out as fast as possible, saving the company and the government money in the process.

With the coming of the Great Society, however, we had to be *fair*. We had to bring in the slower and less productive people to do little more than stay out of the way, at premium rates, in order to justify the workers who were there to get the job out.

Bond drives required additional record-keeping. The federal government leaned heavily on defense contractors to have their employees buy bonds through payroll deduction. Management made it clear that everyone was expected to

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participate. The few holdouts were repeatedly reported, and lists were kept on every level of the management hierarchy.

What I have noted here is the little world of a rather insignificant organization that existed almost 20 years ago. The importance of this microcosm, however, is that it was not unique. It was, in fact, typical. During the Great Society years, government intervention into private industry grew at an alarming rate, and if it has since been retarded, which I doubt, it has never been stopped. Most certainly it has not been reversed.

I haven't kept a close tab on the activities at the old post, but I know that the 40-hour group clerk is still a fact of life, and the non-productive paperwork is worse than ever. No one produces more work than before, but it requires far more overhead to do the same job.

It is interesting to note that the Great Society years are precisely when foreign manufacturers began to make deep inroads into traditionally American markets. The automobile is the obvious example, but let's not forget that the commercial aircraft market is no longer an American show

either, with the Concorde and the Airbus coming to us from foreign factories. In electronics we see pretty much a lost cause, and clothing and shoes are rapidly disappearing down the black hole.

The irony is that the chief adversary of American business is our own government. Our declining role in world markets is not solely the fault of management or labor. It is the fault of stifling government regulations. We cannot have one employee in 12 assigned to government paperwork and still hope to survive in a competitive world.

Government should take its hands off the free enterprise system and let people get back to work. Private industry cannot continue as the nation's record-keeper. It cannot provide for the health care, the recreational and psychological needs, and the baby sitting of its employees.

Let companies hire according to their needs, and let them get rid of unproductive employees. Above all, let's eliminate the mountain of paperwork and use the talents of every employee in the cause of honest competition. As long as we are forced to employ 40-hour group clerks, we have little chance of surviving. □

Are We Only Good at Waging War?

by Evelyn Pyburn

The mayor of one of Montana's cities was recently caught with his foot in his mouth, having been overheard to say, with the press close at hand, that "The only thing Americans are good at is waging war."

The mayor could hardly be more wrong about Americans, as a broad and candid look at the world and at history clearly demonstrates.

It's true that, while there is never much to glorify about war, when Americans have to wage war, they are a force with which to contend as no force in history has ever been.

The United States' "war machine," muddled even as it is in bureaucracy and waste, is in fact the very kind of war machine that despots and dictators the world over have tried to build for centuries. Since these tyrants have never held much regard for common folk, they have thought nothing of subjugating, mutilating, and even destroying their own people in this fervent quest. Each tyrant has drained the resources of his country, wreaking havoc and destruction, in trying to create the war machine of his dreams.

But never has one succeeded in building a war machine equal to that of the United States,

which was, by comparison, built almost incidentally to the general growth and development of the country.

It's an economic vitality so great that even to launch that war machine into major action hardly causes a ripple in the functioning of the rest of the country. As one man noted at the height of the war with Iraq, "It's hard to believe we are at war because it hardly affects our everyday lives."

The explanation for this phenomenon lies wholly within the means—the economic system. Americans are not superior people, they simply have more freedom than the people of other countries—that alone makes the difference. The opportunity to pursue individual goals and for each person to use his mind and stand by his actions is what created the awesome wealth and capabilities that the United States government has drawn upon to construct its war machine.

To build a war machine has never been the goal of most Americans, just as it is never the goal of average citizens of any country, but because of the capabilities of individuals and their freedom to use their talents, the results are significantly greater. It is the strength of the individual that makes the United States such a military power.

Americans are good at war because they are so good at everything else. □

Evelyn Pyburn is editor of the Big Sky Business Journal in Billings, Montana, where an earlier version of this article first appeared.

The Search for Extraterrestrial Intelligence

by John P. Finneran

One could have wished that this excellent instrument had been preserved for a longer period in this place, and had stayed in use, or else, that another instrument had been constructed in its place. Since, however, men as a rule are more interested in worldly matters than in things celestial, they usually regard with indifference such happenings which will perhaps be more harmful to themselves than they themselves realize.

—TYCHO BRAHE, the great 16th-century Danish astronomer, on the ruining through government neglect of a giant quadrant he had constructed.¹

Tychø's lament is common among scientists who rely on government funding. As Tycho discovered, the state can be a wobbly crutch, since government aid can vary greatly from year to year.

One scientific program currently receiving Federal support is SETI—the search for extraterrestrial intelligence. SETI consists mostly of listening for alien communication signals, although, in some cases, signals are sent from Earth in the hope of provoking a response. The importance of SETI has been summed up by Lewis White Beck, who pointed out that, if intelligent aliens are discovered, “there is no limit to what in coming centuries we might learn about other creatures and, more portentously, about ourselves. Compared to such advances in

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knowledge, the Copernican and Darwinian Revolutions . . . would have been but minor preludes.”²

Is There Extraterrestrial Intelligence?

Great thinkers have debated the likelihood of extraterrestrial intelligence for many centuries. The probable existence of intelligent aliens has been supported by Aristotle, Plutarch, Lucretius, Nicholas of Cusa, Giordano Bruno, Pierre Gassendi, John Locke, Johann Heinrich Lambert, and Immanuel Kant. It has been opposed by Albertus Magnus, Augustine, and Thomas Aquinas.³

The mathematical probability that extraterrestrial life exists and will attempt to communicate with Earth was expressed by Frank Drake: The probability = (the probability that a given star system has planets) x (the number of habitable planets among those planets) x (the probability that life evolved on those planets) x (the probability that intelligence developed among planets with life) x (the probability that an intelligent species will attempt interstellar communication within five billion years after the formation of its planet). The problem with the Drake equation, of course, is that many of the variables are unknown, so that, depending on the numbers you plug in, the results can vary widely.

Those who doubt the existence of extraterres-

trial intelligence point to the apparent lack of von Neumann machines on Earth. According to a theory put forward by the mathematician John von Neumann, a von Neumann machine could enter a galaxy and, using the raw materials it finds, build replicas of itself. The universe could rapidly be explored by numerous von Neumann machines expanding in all directions. Therefore, goes the argument, since a technologically advanced alien society has not yet sent von Neumann machines to Earth, such an alien society does not exist.⁴

However, proponents have a number of counter-arguments. Carl Sagan and William I. Newman contend that if von Neumann machines had limited reproduction, then their absence on Earth would be understandable. If, on the other hand, von Neumann machines' replication could not be limited, then it would be dangerous to build them in the first place, lest, like a cancer, their numbers should grow uncontrollably.⁵

The debate about the existence of extraterrestrial intelligence, then, is inconclusive. But, given the doubts that alien intelligence exists, and the rival demands for funds, SETI is low on the list of Congressional priorities. There have been a number of SETI searches, but scientists often have had to share telescopes and reuse data collected for other purposes.

Unofficial Searches

However, SETI is not a government monopoly. Faced with limited funding, SETI enthusiasts are becoming more self-reliant. Once more, Tycho Brahe anticipated the problem, and he also anticipated the response:

Since a very limited number of people occupy themselves with these celestial sciences and enterprises, and since it is very seldom that among the statesman who wish to govern a state that there are any so strongly attracted by these sciences that they consider it their duty to favor and support them, but are much more often repulsed by them and consider them

futile, owing to their ignorance; so the person who cultivates divine astronomy ought not to let himself be influenced by such ignorant judgments, but rather look down upon them from his elevated position, considering the cultivation of his studies the most precious of all things, and remaining indifferent to the coarseness of others.⁶

A number of "cultivators of divine astronomy" have heeded Tycho's advice and taken astronomy into their own hands. There have been a number of unofficial searches. A group of enthusiastic amateurs in California have turned their home computers into makeshift SETI signal analyzers. This amateur SETI project is called, appropriately, AMSETI.⁷

Discoveries, however, often occur not because of conscious design, but as the happy fruit of circumstance. Christopher Columbus's search for a shorter route to India resulted in the discovery of the New World, and several theorists have speculated that a similarly unintended event may alert extraterrestrials to our existence.

In fact, radio, television, and other communications signals broadcast over the years continue their journeys into space, so they may be more likely to be discovered than directed signals.⁸ Indeed, we might witness an alien response via television or radio, evident to any viewer sitting in his living room or to any listener in his car—and make a mockery of our scientists' sophisticated listening apparatuses. Thus could a wayward broadcasting signal act as an inadvertent Columbus, making known to some new world the existence of our old. □

1. Bernard Lovell, "Tycho Brahe" in *History Today*, October 1963, p. 680.

2. Lewis White Beck, "Extraterrestrial Intelligent Life" in Edward Regis Jr., editor, *Extraterrestrials: Science and Alien Intelligence* (New York: Cambridge University Press, 1987), p. 15.

3. *Ibid.*, pp. 3-18.

4. This is the argument in Frank J. Tipler, "Extraterrestrial Intelligent Beings Do Not Exist," pp. 133-50 in Regis.

5. Carl Sagan and William I. Newman, "The Solipsist Approach to Extraterrestrial Intelligence," pp. 151-61 in Regis.

6. Lovell, p. 684.

7. Jill Tarter, "Searching for Extraterrestrials" in Regis, p. 181.

8. *Ibid.*

The Home-Birth Controversy

by Hannah Lapp

Modern America has much to say about rights and opportunities for women, even down to the right to terminate a pregnancy. However, when it comes to nurturing and bringing their offspring safely to birth, American women often find their options severely restricted.

More than a dozen states have enacted laws to prohibit unlicensed midwifery, while others prosecute midwives for practicing medicine without a license. Some midwives have responded by ignoring the laws; some have gone underground; others have been arrested or imprisoned. But most have ceased to practice their profession and thus have failed to pass their skills on to new generations. As a result, most of our expectant mothers are denied a feasible alternative to a high-tech hospital delivery dominated by a hurried and often distant male physician, and overshadowed by a one-in-four chance of undergoing a Caesarean section—much higher than the rate for midwife-attended births.

Throughout history, midwifery has been an integral part of health care. Marsden Wagner, M.D., European director of the World Health Organization (WHO), reports:

“Even today the midwife attends two-thirds of all births in the world. She is the basic care-giver for maternity care services in every single European country. And in the European countries with the lowest infant mortality rates (all lower than the United States which ranks an embarrassing 21st in infant mortality), the midwife is the senior person

attending at 75 percent of all births, whether the birth occurs in a hospital, a clinic, or the home. It is, therefore, an incredible enigma that women within the United States and Canada can be denied the services of a midwife when the rest of the world considers midwifery to be an essential and basic service.”

Wagner further notes that “there has never been a single scientifically valid study which shows that the hospital is safer than the home for low-risk women.”

After studying the health implications of various approaches to childbirth, WHO issued a “Report on Appropriate Technology for Birth,” which calls for a greater emphasis on emotional and social factors rather than on advanced technology, and which rejects a number of common obstetrical practices, including the routine use of electronic fetal monitors or drugs during labor, the imposed flat-on-the-back position for delivery, and unnecessary separation of the newborn from the mother. For a birth to proceed successfully, the organization emphasizes, the woman must be comfortable and in control of her situation.

The issue, however, goes beyond the pros or cons for one method of delivery versus another. Indeed, we shouldn’t summarily dismiss the technical advances in modern obstetrics. The real issue is freedom of choice in what many mothers and their families view as a profoundly personal experience: bringing a new life into the family circle.

Despite nationwide complaints on the availability and quality of obstetrical care, and the corresponding demand for birthing alternatives, there is strong political opposition to midwifery in the

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United States. The family choosing home birth risks being scrutinized by social welfare and medical agencies, and may even face child-neglect charges. The attending midwife may be prosecuted, particularly if something goes wrong during the birth. Even licensed nurse-midwives and physicians who assist a patient seeking home birth are in danger of being ostracized by the medical community—or worse.

The Home-Birth Movement

The home-birth movement is made up of people from all walks of life, including medical professionals. It includes parents who quietly and privately choose a home birth, as well as men and women turned into "childbirth activists" when their convictions clashed with a powerful social-welfare/medical monopoly.

J. L. English, a biologist from California, became involved in the child-birth controversy when, after she had labored for 24 hours while awaiting her first child, her hospital's doctors insisted she have a Caesarean section. When her objections were disregarded and nurses began restraining her, she fled to a hospital bathroom where she easily and successfully gave birth on the floor while her friends and relatives fended off the staff.

Drusilla Gonzalez, from upstate New York, is a homemaker who decided on a home birth for her fourth child because "that's the way Mom had hers," and because it was always a hassle to get to the hospital on time. After a frustrating search, she found a nurse-midwife to help with her delivery. Like many women who have experienced home birth, she felt she "just had to let everybody know how wonderful it is." Her midwife moved out of the area at about the time Mrs. Gonzalez's sister decided she wanted a home birth too, so Gonzalez started studying midwifery material and going on calls with an older midwife, to learn enough to help her sister.

Soon other mothers she met in childbirth meetings started asking her to help in their births, since no one in the area would risk serving them. Gonzalez says that was when she had to reassess her principles. "My primary aim in life," she says, "is to serve God and my fellowman. How could I turn them down just because I feared what someone else might say or do?"

Although Gonzalez does not solicit clients

because she prefers to stay at home with her family, she hesitates to turn down anyone who asks for her services. As a result, she finds herself swamped with requests. She makes no secret of her work. "If your cause isn't good enough to defend publicly, it's not worth it," she says. "The law has no right to interfere with friends and neighbors helping each other in their own homes." Even if they'd want to interfere, she points out, there is nothing they can do. "Nature will bring forth the baby, no matter what a doctor or legislator has to say about it."

Since most regulations regarding midwifery are difficult to enforce, the legal threat usually takes the form of intimidation from medical and welfare agencies, backed up by a few arrests and raids. In California, there have been several murder charges filed against midwives after infants died in delivery, even though the parents and midwives did what they felt was their best. One of these midwives, 62-year-old Rosalie Tarpene, was convicted of second-degree murder and jailed. Now free on an appellant bond, she is appealing her case and is determined to clear her name.

In a 1989 Pennsylvania case, parents of a baby delivered by midwife Lucille Sykes were charged with child abuse by Mercer County Children and Youth Services. Agency director Eugene Montone explained that the charges were necessary to expose Mrs. Sykes' practice. The child-abuse petition, he said, would force the family to provide information on Sykes, or face a juvenile court hearing by which he could obtain the evidence. The charges against the couple would be dropped as soon as they "were honest and said what happened."

The parents were frightened and outraged over being confronted by Montone and two police officers, simply because they decided to have their daughter delivered by Mrs. Sykes. Their baby was perfectly healthy, and both parents attested to the midwife's competent and caring handling of the birth. Lucille Sykes had successfully delivered over 600 babies during the previous 13 years. Montone, however, contended he could not allow Mrs. Sykes to practice because she wasn't licensed, and "because we are going to do everything under the sun to protect children."

In Missouri, state and county investigators raided a birth clinic headed by a registered nurse who thought she was operating legally. The 2:15-A.M.



COURTESY OF HANNAH LAPP

A Pennsylvania baby is greeted by her family shortly after her midwife-attended birth at home.

raid interrupted a mother nursing her hours-old infant, her sleeping husband, and their 2-year-old son. It ended with the seizure of a variety of items, ranging from sheets upon which the mother had lain to essential equipment and records pertaining to the clinic's 38 pregnant clients.

Even physicians are not exempt from intimidation. In California, Dr. Patte Coombes was forced out of practice when the executive committee at Sonora Community Hospital declared her incompetent and revoked her hospital privileges. The committee was unable to find a single patient who would testify against her, and no wonder: Dr. Coombes' record reflects two decades of exceptionally humane and responsible medical and birth services. Among 3,000 deliveries, there were no infant or maternal deaths, no malpractice suits, and less than one-tenth the national rate of Caesarean deliveries.

The committee dismissed Dr. Coombes' infant-survival record as mere "luck" and got down to the real issue: their philosophical differences with the doctor. Coombes rarely performed episiotomies (vaginal incisions for delivery), questioned what she felt were unnecessary surgeries, and delivered babies wherever parents wished. On top of everything, she refused to perform abortions, although

she contends she made referrals to doctors who did when her patients wished. In an interview with J. L. English, published in *Midwifery Today*, Dr. Coombes declared: "I respect each patient's right to non-aggressive medical intervention; I refuse to control my patients; I serve all patients regardless of financial status. For this, I have been accused and judged incompetent."

Although official measures against midwives are meant to discourage home births, they don't always work that way. In the case of midwife Lucille Sykes, the litigation against her backfired on those who initiated it. Eugene Montone had her arrested on criminal charges in April 1989; by May the charges were dismissed after a brief trial attended by hundreds of Sykes' supporters. An injunction sought against her by the State Board of Medicine was similarly dismissed by a Common Pleas judge on the grounds that the state's midwifery regulations did not clearly apply to lay midwives. The ruling essentially gives the Pennsylvania home-birth movement a green light, and its repercussions are being felt nationwide. In the meantime, Montone came under severe public fire and was temporarily removed from his office as the county Director of Children and Youth Services.

In Arkansas, a midwife threatened with a physician conspiracy to deny her hospital backup sued in Federal court and swiftly won an out-of-court settlement. The Arkansas State Department of Health, fearful of finding itself a defendant in the suit, scrambled to change the wording in its regulations that had required midwives to have physician backup for their work. Thus, an attempt to force a midwife out of business ended up offering greater liberties to midwives statewide.

In Iowa, two midwives charged with practicing without licenses are carrying the constitutional-rights issues surrounding midwifery to Federal court. If the case continues to the Supreme Court, it will have tremendous impact on childbirth options nationwide.

Unclear Laws

The dilemma of unclear laws regarding midwifery can be seen both as an advantage and a disadvantage. Some midwives are weary of the legal uncertainties and are calling for state licensure for midwifery on feasible terms. (Most states that license midwives have educational and legal requirements that make licensure inaccessible to the average midwife.) Thus, some in the childbirth controversy say that the requirements should be changed. Others feel that legislation isn't needed, that every woman has the inherent right to choose the birth attendant she wants. After all, fathers can and do deliver their own babies successfully. If this is legal, why ask the government whether friends and neighbors can help?

There are midwives who will have nothing to do with government regulation. The only kind of certification they might find acceptable would come from private childbirth organizations and would not be based on the midwife's formal qualifications, but on how competent she proves herself. And the tradition of apprenticeship training and peer review for midwives, they contend, must not be lost to academic studies.

No one is denying that physicians and hospitals are sometimes needed in complicated pregnancies or deliveries. Obviously, the medical and hospital setting offers services the midwife cannot provide: fetal monitors, drugs, I.V.'s, and surgical procedures. These services, however, differ from those needed for normal deliveries, and may

become detrimental when applied to every situation.

Marsden Wagner observes that the physician's role is different from that of the midwife. "Physicians," he notes, "are trained in pathology rather than normality. They are committed to a 'do something' approach with routine intervention. . . ." Midwifery, on the other hand, should encompass "continuity of care; good nutrition; a normal, natural (non-medicalized) birth without intervention unless absolutely necessary; birth within the home; . . . and a moral respect for every woman's need and right to be in control and retain the central role in all aspects of the birth process."

It's not only impossible for most male physicians to take the place of midwives, but attempting to do so would be unethical if the midwife's total range of duties is considered. Midwives often attest to a one-to-one "sister" relationship with their clients, beginning with prenatal consultations and continuing through the baby's first weeks or even years. Many mothers prefer to have these consultations supplemented by physician checkups or tests to prevent complications.

At the delivery, the midwife offers her client every possible psychological and physical comfort—anything from confiding about motherhood to massaging the laboring woman's feet, to helping with household chores. Family members, particularly the birthing woman's husband, are encouraged to remain involved and pick up skills themselves. In her home surroundings, the laboring woman can take advantage of the law of gravity to encourage progress, sometimes remaining active and on her feet until minutes before her little one's arrival. The midwife stays at her beck and call, distracts her from the pain, and helps support her in kneeling, prostrate, or squatting positions—anything the mother prefers.

The midwife's most important task is promoting her client's happiness and comfort. According to data from a number of states, these services result in an astonishing record of maternal and infant well-being. As a reward, midwives enjoy almost zero risk of malpractice suits.

Safe childbirth in America, as well as personal liberty for women and families, can be attained only when midwifery and medicine recognize each other as two legitimate professions whose boundaries are established by free consumer choice. □

The Defense of Our Civilization Against Intellectual Error

by Friedrich A. Hayek

The Foundation for Economic Education notes with sorrow the death of eminent social philosopher and economist Friedrich A. Hayek on March 23, 1992, at age 92. Professor Hayek, a pupil of Ludwig von Mises, was awarded the Nobel Memorial Prize for Economics in 1974. He was professor emeritus at the University of Freiburg in Germany and the University of Chicago. His many books include The Road to Serfdom, Individualism and Economic Order, The Pure Theory of Capital, The Constitution of Liberty, The Fatal Conceit, and Law, Legislation, and Liberty.

The following remarks are reprinted from What's Past is Prologue, a collection of tributes published in honor of Leonard E. Read's seventieth birthday, September 26, 1968.

I believe that The Foundation for Economic Education, which Leonard Read founded, and all his co-fighters and friends have been committed to, is nothing more nor less than the defense of our civilization against intellectual error.

I do not mean this as the kind of high-flown phrase that one is apt to coin for an occasion like this. I mean it literally, as the best definition of our common task. I have chosen every one of these eight words advisedly and will now try to explain what I mean by them.

In the first instance I wanted to emphasize that what is threatened by our present political trends

Paperbacked editions of The Road to Serfdom (\$11.95) and The Fatal Conceit (\$14.95), published by the University of Chicago Press, are available from The Foundation for Economic Education, 30 South Broadway, Irvington-on-Hudson, New York 10533. Prices include postage.

is not just economic prosperity, not just our comfort, or the rate of economic growth. It is very much more. It is what I meant to be understood by the phrase "our civilization." Modern man prides himself that he has built that civilization as if in doing so he had carried out a plan which he had before formed in his mind. The fact is, of course, that if at any point of the past man had mapped out his future on the basis of the then-existing knowledge and then followed this plan, we would not be where we are. We would not only be much poorer, we would not only be less wise, but we would also be less gentle, less moral; in fact we would still have brutally to fight each other for our very lives. We owe the fact that not only our knowledge has grown, but also our morals have improved—and I think they *have* improved, and especially that the concern for our neighbor has increased—not to anybody planning for such a development, but to the fact that in an essentially free society certain trends have prevailed because they made for a peaceful, orderly, and progressive society.

This process of growth to which we owe the emergence of what we now most value, including the growth of the very values we now hold, is today often presented as if it were something not worthy of a reasonable being, because it was not guided by a clear design of what men were aiming at. But our civilization is indeed largely an unforeseen and unintended outcome of our submitting to moral and legal rules which were never "invented" with such a result in mind, but which grew because those societies which developed them piecemeal prevailed at every step over other groups which followed different rules, less conducive to the

AS HISTORY remembers Hayek it will be told that his great quest was to ask why liberty is so slippery to our grasp. While other current social scientists have devoted their research to discovering programs to replace free and spontaneous human interactions by imposed "scientific" solutions, Hayek has prowled about to find why classical liberalism, which has given Western Man so very much, is being cashed in for a statism which promises neither peace nor freedom. Nor, most obviously, prosperity. In fact, socialist, real-world experience has been so bitterly painful that those contemporary reformers who clamor for increased state intervention have given up the pretense that such controls can give us more than free markets and free men. . . .

[F]or those who would rather look to a future which offers liberty for the oppressed and progress for the poor, there can be no better resource guide than the writings of F. A. Hayek. His fine and sensitive touch with the subtlest workings of human (and humane) civilization will sprinkle us with understanding for millennia to come.

—THOMAS W. HAZLETT, "F.A. Hayek: Classical Liberal"
(*The Freeman*, September 1979)

growth of civilization. It is against this fact to which we owe most of our achievements that the rationalist constructivism so characteristic of our times revolts. Since the so-called Age of Reason it seemed to an ever-increasing number of people not worthy of a rational being that he should be guided in his actions by moral and legal rules which he did not fully understand; and it was demanded that we should not regard any rules obligatory on us except such as clearly and recognizably served the achievement of particular, foreseeable aims.

It is, of course, true that we only slowly and gradually begin to understand the manner in which the rules which we traditionally obey constitute the condition for the social order in which civilization has arisen. But in the meantime, uncomprehending criticism of what seemed not "rational" has done so much harm that it sometimes seems to me as if what I am tempted to call *The Destruction of Values by Scientific Error* were the great tragedy of our time. They are errors which are almost inevitable if one starts out from the conception that man either has, or at least ought to have, deliberately made his civilization. But they are nevertheless intellectual errors which bid fair to deprive us of values which, though we have not yet learned to comprehend their role, are nevertheless indispensable foundations of our civilization.

This has already brought me to the second part of my definition of our task. When I stressed that

it is genuine intellectual error that we have to fight, what I meant to bring out is that we ought to remain aware that our opponents are often high-minded idealists whose harmful teachings are inspired by very noble ideals. It seems to me that the worst mistake a fighter for our ideals can make is to ascribe to our opponents dishonest or immoral aims. I know it is sometimes difficult not to be irritated into a feeling that most of them are a bunch of irresponsible demagogues who ought to know better. But though many of the followers of what we regard as the wrong prophets are either just plain silly, or merely mischievous trouble-makers, we ought to realize that their conceptions derive from serious thinkers whose ultimate ideals are not so very different from our own and with whom we differ not so much on ultimate values, but on the effective means of achieving them.

I am indeed profoundly convinced that there is much less difference between us and our opponents on the ultimate values to be achieved than is commonly believed, and that the differences between us are chiefly intellectual differences. We at least believe that we have attained an understanding of the forces which have shaped civilization which our opponents lack. Yet if we have not yet convinced them, the reason must be that our arguments are not yet quite good enough, that we have not yet made explicit some of the foundations on which our conclusions rest. Our chief task therefore must still be to improve the argument on which our case for a free society rests. □

BOOKS

CULTURE WARS: THE STRUGGLE TO DEFINE AMERICA

by James Davison Hunter

Basic Books, 10 East 53rd Street, New York, NY 10022
1991 • 416 pages • \$25.00 cloth

Reviewed by Jim Christie

Environmentalists align with homosexuals, flag burners with gun control advocates. Evangelicals align with Catholics and orthodox Jews, pro-life advocates do the same with capital punishment backers. Welcome to just part of the new, if confusing, alliance paradigm in the ongoing struggle to make sense of the American enterprise—how we define right from wrong, what is socially acceptable, and what should not be tolerated.

It's a messy undertaking if only because so many cultural issues have turned into political ones, argues Professor Hunter, who teaches sociology and religious studies at the University of Virginia. But beneath all the hysterics and showmanship—burning flags on the Supreme Court steps, defying Federal marshals during abortion clinic demonstrations—there is something worth noting. No longer is American culture being defined through denominational struggles, Hunter maintains. Now, instead of Protestants, Catholics, and Jews fighting each other, we have them opposing secularists, who have a “progressive” agenda of compulsory tolerance for whatever fad or lifestyle gains their favor.

At stake is the mythical meaning of America. Progressives consider it to be framed in terms of equality. Traditionalists, whom Hunter terms the orthodox—both Jew and gentile—see a different definition, one based on freedom. But one wonders why they don't just say so instead of painting caricatures of each other: Elmer Gantry representing traditionalists, amoral libertines representing secularists. “With the realignment of pluralism, the boundaries separating groups have shifted,” writes Hunter. “As the lines dividing Protestant, Catholic and Jew have become more indistinct, tolerance has increased among the denominations.

But as the lines dividing orthodox from progressivists or conservatives from liberals have become clearer and sharper, new bigotries have begun to take shape.”

Both sides claim the moral high ground and have appropriated and redefined the nation's original egalitarian and libertarian ideals. It's little surprise then that they might as well be speaking foreign languages to each other when they try to debate: “The fundamental reason why each side characterizes their rivals as extremists outside the mainstream is because each ardently believes that the other embodies and expresses an aggressive program of social, political, and religious intolerance,” writes Hunter. “Given all of this it is entirely predictable that each side would portray the other as an exceedingly dangerous force in American public life.”

This is obvious to anyone who follows special interest politics. For example, just how many rights has the American Civil Liberties Union told us we've lost during the “Reagan-Bush” years? Many, in their eyes at least. Why else the smearing of Robert Bork and Clarence Thomas by secularist-oriented special interests? Just remember how both jurists' political baggage, their written records of traditionalist opinions, were manipulated to make them seem as if they alone would launch the assault on the implied rights that progressives have labored for the past half century to argue are inherent in our Constitution.

Of course, traditionalists also fall prey to the same shrillness. Looking back on it, was it so necessary to agonize over the flag-burning issue? Surely it's a distasteful spectacle when it happens, but does the conduct of a handful of publicity-seeking misfits merit so much attention? Shouldn't we just let them prove themselves to be the hateful, alienated brats they are than have Congress tie itself into knots over such an occasional incident?

One would think the traditionalists and secularists would know better than to resort to the politics of fear and resentment. After all, these are smart, articulate, charismatic, and connected people who head up, for example, the National Abortion Rights Action League and the Catholic League for Religious and Civil Rights. Why then does each side exhibit a “proclivity to indulge the temptation of social bigotry,” as Hunter claims?

Perhaps because they assume the common man

and woman to be ignorant of the central role of symbols within our culture, which is probably somewhat true as one can hardly expect most people to have handy the type of detailed history of religious movements, popular politics, and cultural mythology Hunter puts forth in this book. And given the pace of modern life, one can also hardly expect most people to follow the evolving relationships between traditionalists and progressivists.

No, your "average Joe" is just as likely to tune out Jerry Falwell's Old-Time Gospel Hour as he is to chuck the hyperbolic, fund-raising junk mail of, say, People for the American Way, Common Cause, or anything with Molly Yard's picture on it.

The real opinion swayer may just come in the form of the standard paycheck, which secularists, being good progressives, still want to diminish through redistribution via the government to such worthy endeavors as the National Endowment for the Arts, and then to obscene artists such as Andres Serrano. Who then can blame the American Family Association for asking, "Is this how you want your tax dollars spent?" □

Jim Christie is a San Francisco-based journalist.

RATIONALISM IN POLITICS AND OTHER ESSAYS

by Michael Oakeshott

Liberty Press, 7440 North Shadeland Avenue, Indianapolis, IN 46250-2028 • 1991 • 556 pages • \$24.00 cloth; \$7.50 paper

Reviewed by Robert A. Peterson

When British political philosopher Michael Oakeshott died in 1990, the world lost one of its greatest defenders of liberty. Not that Oakeshott ever stood near the Berlin Wall and asked for it to be torn down; nor had he published a systematic critique of the failures of socialism. Rather, Oakeshott's contribution lay in carrying on a continuing conversation on the origins, opportunities, and future prospects of human freedom. In doing so, he offered some important insights that other writers missed or ignored.

Fortunately, a transcript of much of that conversation is now available from Liberty Fund. When *Rationalism in Politics* was first published in 1962,

it was a major event, promoting Oakeshott to the forefront of contemporary political philosophers. This new edition adds six essays, five previously published, and the never-before published "Political Discourse," each of which is consistent with the themes of the original book.

Along with Hobbes (Oakeshott was an expert on the author of *Leviathan*) Oakeshott agreed that life was short, but not necessarily nasty and brutish. What made life worth living were the possibilities offered by our ability to choose. But because life is short, it is impossible for any individual or group to usher in an ideally "free" society. Instead, much of life has to be spent in learning a culture's existing patterns of behavior and traditions, then making wise decisions based on these traditions. Traditions that enhance individual liberty—trial by jury, voluntary associations, religious freedom, and so forth—should be encouraged, while those that inhibit the human spirit should be discarded.

Men and women are free to choose, but they will not always make the right decisions, Oakeshott says, and will consequently hold back the progress of human freedom. That there are those who fail is one of the mysteries of the human condition; there is no single formula for solving this defect.

According to Oakeshott, the best we can do—the only thing we can do—is follow those "intimations" that lead to a better world. Oakeshott frequently employs the word "intimation" because he wants to avoid the idea that there is a logical, rational direction in which we can go. Timothy Fuller, who wrote the foreword, says that "Oakeshott the man wouldn't be so much concerned with where you planned to go as how you proposed to travel." Karl Marx had a seemingly rational, detailed plan on how to order society. Over 100 years later, many Russian, East European, and Chinese citizens know by hard experience the consequences of such rationalism in politics.

But Oakeshott doesn't stop at criticizing Marxism; he turns his critical mind to all rational plans to remake society in man's image—the modern Towers of Babel. Whether it's a Great Society or a New Deal, rationalism in politics always runs roughshod over the existing practices, associations, and political traditions that men have developed to make life easier: "The Rationalist has

rejected in advance the only external inspiration capable of correcting his error; he does not merely neglect the kind of knowledge which would save him, he begins by destroying it. First he turns out the light and then complains that he cannot see, . . . In short, the Rationalist is essentially ineducable; and he could be educated *out* of his Rationalism only by an inspiration which he regards as the great enemy of mankind. All the Rationalist can do when left to himself is to replace one rationalist project in which he has failed by another in which he hopes to succeed. Indeed, this is what contemporary politics are fast degenerating into: the political habit and tradition, which, not long ago, was the common possession of even extreme opponents in English politics, has been replaced by merely a common rationalist disposition of mind."

To the practical American way of thinking, Oakeshott's armchair philosophy may seem too simplistic. We want a plan of action, a set of marching orders. We want to *do something*, even if it's wrong. But as Oakeshott points out, every time social engineers have tried to solve problems through "rational politics," they have only created new ones that are worse. By contrast, most of the liberties we enjoy were developed during a long historical process, totally outside the offices of the world's central governments. New freedoms that we experience as part of the computer and information age are coming not from rational political planning, but from private sector initiatives and voluntary associations.

Oakeshott's laissez-faire philosophy may work in societies with long traditions of individual liberty, such as the United States and Great Britain. But what about societies with no recent memory of freedom? We are already seeing how difficult it is for the Eastern European countries to free up their economies and people. What Oakeshott might suggest is that freedom in these countries cannot develop overnight, but only through many years in which existing institutions—the "black market," religious groups, the family, voluntary associations—are cultivated and allowed to take over spheres of life once dominated by government.

Years ago, Oakeshott predicted the breakup of the Soviet empire, as he felt the human spirit could only be suppressed for so long. (Unlike many economic historians, Oakeshott finds the origins of

modern freedom in the works of the artists and artisans of the Renaissance.) But he was also concerned that the nations which cast off Communism might replace one form of rational politics for another, and that the West might unwittingly aid in such folly. This book can help us avoid that temptation. □

Robert A. Peterson is the headmaster of The Pilgrim Academy in Egg Harbor, New Jersey.

THE MACROECONOMICS OF POPULISM IN LATIN AMERICA

edited by Rudiger Dornbusch and
Sebastian Edwards

University of Chicago Press, 11030 S. Langley Avenue,
Chicago, IL 60628 • 1991 • 402 pages • \$65.00 cloth; \$21.95
paper

Reviewed by Doug Bandow

The decline of Latin America has long been one of the most potent indictments of interventionist economic policies. Countries like Argentina, once among the richest in the world, are now basket cases. But we may finally be seeing a turnabout, with Presidents Carlos Salinas de Gortari of Mexico and Carlos Menem of Argentina, for instance, implementing serious economic reforms.

What makes their progress so dramatic is Latin America's history of populist economics. "Macroeconomic instability has long been a salient feature of the Latin American economies," write economists Dornbusch and Edwards. "Inflationary outbursts, balance of payments crises, and painful stabilization attempts have dominated the economic history of the region since, at least, the early twentieth century."

There is, of course, no guarantee that this cycle will not recur, and the situation in a number of Latin American countries, such as Peru, is not promising. Nevertheless, several nations in the region appear to have learned from their mistakes.

This volume begins with a review of the common characteristics of the various populist episodes in the region. Although every country faces unique problems, the governments' overall economic strategies remained quite similar: expansive fiscal and monetary policies "to accelerate growth and redistribute income."

Nevertheless, there are at least two variants of Latin American populism. Tufts University professors Eliana Cardoso and Ann Helwege argue that "classical populism favored activist governments committed to a strong role in price determination, to protection of workers and wages, to policies of cheap food, to state ownership of key industries, to state allocation of credit at low interest rates, and to favors for private industry." The more recent variety, symbolized by Peru's Alan Garcia, were more nationalistic and protectionist, intended to benefit selected businesses as well as labor.

Ironically, both the old and new populism have tended to bypass the poorest segments of the population. Urban workers and businessmen, rather than peasants, have been the primary beneficiaries of populist economies. Moreover, since growth did occur in the short term, "these gains were more distributive than redistributive," conclude Cardoso and Helwege.

Unfortunately, the end result of the recurrent bouts of populism have been the same all over—a disaster for everyone but the best-connected. Write Dornbusch and Edwards, "at the end of every populist experiment real wages are lower than they were at the beginning of these experiences."

Even this understates the agonies suffered by most "beneficiaries" of populist policies. In the short term, growth accelerates, but then bottlenecks start appearing. Finally, explain Dornbusch and Edwards: "Pervasive shortages, extreme acceleration of inflation, and an obvious foreign exchange gap lead to capital flight and demonetization of the economy. The budget deficit deteriorates violently because of a steep decline in tax subsidies and by a real depreciation. Real wages fall massively, and policies become unstable."

Of course, the economic and social problems that have so often led to populist excesses are very real. Because the Latin American economies have been badly manipulated by influential political elites, income inequality in Latin America is two and one-half times as great as in Asia, report professors Robert Kaufman and Barbara Stallings. The sharpness of the distinctions between labor and business has also played a role in promoting populism, as have institutional and political factors. Observe Kaufman and Stallings, "the possibility of new rounds of populism has been highest

in systems where severe electoral rivalries encourage an emphasis on redistributive issues and/or the exclusion of partisan adversaries."

These factors are evident in most of the countries covered in detail in this book. For instance, over the past nearly five decades, Argentina has suffered under populist demagogues and military dictatorships. MIT economist Federico Sturzenegger says that its travails fit the general populist pattern, though "the adjustment phase appears to have been extremely long, alternating back and forth between shock and gradualist policies. The end was characterized by social unrest, political violence carried to its height, a fall in real wages, an increase in inflation, and discreditation of the political parties and democratic system in general."

The experiences of Brazil, Mexico, and many other Latin American states have been scarcely better. All accumulated huge foreign debts, suffered economic decline, and failed to eliminate gross income inequalities.

Yet a few nations have always resisted the sirens' call to populism. For instance, Miguel Urrutía, executive director of a Colombian think tank, writes that "such policies have never been tried" in his country. In his view, a number of factors worked against the populist temptation, including the strength of the political parties and a generally non-ideological political class.

But Colombia remains a rarity. Is there reason for hope elsewhere in the region? Yes, precisely because the populist failure has been both so consistent and great. William Cline, of the Institute for International Economics, argues that the populist lessons "are not only compelling, but . . . they have already been learned by key political actors," such as Menem, Carlos Andrés Pérez of Venezuela, and Fernando Collor de Mello of Brazil. Cline may be too optimistic, but the economic prospects of Latin America do seem brighter today than at any other time in recent years.

After reading Dornbusch and Edwards, it should come as no surprise that nations such as Argentina have proved to be ongoing examples of the disastrous consequences of statism. One can only hope that the newly emergent reformers will have the courage to persevere. □

Doug Bandow is a Senior Fellow at the Cato Institute and worked on development issues while a Special Assistant to President Reagan.

THE FREEMAN

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Cover art: A Minuteman preparing for battle.
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Strength Springs from Strong Ideas

The Foundation for Economic Education is a "home" for the friends of freedom everywhere. FEE's spirit is uplifting, reassuring, and contagious, inspiring the creation of numerous similar organizations at home and abroad. F. A. Harper founded *The Institute for Humane Studies*; Kenneth Ryker created the *Freedom Education Center* in Cedar Hill, Texas; and Ralph Smeed, the *Center for Market Alternatives* in Boise, Idaho. In London, Antony Fisher founded the *Institute for Economic Affairs*; in Buenos Aires, Alberto Benegas Lynch established the Centro de Estudios sobre la Libertad; and in Guatemala City, Manuel F. Ayau built the magnificent Universidad Francisco Marroquín. FEE's dedication to the ideals of liberty has been and continues to be an inspiration that offers great hope for the future and new courage and confidence.

We honor Leonard Read who created this home for the friends of freedom. He knew that freedom means the pursuit of our own goals, provided we do not deprive others of their freedom to pursue theirs. His goal was peace in all social relations.

FEE now is 46 years old. Although it is the oldest institution of learning dedicated to the study of freedom in all its ramifications, it is as vibrant with life and energy today as it was at its inception. Now, as in the past, it heeds the words of George Washington: "Let us raise a standard to which the wise and honest can repair. The rest is in the hands of God."

—HANS F. SENNHOLZ
President

Will More Government Improve Health Care?

We are about to *do something, anything* about health care supply.

The impetus comes from the charge that we spend more on health care but compare unfavorably with other countries in terms of life expectancy, infant mortality, and efforts to lower various disease rates. This supposedly shows that our health care supply is both more costly and defective.

But the cause may lie on the demand, not the supply side. Maybe we spend more on health care because we have higher demands due to factors such as high crime rates, drug use, and lifestyles.

Further, it is possible we spend more on health simply because we are richer. If we demand proportionately more health care as incomes rise, our higher costs might be due to our preferences, not supply-side inadequacy.

Would you conclude that because we spend more on recreation than some other country that our recreation industry is bad and needs reform?

Simple connections between spending and health are tenuous and worthy of better analysis before we charge off and change the system or throw more money at it. The evidence suggests that this will make matters worse.

Instead of wringing our hands over the 35 million who do not have health insurance, we should look at getting rid of the ways the government has raised the cost of insurance and priced some out of the market.

A major cause of high insurance premiums is the mandated benefits required by most states. For example, in Washington State, most health insurance policies must cover alcohol and drug abuse and the services of chiropractors, occupational therapists, physical therapists, speech therapists, podiatrists, and optometrists. . . .

This is how special interest groups get their services included in health benefits, thus helping their business and spreading the cost to everyone.

Why not include economists, too?

For \$100 I would be glad to give you advice that might improve your economic health. And you would be more inclined to buy my services, even if useless, if insurance (other people) paid 80 to 100 percent.

All this points out a real problem with health insurance. Insurance is supposed to protect people from events not their fault. When it pays for a discretionary service, it is no longer insurance but welfare, and when some choose it — need it or not — this raises both health and insurance costs.

If the price of bread is \$2 in one country and \$1 in another, you might conclude that bread is “cheaper” in the second country.

But then suppose you discovered you had to wait for three hours to get the \$1 bread, as Russians do. Is the \$1 bread still “cheaper”?

Similarly, the statistic that Canadian per capita health care costs are only 75 percent of the U.S.’s is used to conclude the Canadian system is “cheaper” and we should adopt it.

But think of the waiting lines for many medical services in Canada: 24 weeks for coronary bypass, 16 weeks for tubal ligation, 14 weeks for tonsillectomy, 16 weeks for hysterectomy, 33 weeks for septal surgery, and so on.

As a result, many sick Canadians come to the U.S. for treatment and others die waiting.

Do you still think health care is “cheaper” in Canada?

When you have an industry that is full of supply-side rigidities, monopoly, and bureaucracy, most of which are due to government regulation, throwing more money at it will simply raise prices and reduce output. Health costs shot up after Medicare and Medicaid, and the rise in real output slowed or declined.

As Nobel laureate Milton Friedman recently observed: “The U.S. medical system has become in large part a socialist enterprise. Why should we be any better at socialism than the Soviets?”

—JOHN T. WENDERS, from a column in the *Moscow (Idaho)/Pullman (Washington) Daily News*

Corporations at Stake

by Douglas J. Den Uyl

In recent years the term “stakeholder” has been introduced into the language of business ethics. It is meant to sound like, and to replace, the traditional term “stockholder” in dealing with questions of corporate responsibility. Corporations now are said to be primarily obligated to their stakeholders, rather than to their stockholders.

Originally corporate managers were seen as primarily accountable to stockholders. Indeed, they were thought of as the stockholders’ fiduciaries. Replacing “stockholder” with “stakeholder” undermines this fiduciary relationship. Thus, the last vestige of *private* contractual responsibility is also undermined, making obligation a public affair open to “public” control.

According to an article by Anthony F. Buono and Lawrence T. Nichols in a popular business ethics text, a corporate stakeholder is “any identifiable group or individual who can affect or is affected by organizational performance in terms of its products, policies, and work processes.”¹ By this rather vague definition, everyone is a stakeholder of virtually every corporation. Thus, once the proponents of the “stakeholder” terminology have made it difficult to think of corporations as private institutions, they try to draw a distinction between *primary* stakeholders and others.

“Primary stakeholders” are those groups needed for the corporation’s “survival” (e.g., consumers, labor, and management). But this distinction only indicates which groups are being given favored status. There is no nonarbitrary way to discriminate between primary and other sorts of stakeholders, since under the right circumstances any stakeholder group could threaten a corporation’s survival.

The “Stakeholder” and the Marketplace

The central difference between the stockholder theory and the stakeholder theory does not, however, rest on realizing that there will be fewer stockholders than “stakeholders.” It is rather that the stockholder theory is oriented toward markets, while the stakeholder theory is not.

As Buono and Nichols put it, the stockholder approach “assumes that the interactions between business organizations and the different groups affected by their operations (employees, consumers, suppliers) are most effectively structured as marketplace activities.”² In one sentence we have the crux of what is at issue here—the private enterprise system versus its socialistic alternatives. For if what is central to the “old” stockholder concept is that business relations should proceed

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along market lines, then the “new” concept plans to replace the market with something else.

And why should we abandon the market in favor of the stakeholder theory? Buono and Nichols offer four reasons:

1. The stockholder model has failed to deal adequately with contemporary societal problems and the true complexities of economic transactions and interactions.

2. It is in the long-term interest of business to take a broader view of its responsibilities. If business does not become accountable for its actions on its own, growing stakeholder pressures will ensure government-imposed accountability.

3. Understanding and satisfying the needs of stakeholders is important to the well-being of the firm. . . . In today's highly competitive economic and social environment, no important stakeholder can be ignored.

4. The stakeholder model is in keeping with our notions of fairness. Employees, consumers, communities, etc., are not just instruments for enriching stockholders.³

How good are these reasons? The first is either false or begs the question.

It is false if it claims that businesses don't pay attention to their social environment, because businesses won't survive if they ignore what is going on around them. It is also false if it claims that the stockholder view presented itself as a complete theory of the economic or social relations of the firm. The stockholder model was about establishing primary management responsibility and using market processes to allocate resources. It wasn't designed to list all the interest groups a firm might confront or impact.

The first reason begs the question if it implies that the stockholder view does not easily accommodate nonmarket alternatives or broad public obligations. Of course it doesn't, but whether it should is precisely what is at issue.

The second reason is equivalent to a threat. If businesses don't behave, “growing stakeholder pressures” will lead the government to impose “accountability.” A business's property rights and privacy are to be sacrificed to bullying interest groups.

The second reason also can be read as a prediction of what will happen “if business does not

become accountable.” But if that is so, nothing is being justified, and there is no reason to abandon advocacy of the market—any more than there would be to abandon the rights of the accused in the face of a lynch mob just because someone predicted what the mob might do.

The third reason assumes that the stockholder model focuses less on business competitiveness and survival than does the stakeholder model. This is obviously false. If businesses are having trouble being competitive, it probably isn't because they have failed to consider the groups with whom they interact. It may, however, be that they are not particularly adept at nonmarket strategies, at courting groups who have the ear of regulators, or in appeasing others who oppose the market. (And if a business were good at such things, it is by no means clear why we should want it to be!) Indeed, competitive disadvantages may result from having to cater to groups or forces that contribute nothing to successful market activity.

The fourth reason is the only one appealing to ethics. But it depends on the acceptance of “our notions of fairness.” Even if we accept what is implied about fairness in this fourth reason, it could just as well be used to claim that businesses cannot be used as instruments for some stakeholder's conception of the social good. Businesses, in other words, could be said to have rights to property and privacy independent of any demands made by stakeholders.

In any case, businesses don't turn employees, consumers, and communities into “instruments” any more than shoppers turn a businessman into an “instrument” when they buy his product. Mutually beneficial trade hardly qualifies as “instrumentalizing” conduct, unless one has concluded that market transactions are inherently such. But if that were so, we would be back to the problem of begging the question.

Moreover, the stockholder theory doesn't say that the managers' *only* conceivable obligations are to stockholders, but rather that their *primary* obligation is to them because the stockholders, in effect, have hired the managers to serve their interests. Such a relationship is tangible and direct. Contrast that with the amorphous set of obligations to anyone and everyone the stakeholder theory is likely to generate. The stakeholder theory, as a consequence, will issue in actions according to

the views of those who are the most vocal or politically savvy.

In short, there are no compelling reasons to adopt the stakeholder view and plenty of good reasons not to.

No Commitment, No Stake

In the end it must be noted that most groups considered to be "stakeholders" have no stake in corporations at all. With the possible exception of employees, stakeholder groups have no interest in the well-being of any *particular* corporation. True, they may have an interest in how corporations affect them, but to have a stake in something is to care about its prospects, as one might when investing in a firm. Whether the "good" the stakeholder group wants is provided by this or that corporation (or the state) doesn't matter to them; whether the "bad" it complains of is alleviated by this or that corporation (or the state) also doesn't matter. Whether a *given* corporation is succeeding in the market is of no concern to these groups because they have made no commitment to it. Their perspective is strictly societal.

To actually have a stake by investing in a corporation would be an act of *private* enterprise and *private* interest—something stakeholding, by definition, opposes. For it would contradict the spirit of stakeholding to invest in a corporation even as a vehicle for protest, since there would be no

grounds in stakeholder theory for the corporation to pay more attention to the stakeholders as stockholders than any other group the stakeholders may claim to represent.

The issue, then, is not semantic, nor is it that the term "stakeholder" carries with it tacit implications. We have seen that the implications, once appreciated, are all out front. The issue is that this new use of language is being pushed by those with an anti-market message.

Business people are especially vulnerable to such verbal manipulations and may therefore fail to see all the implications of the substitution. In an age of competition from a widening variety of sources, expanding markets, and increased diversity in employment populations, businesses may feel they are being hit from all sides. It is easy, therefore, to insert a term like "stakeholder" into the business vocabulary because it seems to capture the feeling of having to concern oneself with multiple points of impact. Yet we shouldn't let the feeling cloud our judgment. Those speaking loudest about obligations to stakeholders are not innocent purveyors of linguistic aid. For when the term "corporate stakeholder" is correctly used, the only true stakeholders are stockholders. □

1. Anthony F. Buono and Lawrence T. Nichols, "Stockholder and Stakeholder Interpretations of Business' Social Role," in *Business Ethics*, edited by W. Michael Hoffman and Jennifer Mills Moore (New York: McGraw-Hill, 1990), p. 171.

2. *Ibid.*

3. *Ibid.*, pp. 174-75.

Capital Accumulation Benefits Everyone

A man who criticizes the conduct of business affairs and pretends to know better methods for the provision of the consumers is just an idle babbler. If he thinks that his own designs are better, why does he not try them himself? There are in this country always capitalists in search of a profitable investment of their funds who are ready to provide the capital required for any reasonable innovation. The public is always eager to buy what is better or cheaper or better and cheaper. What counts in the market is not fantastic reveries, but doing. It was not talking that made the "tycoons" rich, but service to the customers . . .

Under capitalism the acquisitiveness of the individual businessman benefits not only himself but also all other people. There is a reciprocal relation between his acquiring wealth by serving the consumers and accumulating capital and the improvement of the standard of living of the wage-earners who form the majority of the consumers. The masses are in their capacity both as wage-earners and as consumers interested in the flowering of business. This is what the old liberals had in mind when they declared that in the market economy there prevails a harmony of the true interests of all groups of the population.

— LUDWIG VON MISES
"The Economic Foundations of Freedom"

**IDEAS
ON
LIBERTY**



The Woman Who Discovered Private Property

by William Holtz

The final European Communist regime to collapse of its own weight was in Albania, a country, someone has said, that served to demonstrate how much government could be packed into a tiny space. Sadly enough, the internal repression necessary to maintain this regime had enslaved once more a people who had been struggling for centuries for freedom from external domination—by the Ottoman Turks, the Serbs, the Montenegrins, the Greeks, and finally the Italians. The most backward of European nations even before its seizure by Hoxha's partisans at the end of World War II, since then Albania had fallen ever farther behind the modern world as its historically grounded xenophobia was reinforced by a reactionary Stalinism that cut it off even from its nominal compatriots in the Communist bloc. Now Albania is again open to Americans, although these must still travel in supervised tour groups.

One of the first Americans to travel extensively in pre-Communist Albania and to take an intelligent interest in its problems was Rose Wilder Lane (1886-1968), whose *The Peaks of Shala* (1923) documents her visit to some of that country's remotest mountain regions. Lane was also the author of a classic handbook of libertarian thought, *The Discovery of Freedom* (1943). The two are not directly connected, although *The Discovery of Freedom* was in a way the culmination of a process of discovery that began when she went to Europe in the 1920s as a free-lance writer.

Lane carried with her an essentially unexamined baggage of parlor-socialist ideas, common among writers and intellectuals of the time and attached to the historical spectacle of the developing Soviet Union. Her experience in Europe and in the Caucasus would lead her to question these ideas; her experience in her own country in the 1930s would lead her to rebel against them; and *The Discovery of Freedom* would be a distillation of her thought and experience.

In the mountains of Albania, Lane had one of her earliest practical encounters with the implications of personal freedom. There she met a woman who, in contravention of all tradition and teaching in her society, had discovered private property.

By chapter six of *The Peaks of Shala*, Lane had brought herself and her readers deep into the mountains of northern Albania, where in scattered and isolated villages she found a primitive yet noble tribal society, generous and courteous to guests but locked in blood feuds with neighboring tribes under the Law of Lec, which dated from Alexander the Great. She estimated that, except for their rifles, they were essentially living in the eighth century. The tribal leaders were much interested in her reports from the outside world, which she tried to interpret for them as best she could. But in one village Lane found a problem beyond her powers of explanation, as the village elders asked how they might settle a woman's revolutionary claim to the fruits of her own labor. All she wanted, this woman said, was justice.

She told us with a calm precision; none of her people's rhetorical flourishes. Even through the

barrier of language I could see that she was stating her case as a lawyer might who was not addressing a jury.

She had been married five years; she was twenty-one years old. She had two children—boys. While she was married her husband had built a house. It was a large house; two rooms. She had helped her husband build that house. With her own hands she had laid the slate on the roof. She liked that house. She had lived in it four years. Now her husband had been killed by the Serbs and she wanted to keep that house. She wanted to live in it alone, with her two children. . . .

Her husband's brother, head of the family now, had taken it. He was living in it with his wife and children and brothers and cousins and—I forget exactly; seventeen of them in all. The family, which comprised all the village at the foot of the slope on which we stood, had decided that the house should be used for them. But she would not do it. She wanted that house all for herself; she said again that it was her house. Until she got that house nothing would content her or keep her silent.

“I Want My House!”

“But where do you suppose she got the idea?” Lane asked her interpreter. “Heaven knows,” he replied. “Who can tell what women will think of?”

Later that evening, the woman brought her appeal to a gathering of the tribal elders. “Undoubtedly we were among the most courteous people in the world,” Lane wrote, “but the next moment that idea was completely upset, for out of the darkness walked that rebel woman who believes in private property.”

She came quite calmly into the circle of the firelight, her beautiful hands low on her thighs, below the wide, silver-shining marriage belt, the blue beads twinkling at the ends of the long black braids of her hair, her chin up, and a light of battle in her eyes. . . .

“When am I going to get my house?” said the woman. She stood there superb, holding that question like a bone above a mob of starving dogs, and they rose at it.

I have never seen such pandemonium. Three chiefs spoke at once, snarling; they were on their

feet; it was like a picture by Jan Steen changed into the wildest of futurist canvases. I expected them to fly at one another's throats, after the words that they hurled at each other like spears. I expected them to strike the woman, so violently did they thrust their faces close to hers, clenching quivering fists on the hilts of the knives in their sashes. She stamped her foot, her lips curled back like a dog's from her fine, gleaming teeth, and she stood her ground, flashing back at them words that seemed poisoned by the venom in her eyes. “My house!” she repeated, and, “I want my house!”

As the argument died down for a moment, Lane asked for an explanation from one of the elders. “Who can say what the avalanche wants?” replied the chief contemptuously.

“She would break our village into pieces. She has no respect for wisdom or custom. She says that a house is her house; she is a widow with two sons, and she demands the house in which she lived with her husband. She wishes to take a house from the tribe and keep it for herself. Have the mountains seen such a thing since a hundred hundred years before the Turks came? She is *gogoli* [insane].”

“I helped to build that house,” said the woman. “With my own hands I laid the roof upon it. It is my house. I will not give up my house.”

“My pen spilled ink on my excited hands as I tried to capture their words in shorthand,” Lane wrote. “I was seeing, actually seeing with my own eyes, the invention of private property!”

Then the oldest man . . . obviously the chief of chiefs—appealed to me.

“In your country, what would you do with such a woman?” And I perceived that I was obliged to explain to this circle of eager listeners a system of social and economic life of which they had never dreamed, of which they knew as little as we know of the year 2900.

Rose Wilder Lane tried to explain not merely the ownership of houses, but of land, and of property held for rents and investment, as well as the notion of hired labor and taxes paid to government. And failed, as she could see when another chief rose to make a passionate speech that convinced everyone but the complaining woman:

"Such things can never be. Even a child knows that it would be foolish to own a house in which he did not live. Of what use is a house, except to live in? As it is, each man has the house in which he lives, and there are houses for all, and they belong to the tribe that built them. It is impossible that a man can own a house. It is not the nature of men to own houses, and we will never do it, for the nature of man is always the same. It is the same today as it was before the Romans came, and it will always be the same. And no man will ever own a house."

"Glory to your lips!" they said to him. "It is so."

The woman, who had been sitting quietly listening to this, now rose and very quietly, without saying farewell, slipped out of the firelight, and in a moment, by the sound of the closing door, I knew she had left the house. But there was something about my last glimpse of her back that makes me believe she is still clamoring for her house, and will be until long after her baby sons are grown and married. Unless she gets it sooner.

What Lane had encountered in this Albanian village was, of course, a primitive communism, the kind with a small c. The big C variety she would encounter soon enough, as her travels took her to Georgia, Armenia, and Azerbaijan during the time that these ancient nations were being absorbed into the growing Soviet Union. There she encountered the well-intentioned, blundering Soviet bureaucrats disrupting centuries-old agricultural practices with confiscations, allocations, and taxes on production that reduced some peasants to a despairing certainty of starvation. What was claimed as progress was really regress, she concluded; and she returned to the United States with her socialist opinions badly tarnished.

When in the 1930s she made a similar tour of the farms of her own Midwest and observed the New Deal farm programs in place, she found a familiar insertion of the hand of government between the worker and the produce of his labor. The result was a train of thought that finally produced *The Discovery of Freedom*, the subtitle of which told the real story: *Man's Struggle Against Authority*.

In the long course of history, she argued, the insight into the absolute validity of personal free-



COURTESY OF ROGER MACBRIDE

Rose Wilder Lane, taken at about the time she first visited Albania.

dom and personal responsibility was only an occasional glimmer in a dark chronicle of submission to authority. Its most promising flowering had been in the founding of the American republic, but its essence lay in the assertion of the individual human will. Which might happen anywhere, even in the medieval setting of an Albanian village in 1921, in the heart of a woman who had discovered private property.

Lane retained her love for Albania, living there for a year in 1926-27 even as she saw it sinking under Italian influence. She informally adopted the 12-year-old boy who was her guide and interpreter on the first mountain trip. She supported him through his studies at Cambridge and stood as godmother to his family after he married, even though she was never able to return to visit them. When this young man was interned, first by the Italians during World War II and then by the Communists after, she was able to provide clandestine support to his family, some of whom have now made their way to the United States. Among those Albanians who remain behind, working to build a free society in place of the most recent tyranny, are doubtless the descendants of that rebellious woman who had insisted on the right to keep what she had worked to build. □

Mud Farming and Political Extortion

by Richard B. Coffman

William Faulkner's comic novel, *The Reivers*, contains an amusing episode that raises interesting questions about entrepreneurs and exploitation. The story is set in the rural South in the early days of the century, when roads were primitive dirt tracks and automobiles still a novelty. During an epic cross-country car trip, Faulkner's heroes run afoul of a "mud farmer." By night he plows up a muddy stretch of road. By day he waits at the roadside with his mules to tow cars through the mud for an exorbitant fee. Faulkner's heroes make a valiant effort to push and shove their car through the mud hole, but in the end it defeats them, and they escape only by hiring the mud farmer to tow them out.

From a social point of view, mud farming is clearly an undesirable line of business. The mud farmer uses up valuable resources (mule time and his own time) to manufacture a road hazard, and then uses up more of the same resources to tow cars through the mud. This is a very wasteful activity. It is also highly profitable.

This seems to contradict the "invisible hand" argument of Adam Smith. Back in 1776, Smith argued that the invisible hand of competition would force private profit-seekers to work for the general interest. Firms would survive under market competition only if they made products consumers wanted, and made them cheaply and efficiently. But consumers certainly don't want mud holes. Is it realistic of Faulkner to contend that the profit motive encourages their production? Which is the better model: Smith's theory of the entrepreneur as unwitting benefactor of the public, or Faulkner's theory of the entrepreneur as exploiter?

Upon closer analysis, Faulkner's mud farmer is

not a typical entrepreneur, but is an oddity who survives and profits only because of a very unusual set of property rights.

Consider how the story would change if the rights to the road were owned by a government that used the full police powers of the state to enforce its rights and protect its property. Clearly, plowing up the public roads would be illegal. If someone tried mud farming, both he and the road would be placed under surveillance, and he'd be prosecuted if apprehended. There would be very little mud farming. This, of course, is the usual case in the United States, where governments own and protect the public roads.

Now consider the opposite, where the farmer owns the road as private property. He would find mud farming a very expensive way to force travelers to pay for using his road. A toll gate would be a cheaper way to collect revenue. And rather than creating road hazards, the owner probably would find it in his interest to improve the road so more people would use it. That is what happened in the early United States, when toll roads were common.

Faulkner's mud farmer operates in a situation where property rights are vague and poorly enforced. The road in the story appears to be a public right-of-way, which means anyone has a right to travel on it. But it really belongs to no one, and government isn't vigilant about protecting travelers' rights.

Of course, if a farmer tried to treat the road as his private property and set up a toll gate, he soon would be stopped by the police. Plowing the right-of-way is also illegal, but if the farmer sneaks out at night and plows the road, he isn't likely to get caught. Thus mud farming arises as a means for an entrepreneur to charge travelers for using property he doesn't own, but can partly appropriate for his own benefit.

The Importance of Property Rights

The lesson to be drawn from Faulkner's story is that clear, well-defined, enforceable property rights are important. The "invisible hand" fumbles when property rights are vague or unenforceable. Poorly designed property rights can encourage entrepreneurs to undertake wasteful economic activities. For example, entrepreneurs in the old West wastefully hunted the buffalo almost to extinction because it was a common property resource, belonging to everyone and to no one. On the other hand, cattle that today graze the same range are private property and thus are carefully managed by ranchers.

Some "entrepreneurs" will find crime an attractive economic activity when property rights are costly to enforce and protect. Protection rackets are similar to Faulkner's mud farming. A criminal puts together a team of toughs whose manner and appearance advertise their capacity for violence. The team burns out a few small businesses or roughs up some owners. Having established a credible threat, the gang leader then sells "protection" to those who know they might be the next victims.

Protection rackets are most successful in poor, urban areas where business owners cannot count on the police to protect and enforce their property rights. In contrast, anyone trying to set up a protection racket in a wealthy suburb would probably find the law coming down on him like a ton of bricks. Secure property rights in the wealthy suburb discourage people from entering the socially wasteful business of protection.

Activities similar to protection rackets also occur in political systems. Ideally a nation's constitution would protect property rights. In practice, though, modern governments have tremendous power to violate private property by imposing regulations and taxes. Unscrupulous politicians can use this power to extort money from groups and individuals by threatening to tax or regulate them.

Emory University law professor Fred S. McChesney says such extortion has become a regular feature of the American political landscape.* In California the practice is so entrenched that it has its own vocabulary. The terms "milker bills" and "juice bills" are used to describe bills introduced for the hidden purpose of milking or squeezing private parties for payments.

Professor McChesney says the practice is also common at the Federal level. For example, beer brewers worry about Congressional power to raise Federal beer taxes, so they routinely invite key members of tax committees to make paid appearances at trade association meetings. Brewers feel this "protection" money has helped keep the beer tax at the same level since the Korean War.

Of course, politicians sometimes have to show their muscle to make their threats credible. Several years ago, Congress ordered the Federal Trade Commission to impose costly warranty regulations on used-car dealers. After the dealers raised their campaign contributions to hundreds of members of Congress, Congress ordered the FTC to rescind the regulations.

Tax reform time is bonus time for members of Congressional tax committees. Campaign contributions more than double when tax reform is in the air. Everyone knows that they can be hit with new taxes when the whole system is on the table. Those who have not bought friends on the tax committees may feel especially vulnerable. Politicians aren't shy about bringing the facts of life to the attention of private parties. They aggressively solicit contributions as soon as tax reform is on the horizon. During the tax reform of 1985-86, lobbyists reported that politicians made the greatest demands ever seen in a nonelection year.

Just like mud farming, political extortion wastes resources. Politicians use up time and energy creating legislative hazards and threats, much as mud farmers waste resources creating road hazards. In addition, and probably more important, political extortion wastes resources by distorting private economic decisions. Entrepreneurs take risks, make investments, invent new goods and new production techniques, all to make money. These useful activities create new wealth and income and raise the standard of living. But, McChesney points out, the threat of political extortion reduces incentives to create new wealth and income. The entrepreneur will take fewer risks and undertake fewer investments and new projects if sly politicians are lurking nearby, ready to expropriate his gains. The result is a large hidden cost of political extortion—the cost of wasted economic opportunities. □

* Fred S. McChesney, "Regulation, Taxes, and Political Extortion," in Roger E. Meiners and Bruce Yandle, editors, *Regulation and the Reagan Era* (New York: Holmes & Meier, 1989), pp. 223-41.

Capitalism: An Olympic Winner

by David R. Henderson

The sports pages tell us that America lost the Winter Olympics. In a literal sense, that's true. But to the extent that an economic system proves itself at an Olympics, it was America's capitalistic system of economic freedom, that triumphed.

The point was made implicitly in the exhibition skating on the last Saturday of the Olympics. Viktor Petrenko, the gold medalist for men's skating from Odessa in Ukraine, put on one of the most joyous performances of the evening. He performed, besides some breathtaking triple axles, a mixture of the twist and other modern dances, all to the tune of Chubby Checker's "Let's Twist Tonight."

So what does this have to do with economics? Look at the economic system under which the twist and the song were produced. It was capitalism.

Only by being free to create and to sell the products of his creativity was Chubby Checker able to make his song and his dance popular. The tools and the means of expression that Petrenko chose were the fruits of economic freedom.

Now you might say that these are trivial exam-

ples. Then look at the big picture. Literally. Millions of people worldwide, who couldn't afford the time or money to attend the Olympics, enjoyed the Games on television.

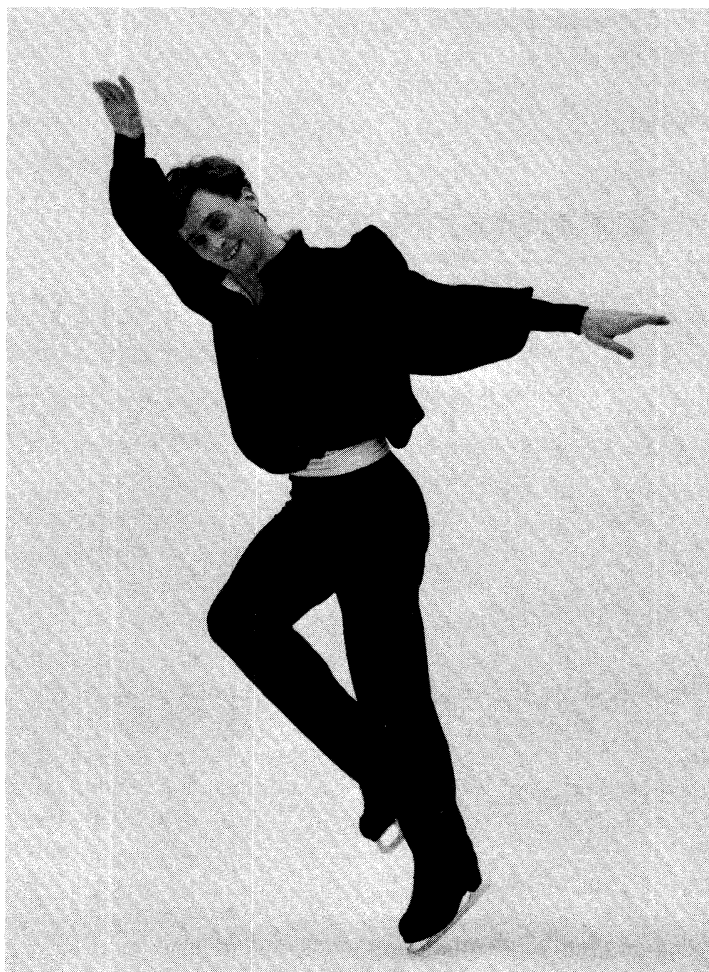
But television is a product of capitalism, of a system in which people are relatively free to pool investors' funds and to take risks with them. That's how television stations, TV sets, and commercial satellites were developed. And although it's obvious now that televising winter sports is profitable, that's mainly because about 30 years ago, Roone Arledge of ABC had the courage to risk his employer's funds to make it work.

Few of these investors and entrepreneurs were selflessly creating for the greater good of mankind. Or, if they were, it wasn't their main goal. Their desire was to make money, and some of them earned lots of it.

But that's not a flaw of capitalism. It's one of capitalism's principal virtues. It means that if we desire something, we can depend on people who want to make money to provide it. There are a lot of people like that—I am one, proudly, and so, I hope, are you. Because there are so many of us, an economic system that depends on us is pretty reliable.

So if capitalism is so great, why did the United States, which still has a fair amount of economic freedom, win so few medals? Why did the Unified

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AP/WIDE WORLD

Viktor Petrenko, who recently announced plans to move to the U.S., is looking forward to buying a house and continuing his career here.

Team, made up of athletes from five former Soviet republics, win so many? And why were 20 of Germany's 24 individual medals won by athletes from what was recently socialist East Germany?

The apparent American failure actually results from one of our country's strengths. Economic freedom doesn't guarantee gold medals. It guarantees that each person is free to pursue whatever career or leisure activity interests him. Because we have so many choices, many Americans who could be champion athletes spend their lives doing other things.

Members of the Unified Team and the former East Germans did so well because their governments, by enforcing socialism, precluded other options. In the former Soviet Union, people still cannot choose many careers or start many kinds of businesses. They look in awe at average

Americans who own their own homes or rent two-bedroom apartments, and who have cars that don't break down.

Thus, for many citizens of these socialist countries, the only way to get ahead was sports. The government could guarantee them a private apartment, food, and, for some of the best athletes, a car inferior to a Yugo. In return, the government got them to work almost every day, year after year, on their "sport." Many athletes still in the former Soviet Union probably would trade everything they have for a green card that allows them to live, work, and make money in America.

I admit my disappointment that America didn't win more medals. But one of my joys watching the Winter Olympics and anticipating the summer games in Barcelona is seeing capitalism work in all its glory. □

Civil Disobedience: A Threat to Our Society Under Law

by Morris I. Leibman

This article, which originally appeared in The Freeman in December 1964, is an adaptation of Mr. Leibman's address before the American Bar Association Meeting, Criminal Law Section, in the summer of that year. As we again face challenges to our society and its rule of law, his ideas merit a careful re-examination.

Woodrow Wilson once said: "A nation which does not remember what it was yesterday, does not know what it is today, nor what it is trying to do. We are trying to do a futile thing if we do not know where we came from or what we have been about."

In seeking to improve tomorrow, it is our duty to remember where we have been and reflect on where we are.

We live in that instant of time when it can be said that never before have the people in this country enjoyed so many material goods, however "imperfect" their distribution. Never before have we had as much mechanical, electronic, and scientific equipment with which to subdue the natural obstacles of the universe. But the multiplication of consumer wealth is subordinate to our greatest accomplishment—the fashioning of the law society [one that operates under the rule of law].

Morris I. Leibman (1911-1992), was a partner in the law firm Sidley and Austin. He was awarded the Presidential Medal of Freedom in 1981 by President Ronald Reagan.

Never in the history of mankind have so many lived so freely, so rightfully, so humanely. This open democratic republic is man's highest achievement—not only for what it has already accomplished, but more importantly because it affords the greatest opportunity for orderly change and the realization of man's self-renewing aspirations. Our goals, as set forth in the Declaration, have been buttressed by a Constitution, a system of checks and balances, a mechanism judicial, legislative, and executive which permits the continuation of Western civilization's spirited dialogue. This unhampered dialogue makes possible the opportunity to continuously approximate, through our legislative and judicial system, our moral and spiritual goals.

The long history of man is one of pain and suffering, blood and tears, to create these parameters for progress. This noble and unique experiment of ours over a hundred years ago, lived through the cruelty of a massive civil war to test whether such a unique system could endure. It did. It has. It will. Let us always remember that the law society is the pinnacle of man's struggle to date—the foundation for his future hope.

There is an obligation to that law society. It was stated by Abraham Lincoln in these passionate words: "Let every American, every lover of liberty, every well-wisher to his posterity swear by the blood of the Revolution never to violate in the least particular the laws of the country. . . . Let

every man remember that to violate the law is to trample on the blood of his father, and to tear the charter of his own and his children's liberty. Let reverence for the laws be breathed by every American mother to the lisping babe that prattles on her lap; let it be taught in schools, in seminaries, and in colleges; let it be written in primers, spelling books, and in almanacs; let it be preached from the pulpit, proclaimed in legislative halls and enforced in courts of justice. And in short, let it become the political religion of the nation; and let the old and the young, the rich and the poor, the grave and the gay of all sexes and tongues and colors and conditions, sacrifice unceasingly upon its altars."

No society whether free or tyrannical can give its citizens the "right" to break the law. There can be no law to which obedience is optional, no command to which the state attaches an "if you please."

What has happened to us? Why is it necessary, at this moment, in this forum to repeat what should be axiomatic and accepted? Many, many words more eloquent than mine have examined from every angle the genesis, the roots, the grievances, the despair, the bitterness, the emotion, the frustration that have resulted in the tragedies of these days.

Responsible Citizenship

Now what is the responsibility of a citizen—the majestic title bestowed on those of us who create and share in the values of the law society? Let there be no question of where we stand on human rights and our rejection of discrimination. Surely the continuing social task for the morally sensitive citizen is to impart reality to the yet unachieved ideal of full and equal participation by all and in all our values and opportunities.

Yet we must remember that there are no easy solutions for man's inhumanity to man. Justice Frankfurter once said: "Only those lacking responsible humility will have a confident solution to problems as intractable as the frictions attributable to differences of color, race, or religion."

Let's not forget there is nothing new in violence. Violence has throughout mankind's history been too often a way of life. Whole continents have been involved in riot, rebellion, and revolution. Human rights problems exist in India, in Asia, in

the Middle East, and in Africa. We cannot sanction terror in our cities. Retaliation is not justified by bitterness or past disillusionment. No individual or group at any time, for any reason, has a right to exact self-determined retribution. All too often, retaliation injures the innocent at random and provokes counterretaliation against those equally innocent.

Our imperfections do not justify tearing down the structures which have given us our progress. The only solution is the free and open law society. In times when man's progress seems painfully slow on any one issue, we might also consider how well we are doing on all issues compared to most areas of the world over most of the world's history.

In this frame of reference let us identify certain current forces whose aim is to destroy the law society.

Ethnological warfare, the inciting of dissension and conflicts between nationalities and races, has been a widely exploited revolutionary tactic. Communists were long instructed to change passive attitudes to "activist" attitudes, to intensify the struggle at all levels at all times. Communists have had their imitators, who mimic, under many "theories" and many labels, doctrines which reject law and order. The Nazis, the Malcolm X's, the Ku Klux Klanners have repeatedly and directly challenged our principles and insisted on taking "law" in their own hands.

The jungle lawlessness of the frontier demonstrated to the pioneers that law was essential to the establishment of civilization. It was not the destruction of the buffalo, or the rise of fences, or fast-draw gunmen that tamed the wilderness. It was the installation of American juridical proceedings that enabled our people to weld together the disparate territories destined to become an organic nation.

Semantic Traps

I am also deeply troubled by certain concepts which have sought acceptability: the idea of "Freedom Now" and the idea of "Righteous Civil Disobedience." In my opinion both terms are semantic traps and only add heat to the problems of freedom and justice for all. It is a further semantic trap to divide the discourse on civil disobedience into a stereotype of liberalism vs. conservatism.

***“... No individual or group at any time,
for any reason, has a right to exact
self-determined retribution. All
too often retaliation injures the innocent
at random and provokes counterretaliation
against those equally innocent.”***

“Freedom Now” is an illusion. The desire for self-expression can be satisfied only in an atmosphere of freedom, and freedom is not absolute. It exists only within the necessary restraining measures of society.

I wish it were possible to have heaven on earth. I wish it were possible to have the ideals of justice and freedom in all their perfect form at this moment. The cry for immediacy is the cry for impossibility. It is a cry without memory or perspective. Immediacy is impossible in a society of human beings. What is possible is to continue patiently to build the structures that permit the development of better justice.

Let us also beware of pat phrases such as “justice delayed is justice denied.” Justice delayed is no excuse for antijustice or the destruction of the law system. The fact that particular reforms have not been completely achieved does not justify rejecting legal means—the only hope for lasting achievement.

The demand for equality cannot be converted into a fight for superiority. We must be for equality under the rule of law. We are for freedom *under* law, not freedom *against* the law.

Let us also avoid unreal questions such as whether justice is more important than order or vice versa. Order is the *sine qua non* of the constitutional system if there is to be any possibility for long-term justice based on public consensus.

Flouting the Law

What about the concept of “righteous civil disobedience”? I take it that all men now accept the fact that there can be no justification for violent disobedience under our constitutional system. Is the concept validated when the disobedience is

nonviolent? In my opinion this idea has no place in our law society.

Parenthetically, I would suggest that you experts in criminal law consider whether there can be “civil” disobedience where there is a specific intent to disobey the law. Such a specific state of mind is ordinarily treated as the essence of criminality, hence not “civil.” Therefore, it seems to me that there is an inherent contradiction in the concept of premeditated, “righteous” civil disobedience.

Yet I prefer to base the case on broader grounds. The concept of righteous civil disobedience, I think, is incompatible with the concept of the American legal system. This is particularly axiomatic where this society provides more than any other for orderly change; where every minority—including the minority of one—has been protected by a system of law which provides for orderly process for development and change. I cannot accept the right to disobey where, as here, the law is not static and where, if it is claimed to be oppressive or coercive, many effective channels for change are constantly available. Our courts do not have to apologize for their continued dedication to the liberty of all men. Our legislatures have regularly met the changing times and changing needs of the society with consideration for the unalienable rights of all. Even the Federal and state constitutions have been amended. Our law has not only been a guardian of freedom, but the affirmative agent for freedom.

While the idea of civil disobedience may evoke sympathy where the claim is made that the cause is just, once we accept such a doubtful doctrine we legitimize it for other causes which we might reject. We must be even more careful in the sym-

pathetic case because, in effect, that sets the standard of conduct which then becomes acceptable for cases not as appealing or for groups not as responsible. Thus, we substitute pressure for persuasion and squander the carefully nurtured value of self-restraint and jeopardize the system of law.

The plain fact of human nature is that the organized disobedience of masses stirs up the primitive. This has been true of a soccer crowd and a lynch mob. Psychologically and psychiatrically it is very clear that no man—no matter how well-intentioned—can keep group passions in control.

Disobedience Breeds Disrespect

Civil disobedience is an *ad hoc* device at best, and *ad hoc* measures in a law society are dangerous. Civil disobedience under these circumstances is at best deplorable and at worst destructive.

Specific disobedience breeds disrespect and promotes general disobedience. Our grievances must be settled in the courts and not in the streets. Muscle is no substitute for morality. Civil disobedience is negative, where we require affir-

mative processes. We must insist that men use their minds and not their biceps. But, while the emphasis must be on the three R's of reason, responsibility, and respect, we cannot accept self-righteousness, complacency, and noninvolvement. We reject hypocritical tokenism. We have an affirmative and daily duty to eliminate discrimination and provide opportunity—full opportunity and meaningful equal justice for all our people.

In an era of social, political, and scientific revolutions—and at a time of accelerating and complex change—we of the law must particularly renew our understanding and improve our articulation of the basic issue of freedom under law and the continuing need to strive for equality and meaningful liberty and justice for all.

Freedom is not some easy gift of nature. The plant of liberty has not grown in profusion in the wilderness of human history. Liberty under law is a fragile flower. It must be nurtured anew by each generation of responsible citizenry. Let but a year of neglect be sanctioned, even *celebrated*, and the jungle of force threatens to recapture the untended garden. □

The Flight from Values

Strong, cohesive societies are based on even stronger belief systems sustained by the people as they make their daily fundamental political, economic, and cultural choices. Over the ages, people creating strong civilizations made such choices not because they felt they could be “proven” correct (science barely existed), but because they believed their choices were right and arose naturally from their common belief system. Today, however, we seem to have abandoned the idea that a common belief system is necessary at all—a result, in part, of a general decline in faith, and the moral strength derived from it. Instead, we like to think that all values are equal or “relevant”—that just about anything goes. This attitude has arisen not from any deeply honest confrontation with past or present values but from a flight from values altogether.

—WILLIAM D. GAIRDNER
The Trouble with Canada

IDEAS
ON
LIBERTY



Czecho-Slovakia Rejoins the West

by Sean Gabb

I had dinner recently with a friend in Prague. Before 1989, he had been a dissident economist. His open contempt for socialism had denied him a university post, and earned him continual police harassment. Today, he is a senior official in the Federal Ministry of Finance. People address him as “Pan Doktor” and listen to him with respect. Prosperity, though, has not altered his opinions. He remains as committed now to free markets as in 1977, when as a graduate student he first read F. A. Hayek and Milton Friedman. Asked about the pace of economic reform in his country, he replied, “Radical problems need radical solutions.” These words express a majority of public opinion and the policy of almost every governing body in the Czech and Slovak Federal Republic.

An Unhappy History

The history of Czecho-Slovakia between 1938 and 1989 was bitterly unhappy. Before then, it was the 11th richest country in the world. The Czech lands contained the greatest concentration of industrial plants on the whole Eurasian land mass east of the Ruhr Valley. Slovakia possessed a thriving peasant agriculture. The country was the only democracy in the region. It stood out sharply from all its neighbors by importing rather than exporting refugees. Its cities were exciting, polyglot communities of merchants and artists. Franz Kafka and Karel Capek were among its leading writers. Leos Janacek was its leading composer.

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Czecho-Slovakia was firmly part of the West.

Then in March 1939, it ceased to exist. The Munich Conference of five months earlier had given a great slice of its western region to Germany. Now the Germans annexed what remained of the Czech lands, and for the next six years ruled them as conquered provinces. Slovakia retained a formal independence, but was in fact a German satellite. The social damage was incredible. First, hundreds of thousands of Jews, Gypsies, and others were deported to concentration camps and murdered. Then, following the Allied victory, millions of the indigenous German community were expelled, with heavy loss of life. When reconstituted in 1945, the country was scarred almost beyond recognition.

It had little time for recovery. In 1948, the Communists took power in a political coup. They turned the country into a grim, Stalinist tyranny. The media were put under a close censorship. All opposition, real or imagined, was liquidated. The whole economy was nationalized. The effects of all this hardly need telling: While the prisons filled and the toll of broken lives mounted, Czecho-Slovakia's place in the world economic order steadily fell until it was the poorest country in Central Europe.

The Restoration of Liberty

The long nightmare came to an end with the revolution of November 1989. The new federal and state authorities immediately set about restoring freedom under the rule of law. Political freedom was restored almost overnight. This was an

achievement so great and sudden that the most sober local account might be disbelieved. Let me therefore quote from a U.S. State Department report:

Czechoslovakia made impressive progress in restoring human rights in 1990. . . . Legislation providing for the rights of free speech, assembly, association and press was adopted, and the citizenry embraced these rights to create an active, pluralistic political life. Political offenses were eliminated from the criminal code, and legal provisions strengthening the right of due process for criminal defendants were approved. A sweeping presidential amnesty freed over 20,000 persons, including all known political prisoners. Arbitrary arrests, searches, and interrogations, which had been commonplace during the Communist regime, were eliminated in practice, and safeguards were adopted to prevent arbitrary interference with privacy, home, family, and correspondence. (*Country Reports on Human Rights Practices for 1990* [Washington: U.S. Government Printing Office, 1991], p. 1123)

Economic freedom, however, will and must take much longer to restore. The task is colossal. My own country, Great Britain, made heroic efforts in the 1980s to reverse a generation of economic decline. But these efforts were made in a country that was still mostly capitalist, with a functioning price system and developed capital markets. The Czech and Slovak Federal Republic began its own transformation with none of these advantages. Economic assets were owned by the state to an extent rare even in the former Soviet bloc, and there existed no meaningful structure of relative prices by which to chart any economic course or measure any economic performance.

"Radical problems need radical solutions." These words are not just a catchy slogan. The federal and state authorities have begun the most ambitious scheme of market reform ever attempted. Its purpose is to convert the Czecho-Slovak economy within three years from one based on central planning to one based on an almost completely free play of market forces. I describe this scheme under the following headings: currency convertibility, trade liberalization, restitution, small privatization, and large privatization.

Currency Convertibility and Trade Liberalization

On January 1, 1991, the Foreign Exchange Act established internal convertibility of the crown. This allows corporate and natural persons registered as economic entities to buy unlimited amounts of hard currency from the central bank. They can use this to pay for the import of goods and services, or to pay royalties, interest on foreign loans, and dividends.

Although these entities are required to offer all hard currency they earn to the central bank at the official exchange rate, this has not proved onerous. A strict control of the money supply unique among the former Soviet satellites has produced a very close convergence of the official and black market exchange rates. Quite often, foreign visitors to Czecho-Slovakia will find as good a rate of exchange in the banks as on the streets. Indeed, whatever it may be in theory, the crown is emerging as one of the hardest currencies in Europe: Since my arrival here from London in November 1991, it has appreciated against the pound. And, while the law restricts private individuals to changing no more than 3,000 crowns per year into hard currency, this is seldom enforced.

Until 1991, all foreign trade with Czecho-Slovakia was the monopoly of a few state-owned companies. These cared nothing about profit. Contracts were made on the basis of personal corruption or the espionage requirements of a Warsaw Pact member state. All trade in motor cars went through Motokov, in textiles through Centrolux, in heavy machinery through Skodaexport, in electronic equipment through Kovo, in arms through Omnipol, in chemical products through Chemapol and Petrimech.

These companies were not abolished, but their monopoly was lifted, and they must now compete with private trading companies. On the whole, this has been to their benefit. Kovo has taken especially well to the new commercial imperative, even expanding and diversifying its activities. The result has been to open the country to normal international trade, private company with private company.

This has not meant the establishment of free trade. Tariffs are as high as 70 percent. Also, for a small range of goods, a license is required before foreign trade can begin. But Czecho-Slovakia is

actively seeking to join the European Community, either as a full or associate member, and its tariffs will sooner or later need to be lowered. As for the restricted goods, most of these have military applications, and the rules are no different in principle from those long applied in most Western countries.

Restitution

One of the main problems at the start of the reform process was the complete absence of private enterprise. Unlike in neighboring Poland and Hungary, everything had been owned by the state. A company law was passed to allow the setting up of private businesses, and a start was made on making the necessary accompanying changes to the civil law and the taxation system. But far better than waiting while the new companies founded in 1991 grew large was to transfer existing state ventures into private hands.

So far, the most successful of these transfers has been restitution. This allows the owners—or their legal assignees or heirs—of property stolen by the Communists since 1948 to seek its return. The last date for filing claims was October 31, 1991.

There were some problems with this form of transfer. First, proving ownership was often difficult after up to 40 years of interrupted possession. Second, where houses or very small businesses were concerned, there was the position of current possessors to take into account. Third, the restitution law excluded Germans who had been expropriated between 1945 and 1948. This led to problems between Prague and Bonn, and at a time when a new treaty of friendship was being prepared between the two countries.

Even so, restitution worked. Property worth about a billion dollars has been put into private hands. Those who at first doubted its wisdom, like Tomas Jezek, Minister of Privatization in the Czech Republic, have been converted. He comments, "I have changed my former attitude toward restitution."

Privatization, Large and Small

Under the Small Privatization Act of 1990, provision was made for the sale and leasing of small businesses—such as shops, restaurants, hotels, workshops, and so forth—at public auction. By the end of 1991, more than 21,000 units in the Czech lands and more than 8,000 in Slovakia had been

sold, at an estimated value of \$350 million. There is still a long way to go before the state has divested itself of every small business.

Until November 1991, there was often ambiguity as to whether a business should be put to auction or withheld for restitution. There remains the problem of "old structure personnel"—middle and senior management under the old regime—who deliberately obstruct the auctions. But the process can only be delayed, not prevented.

Under the Large Privatization Act of 1991, the 3,000 or so largest companies in Czecho-Slovakia are to be privatized by a method of their own choosing. Some have chosen sale by auction. Others have chosen sale to a foreign investor. The most notable examples of this have been the sale of the Skoda auto company to Volkswagen, and the sale of the state airline to Air France. Most, however, have chosen "coupon privatization," a method first used in British Columbia, and suggested to the federal government by Jan Svejnar of the University of Pittsburgh.

In principle, the method is quite simple. The participating companies are to transform themselves into joint-stock companies owned by the state. Shares are then to be distributed free to those citizens who have registered as interested and who have bought books of investment coupons. The estimated value of these companies is around \$10 billion. There is a registration fee of about \$35.

The practice is more difficult. Coupon privatization is to happen in two stages, during which it will be possible to exchange investment coupons for shares in companies. The first began in March 1992. Each stage of privatization contains several rounds in which shares are offered. Each round contains four phases.

In the first, the companies announce the value—expressed in investment coupons—of the shares to be offered in the round. In the second, the holders of investment coupons order shares in the companies of their choice. In the third, these orders are processed. In the fourth, the results of the round are announced. There are three possible results.

First, there is no excess of demand or supply. All the shares offered will be bought at the stated price. That will be the end of the round. Second, there is a lack of demand. All those who have ordered shares will be satisfied, and the excess will be reserved for the next round, in which they will be

offered at a lower price. Third, there is an excess of demand. No shares are sold. Instead, coupons are returned to their holders and the shares are offered in the next round at a higher price.

Coupon privatization is a kind of lottery, in which there will be winners and losers. Most obviously, it will be possible for more astute investors—or those with inside information—to guess that certain shares will be under-subscribed in a given round. They will then be able to wait until a later round and buy what they want at a lower price. This will certainly cause resentment among less sophisticated or lucky investors, and may lead to wrangles over corruption.

There are more practical objections, put forward by the advocates of wholesale privatization by auction. They claim that the coupon method will delay foreign investment, since books of coupons are available only to Czech and Slovak citizens, and it will do little to break up the monopolies and cartels that currently dominate the economy.

It must also be said that coupon privatization is being tried in a country with an obsolete telecommunications network and a complete lack of financial experience. A similar scheme would cause problems in any Western country; and the advocates of privatization by auction are rubbing their hands with glee, waiting for its failure and their own moment of triumph when their alternative scheme is extended from small privatization to large. Only time can tell how the scheme will work in practice.

Nevertheless, registration went very well, with more than half the adult population buying books of investment coupons; and the first stage is, as I write, proceeding without obvious mishap. It may be that, as in so much else of their economic reform program, the Czech and Slovak peoples are so determined to put Communism behind them that even a flawed plan will be made to work.

Problems of Economic Reform

Not everything, of course, has gone smoothly. All major economic changes involve losses for some person or group. In January 1991, most prices were decontrolled. During the next few months, there was an average increase of 50 percent, and some prices rose by more than 200 percent. This was a fundamental requirement of the reform program. Forty years of price distortion

had to be undone. But its effects in a low-wage, low-productivity economy were very sharp. Consider: The average male worker in Czecho-Slovakia earns 3,480 crowns per month (30 crowns equal approximately one dollar). After income tax and other deductions, he takes home 2,800 crowns. Let's assume that his wife brings in another 1,500 crowns, and then deduct 400 for rent and other services. This leaves 3,900 crowns per month to feed and clothe a family of two adults and usually two children. This is 130 crowns per day.

Now, a pound of beef costs 40 crowns, coffee is 38 crowns per pound, and a large loaf of bread is 25 crowns. Soap, toothpaste, and other toiletries cost English prices, which are rather higher than American. A good pair of boots can cost 2,000 crowns. Things like refrigerators, washing machines, television sets, and other consumer durables can easily cost a year's disposable income, and often more.

Then there is unemployment. This has so far remained low in the Czech lands. But toward the end of 1990, it stood around 5 percent in Slovakia. Fifteen months later, it was 12.3 percent and rising fast. This part of the country had been turned by Stalin into a vast armaments factory. With the collapse of the Soviet empire, its market vanished. It is impossible to say how much of the now redundant heavy industry is worth privatizing—how much of it can be converted to civilian production and made to earn a profit.

The uneven suffering of the Czech and Slovak republics has led to a constitutional wrangle that may grow large enough to threaten the continued existence of the federal state. It can only be hoped that prosperity will return before any serious political and economic damage can result.

And Czecho-Slovakia deserves to be prosperous. Without significant help from the West—especially without any lowering of trade barriers by the European Community—it is fast throwing off the disastrous legacy of the half century that preceded 1989. It transformed itself at once into a constitutional democracy. It is transforming its economy with wonderful rapidity from one dominated by central planning to one based on markets and individual initiative.

I came to Czecho-Slovakia worried about what I might find. Four months later, I feel honored to be living through one of the most inspiring rebirths of modern history. □

The Bill of Rights and Moral Philosophy

by Tibor R. Machan

America's political foundations were laid more than 200 years ago. The Declaration of Independence simply but clearly stated that each of us has basic rights to life, liberty, and the pursuit of happiness. The framers of the Constitution then made the point in more detail by adding the Bill of Rights, so as to single out some rights as deserving special mention without belittling others not listed.

The central thesis of these documents is the doctrine of individual rights. Spelled out in considerable detail by the English philosopher John Locke, this doctrine holds that each person is a sovereign being, not to be ruled by or rule over others, but rather to take charge of his property—his own person and estate. Our nation's founders thus rejected the most pervasive doctrine on the globe at the time—that some people were justified by God, nature, force, or convenience to be the masters of their fellowmen.

The framers, unfortunately, did not fully accept the doctrine of individual rights when they permitted slavery, so the Constitution remained, for nearly a century, a contradictory legal document. It took a civil war to change this. Indeed, without the philosophical basis stated in the Declaration, it is doubtful that a solid political argument against slavery could have been found in our country's heritage.

How is this doctrine of individual rights faring among today's political philosophers? Not very

well. Few of them champion individual rights. Even fewer scholars in other branches of the liberal arts, what with their relativism, determinism, and amorality (the famous value-free stance of many social scientists) respect the idea. While lip service is still given to human rights—by Amnesty International and other “human rights watch” agencies—the precise meaning of such rights has become obscure. Whereas the meaning of the right to liberty had been that one ought to be free to go it on his own initiative, without uninvited intrusion from others—which also meant that other people could not be conscripted to be one's means for even the most benign objectives—today one has a “human right” to nearly everything one values or likes. These are the numerous entitlement programs that have nearly bankrupted the nation.

Yet it isn't only that the concept of human rights has been given a new meaning, by way of combining the Lockean doctrine with many alien dogmas. Many political philosophers scoff at the idea outright. Having accepted the notion that truth is historically relative, they view the belief that each person is a sovereign being, not to be subjugated to the will of king, party, or even popular majorities, as a relic of the distant past.

Paradoxically, at the same time that such historicist theories are used to make short shrift of our political heritage, other theorists are not hesitating to indict us for “our” past treatment of Native Americans, African-Americans, women, and other groups. Here, suddenly, we have discovered uni-

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versal standards, so we can say that our forefathers were bigots, racists, sexists, and so forth. Why this is taken seriously and not dismissed as incoherent, since it applies current value judgments to other historical periods, is one of the curiosities of contemporary political discussions.

While America's 200 years of experience with rights theory is certainly worthy of celebration, the substance of what we should be celebrating is not faring well in the halls of academe. Fortunately, however, those who inhabit those halls are not so influential about the direction the world will take as they sometimes believe.

The people, so long as their right to free thought is still respected by law, are still in charge. And they can make the difference between a future guided by the principles that gave birth to our nation or one directed by alien philosophies that will take us back to the dark ages of feudalism and despotic rule.

It is worth some effort to recall the basic ethical and political ideals captured in the Bill of Rights. This will indicate just how unjustified the historicist skepticism is vis-à-vis that wonderful document.

The First Amendment maintains that no law may be made concerning the crucial human activities of speech, press, assembly, or the petitioning of the government for a redress of grievances. How does this prohibition square with moral sense?

Morality involves, at the most basic level, that (1) each person is free to make choices as to what he or she will do and (2) there are identifiable standards by which to determine which of our choices are better or worse. Any decent society must aim, ultimately, for justice. And justice amounts to respecting the basic nature of human community life. Such a task will, therefore, involve respecting the basic tenets of morality, since the moral nature of human life is perhaps its most distinctive feature.

The First Amendment pays direct attention to the moral nature of our lives by placing protection around each person's right to think and speak as he judges best.

The Second Amendment shows equally firm respect for the value of every person's life and liberty in a social context by making it clear that no one is to be deprived of his capacity to defend

against aggressors. The right to bear arms is the right of self-defense, which flows from the basic right to our lives and from the basic value that life possesses for each of us.

The Third Amendment begins to affirm the right to private property by prohibiting government's use of private homes in time of peace.

It is clear from this that the right to private property was a vital aspect of the politics of the framers. And that right affirms in practical terms the basic rights to life and liberty already spelled out. In other words, the right to private property translates into as concrete an indicator as possible the practical requirements for respecting the rights to life and liberty. It makes clear that those rights require a sphere of personal jurisdiction secured by property law.

The Fourth Amendment, which protects us against unreasonable searches and seizures, extends the idea of private property rights to cases in which there can be understandable temptation to violate them. Even when an emergency or state of siege exists, there may be only reasonable search and seizure, meaning that the government may disregard the privacy of its citizens only with good reason.

This makes moral sense, once again, because when victimization has occurred, citizens of a free society are obliged to support efforts to rectify matters. Without reasonable search and seizure powers, such rectification is impossible—how else would the government's detectives conduct a process of discovery and arrest a suspect? But standards of reasonableness—which, of course, cannot be laid out forever but must remain contextual and unspecified, although they are always required—need to guide the process. (Here is a clear case of a procedural right, deriving from the right to life and liberty.)

The Fifth Amendment also illustrates the moral awareness of our framers. Except for military legal procedures—where the task is necessarily guided by emergency conditions—to restrain someone it is necessary to lay out a detailed indictment citing reasonable grounds for suspicion. Once such a process has begun, it makes sense that in a free society bent on maintaining justice, cooperation with the legal machinery of government should be mandated. (This, incidentally, justifies the subpoena process

as well. Citizens of a society bent on justice may not exempt themselves from participating when the wheels of justice require their presence.)

Self-incrimination, in turn, may not be coerced, since that would be to treat an accused person as if he had already been convicted. Moreover, no right may be disregarded without due process of law, because "due process" is the detailed expression of just treatment. It involves the presentation of evidence justifying reasonable suspicion, probable cause, clear and present danger, and so on. Barring these, no action may be taken that disregards the rights of citizens.

Finally, the Fifth Amendment assumes that private property may occasionally be needed for public purposes. This makes sense—courthouses, police stations, and military bases must be built. These are genuine public concerns, not to be confused with the bloated rendition of "public" employed in recent times, whereby anything a sizable number of people happen to desire becomes a public purpose. Only when these proper public uses are at issue may government engage in takings, and only if the market price is paid for what is taken.

The Sixth Amendment speaks of a "right to a speedy and public trial," thus specifying further certain procedural implications for a legal system concerned with justice in a genuine free society, one in which citizens are recognized as sovereign. The same applies concerning the **Seventh and Eighth Amendments**.

The unfortunately neglected **Ninth Amendment** affirms that citizens have innumerable implicit rights, depending on their various circumstances, based on the rights affirmed both in the Declaration of Independence and in the amendments cited earlier. Since the Constitution is a brief and concise political/legal document, it cannot be expected to enter the details of the theory of rights guiding it.

The Ninth Amendment is the way the framers indicated that they have not forgotten the broader framework guiding their political/legal deliber-

ations. It also imposes an obligation on legislators and courts to proceed to discover the further rights of the people. In short, the Ninth Amendment is in a way a code of professional ethics for our political representatives and appointed officials. It is, of course, widely violated.

The Tenth Amendment may be understood as a feature of a contextualist approach to the law. The federal government cannot have much expertise in many areas, so it should not meddle in such matters. It is, indeed, prohibited from doing so—it is beyond its range of authority, its jurisdiction. The law, after all, must be implemented locally, applying to the facts of life of the citizenry. Some of these facts will apply generally enough so they may be treated at the Federal level. Others, in turn, are regional. Thus we have different governmental bodies—from the Federal down to the municipal. None of their laws may violate the individual rights of the citizens. But apart from that prohibition, the different governmental bodies will have needs for different powers. That is the thrust of this amendment.

After the Bill of Rights, the amendment process quickly deteriorated into a mobocracy, and nearly every time some powerful sentiment raged, an amendment was passed to satisfy it. It is not speculative to say that nearly every good subsequent emendation of the Constitution could have been derived from its existing provisions, including the abolition of slavery, while the rest were expressions of impatience with the wheels of justice and the life of a free society.

There is a lot more to morality than what the laws of a just legal system contain, but these laws are certainly not without moral content. Furthermore, they even suggest several additional moral considerations, for example, the idea of individual responsibility for one's life, the virtues of prudence and courage and honesty. The affirmation of personal autonomy does not make sense without the recognition that human beings are capable of and responsible for governing themselves. □

The Rifle by the Door

by Donald G. Smith

The history of liberty is the history of resistance.

—WOODROW WILSON

Our Founding Fathers were not saints. In spite of the Fourth of July oratory that tends to put them in the holy robes of the anointed, they were not this at all; nor would I want them to be.

The truth is that the men who shaped our nation were a feisty and cantankerous lot who weren't about to play by rules they didn't like. They were uprooted Europeans who came here because they didn't like what was going on in England, Germany, Poland, Sweden, or wherever, and wouldn't put up with it. I like being the descendant of someone who walked off in a huff. There's nothing wrong with a good huff now and then.

The men who stood in ranks at Lexington Green, and forced the Declaration of Independence, and sat out that terrible winter at Valley Forge, were the kind of implacable hard-heads who made American civilization possible. These people planted the seeds of free-market capitalism.

We live with an economic system that grew from a demand for political freedom, and this is its strength. In order for it to exist, however, it had to breed in the right environment. It wasn't just our leaders who made it work but also the recalcitrant farmer who kept a rifle by the door and was prepared to go down fighting to protect his property. It was the Green Mountain Boys and the Sons of Liberty, with a healthy dollop of Molly Pitcher. These people were imbued with a strong passion for defending what was rightfully theirs, and the economic system grew out of this.

One can only wonder if capitalism can flourish,

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or even exist, when that environment isn't present. The newly independent Soviet republics, for example, have no tradition of private property, nor can anyone look back upon an ancestor who picked up a rifle and marched to keep government out of his life. It just isn't there, and we shouldn't misread the signs, because surface Westernization has precious little to do with freedom.

Our system, both political and economic, was born in the fierce and unyielding spirit of personal independence. For capitalism to succeed there must be a remnant of free-thinking, free-acting, sometimes difficult individuals who prize personal freedom above all else. This is what our system is about and why it works.

Our founders held to a philosophy of human worth and the right of an individual to function as just that—an individual. Even in our outward displays of unity, such as World War II, the driving force was individual freedom. The G.I. who stormed the beaches at Normandy was not there to die for the fatherland but to finish a war and become a civilian again. Totalitarian nations have never understood that the best fighting man in the world is the one who wants only to get back home, burn his uniform, and do something with his life.

Although we don't like to admit it, the spirit of America is the spirit of resistance, a negative force that says "I won't" more times than "I will"; "No way" more than "Yes, sir." There is a lot of Minuteman in the best of us and none of it in the worst of us—a certain irascibility that is a becoming trait when galvanized into an overall spirit built more upon the parts than the whole.

This is our heritage, America, and we should love and respect it—every crusty, ill-natured, obstinate, hard-nosed piece of it. □

Memories of a Recession Past

by Malcolm A. Kline

This recession reminds me of the last one, when I was working in an unemployment office. President Reagan, too, had extended unemployment benefits as an answer to a recession, then extended them again, leaving the unemployed eligible to collect an entire year of benefits. Many remained unemployed for a year. While working in that Pennsylvania office in the summer of 1983, I began to wonder if there was a connection.

The unemployed apply for compensation from state agencies that process their claims and pay them their weekly benefit checks. Though funded to a great extent at the Federal level, unemployment compensation is distributed by state offices.

One of my first tasks involved learning three sets of initials—UC, EB, and FSC. UC stood for the threshold 26 weeks of unemployment compensation. Both EB (extended benefits) and FSC (Federal security compensation) were funded by the federal government. EB lasted 13 weeks, FSC another 13.

I drag in the last two acronyms because my job depended on them. We were “intermittent intake interviewers” (III’s) whose salaries were paid by Uncle Sam.

The goal or standard for III’s was to pay a certain level of initial claims for extended unemployment benefits, so we paid them. In fact, we had a lively competition to do so.

Our office paid benefits to, and examined the claims of, residents of the other 49 states who filed claims against Pennsylvania companies. To keep

straight who was working on which state’s claims, the office was divided by state signs that made it look like a political convention. Every Friday, in convention-like fashion, our supervisor announced which section paid the most initial claims. The New Jersey section, very hospitable to initial claims, usually won.

Like many anti-recession programs, the extended unemployment benefits of 1983 took effect just as the economy was turning up. Although we were nominally “temporary” employees, hired to handle a heavy claims load in a recession, many stayed on long after the recovery began, since extended benefits remained in place.

The claims load lightened considerably when extended benefits ended and still more when unemployment benefits became fully taxable, thus creating an interesting set of incentives.

“Since the availability of UI [unemployment insurance] benefits may create a disincentive to search for and accept re-employment, the UI system encourages recipients to seek work by imposing various administrative requirements,” the U.S. Department of Labor told us.

“All recipients are required to be able and available for work; in most states, recipients who are not job-attached are expected to look actively for work, and they are often required to list job-search contacts when claiming UI benefits.”*

Few caseworkers followed up on these “listed job-search contacts.” If they did, they would discover, as I did much later, such phenomena as race horses with “Inc.” added to their names. Salesmen working on commission frequently collected benefits. In taprooms and other meet-

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ing places, steelworkers spoke of unemployment compensation as “a paid vacation to go deer hunting.” Claims and demands for benefits were the norm and occupied most of our time.

The exception was the Asian immigrant who mailed us a thank-you note for the two weeks of unemployment compensation she received before landing another job. She just didn’t understand the system.

More predictable was the applicant who called to complain that he had to wait three hours at an unemployment office to file a claim for his weekly check and then wait another week to get it.

“You poor stiff,” his less-than-understanding caseworker told him, “I’ve got to work 40 hours a week to collect my check!”

The addictive nature of unemployment benefits came home to me when I followed up on a letter we received. A man who worked in the print shop at *The Philadelphia Bulletin* before that newspaper folded ran out of unemployment benefits and decided to enter a seminary.

At the time, the unemployed could continue

receiving benefits if they were retraining for a new position. The budding seminarian told me, “Well, you can collect benefits if you’re retraining for a new position, and I figure that’s what I’m doing.” We denied that claim.

In Pennsylvania, every state agency is a union shop. Arrivals after 7:30 AM were frowned upon, but so were departures after 4:30 PM, since overtime had to be approved.

Two 15-minute breaks supplemented the mandatory one-hour noon lunch. The morning break came at 9:45, the afternoon break at 2:45.

One morning at 9:40, I eyed a letter requesting a telephone response. I was about to dial when I noticed the time, then said aloud, “Aw, the hell with him; it’s five minutes till break.”

An office veteran at the next desk said: “I’m proud of you, Malki. You’re starting to think like a state employee.”

That’s when I had to leave. □

*A Study of Unemployment Recipients and Exhaustees: Findings from a National Survey (U.S. Department of Labor, 1990), p. 114.

**IDEAS
ON
LIBERTY**



Self-Help

It may be of comparatively little consequence how a man is governed from without, whilst every thing depends upon how he governs himself from within. The greatest slave is not he who is ruled by a despot, great though that evil be, but he who is the thrall of his own moral ignorance, selfishness, and vice. Nations who are thus enslaved at heart can not be freed by any mere changes of masters or of institutions; and so long as the fatal delusion prevails, that liberty solely depends upon and consists in government, so long will such changes, no matter at what cost they may be effected, have as little practical and lasting result as the shifting of the figures in a phantasmagoria. The solid foundations of liberty must rest upon individual character; which is also the only sure guaranty for social security and national progress. John Stuart Mill truly observes that “even despotism does not produce its worst effects so long as individuality exists under it; and whatever crushes individuality is despotism, by whatever name it be called.”

— SAMUEL SMILES

From the book *Self-Help*,
published in 1859.

Unemployment and Liberty

by Benjamin Zycher

Involutionary idleness is an unpleasant experience, so it may seem absurd to speak of the “benefits” of unemployment. It often wreaks havoc with people’s lives, and can impose costs upon its victims from which long-term recovery may at best be difficult.

But that is not the whole story. There is a difference between the sources and effects of unemployment as viewed by an individual on the one hand and by society as a whole on the other. To put it differently, individuals may opt for an economic system with particular kinds of unemployment that yield important benefits over time, not all of which are narrowly economic. Before a quick conclusion is drawn about unemployment, it is useful to consider its sources in a free market.

Consider first someone entering the labor force. This might be a former student looking for a first job, or a homemaker returning to the formal labor market. Should such people accept the first jobs they are offered? Or should they search for more elusive opportunities providing higher pay, greater compatibility or upward mobility, a closer fit with qualifications and interests, or other desirable features? Most people would agree that it is usually best to spend some time considering various options, but many forget that a period of unemployment may be needed to uncover the ensuing benefits.

Bear in mind also that wages and salaries under capitalism tend to reflect the value of expected productivity in alternative employments. Someone looking for a better-paying job is seeking more wealth, but whatever his motiva-

tion, he is searching for a job in which his expected productivity—his contribution to the social basket valued by others—is higher. Thus, the period of unemployment increases (the present value of) his stream of contributions to society, as measured by market prices reflecting individual preferences. Again, most would agree that this outcome is positive, but forget that a period of unemployment may first be needed. These are examples of what economists call “frictional” unemployment.

Now, the individuals described above, searching voluntarily for new or better jobs, face conditions very different from those confronting a worker suddenly handed a pink slip on a Friday afternoon. Yet strictly speaking, the two situations are identical in principle, in that the worker facing a layoff possibly could avoid unemployment and the need to search for new employment by offering to accept a pay cut. A refusal to do so, followed by an effort to find a new job, is the same analytically as the refusal of our job seekers above to accept the first available opportunity.

However, as a practical matter, not all market adjustments can be both incremental and economic. In a world of constant change, the expectations of some people are bound to be disappointed, and important among these are their (prior) decisions about jobs, careers, and training. Tragic as such outcomes are for those affected adversely, it is important to keep in mind the sources of unexpected change.

In a free market, unexpected shifts in consumer preferences can alter the value of the labor that produces various goods and services. Any attempt to blunt the effects on workers, therefore, will implicitly deny consumers the right to express

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their changed preferences. At a normative level, laid-off workers who previously displayed shifting consumer demands that caused other workers to be laid off are in no position to complain—if we agree as a society to honor individual preferences, we cannot say that they are to be honored for some but not others. Each person risks unemployment in exchange for greater expected wealth. Such economic shifts resulting from changes in relative demands and/or costs yield what economists call “structural” unemployment.

The common thread linking frictional and structural unemployment is their origin in individual liberty, to wit, the liberty of the job seeker as he balances forgone opportunities against the possibility of better options yet to be discovered, and the liberty of consumers as they choose among goods and services and therefore among the many types of labor implicitly embodied. Thus, some unemployment is both inevitable and useful in terms of other human goals.

Other types of unemployment are less salutary. Various government policies cause “induced” or artificial unemployment. Foremost among them is the minimum wage, which prevents the employment of low-skilled workers whose expected productivity lies below the legal minimum. The Social Security payroll tax, various safety and health standards, and other policies are likely to have similar unemployment effects.

“Cyclical” unemployment results from macro-economic mismanagement—in particular, excessive swings in monetary growth—by the federal government.

Once someone becomes unemployed “involuntarily,” unemployment is likely to be viewed in a completely negative light. But the decision to participate in an economic system offering the benefits and risks of unemployment is a decision made before the fact, conceptually identical to deciding at the beginning of the year whether to buy life insurance. Greater expected wealth often accompanies a higher risk of involuntary future unemployment, but any person may end up with great wealth and little unemployment or with great unemployment and little wealth.

Fairness requires that people be free to choose among occupations with alternative combinations of prospective wealth and unemployment risk, and then take their chances. That not all such combinations are available is due not to the nature of capitalism, but to our existence in a world of limits. Market processes in fact offer a broad range of such choices, as many occupations offer greater security in exchange for smaller incomes. If we are to allow individuals to make choices among such alternatives, and if consumers are to be allowed to indulge their preferences, some unemployment, harsh though it is, must be seen as an adjunct of human freedom. □

The “Fair Trade” Myth

by Shyam J. Kamath

The siren song of managed “fair” trade is once again in the air as the 1992 election nears. Cries of “buy American” fill the newspapers and TV news programs. Japan-bashing is in; free trade is out.

The common argument advanced in favor of “fair” trade is that trade deficits (excesses of imports over exports) cost American jobs. But this is

a myth. Over 15 million new jobs were added between 1982 and 1989 as the U.S. ran up huge trade deficits. And the majority of these jobs paid rather well, contrary to the “McJobs” myth. Job growth was mainly in those sectors that were largely unprotected against foreign competition: computers and data processing, telecommunications, petroleum and chemicals, pharmaceuticals and health-related areas, scientific and photographic equipment, entertainment, leisure and recreation,

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hospitality and tourism, and the service industries.

Meanwhile, protectionist measures were failing to save American jobs. Quotas against Japanese autos (euphemistically called "voluntary" export restraints) imposed in the early 1980s didn't prevent the loss of over 200,000 jobs in the U.S. auto industry, and General Motors recently announced massive new layoffs. The record in steel, textiles, dairy products, shipping, and meat packing is much the same. These industries shrank while protective tariffs and subsidies were lavished on them to save jobs.

Another common myth about "fair" trade is that Japan severely restricts imports. In fact, Japan's formal and informal trade barriers are lower than those in America and other industrialized nations. For example, Japan's average tariff on industrial products was 2.9 percent in 1987, compared with 4.3 percent in the U.S. and 5.8 percent in the European Community. Nontariff barriers in Japan such as quotas and licenses were found by a World Bank study to be no more significant than those in the United States.

Japan was the world's third largest importer in 1990, taking in \$235 billion worth of goods and services. Imports have grown 85 percent since 1985. In terms of imports per person, the average Japanese spent \$372 on American products in 1990 while the average American spent \$357 on Japanese products. During 1986-91, U.S. exports rose by 91 percent, while Japan's exports grew by only 17 percent. American exports to Japan were especially strong during this period, doubling to \$46.1 billion by the end of 1990.

In fact, it can be argued that the United States is

the unfair trader. James Bovard points out in *The Fair Trade Fraud* (reviewed on page 282 of this issue) that America has over 8,000 tariffs, 3,000 clothing and textile import quotas, and a variety of quotas and other nontariff barriers for steel, autos, sugar, dairy products, peanuts, cotton, beef, machine tools and other industrial products. For example, America limits imports of ice cream to the equivalent of one teaspoon per person each year, and foreign peanuts to two per person. Such restrictions reduce competition, raise prices, decrease variety, and cost American consumers \$80 billion per year, or \$1,200 per family.

The strongest argument against "fair" trade is the existence of globally integrated multinational corporations such as IBM, AT&T, and Procter & Gamble, and the interdependence of the inhabitants of our "global village." It is estimated that over 40 percent of world trade is carried out by more than 2,000 multinational corporations that have no national identity and that produce and distribute through a globally integrated network. Today, anyone wishing to "buy American" may have to buy a car with a nameplate like Honda or Mazda rather than Chevrolet, Dodge, or Ford.

Logic and hard evidence dictate that we resist the calls for "fair" trade if we wish to maintain and enhance our standard of living in an interdependent world. Free trade is still the best option for promoting American prosperity. "Fair" trade can only lead to an ever-escalating cycle of retaliation and counter-retaliation, putting the world trading system at risk. Our future depends on keeping our borders open and the goods and services flowing. □



Student Activity Fees

by Thomas C. Klein

A report in *Insight* magazine recently revealed that the City University of New York (CUNY) student government incurred the following expenses: \$13,011 for car service, \$24,000 in salaries for the sister and close friend of the student senate chairman, \$2,209 for an electronic beeper service, and \$49,000 for a lobbying trip to Albany to convince legislators not to raise tuition. The expenditures are funded by an 85-cent per semester student activity fee.

When I attended Swarthmore College from 1981 through 1985, I paid a \$60 semiannual activity fee to fund various clubs, societies, newsletters, and campus organizations. Thirteen hundred other students paid the same mandatory fee.

The sum collected—\$78,000 per semester—was placed in an account and disbursed by a five-person Budget Committee. If a group of students formed a new organization, gained approval from the dean of students, and obtained a faculty adviser, they could petition the Budget Committee for funds. Each club, society, newsletter, and organization petitioned the committee at least once each semester to secure an operating budget. After holding hearings, the committee would allocate money to the Movie Society, the Mountaineering Club, the Take-a-Professor-to-Lunch Program, the Women's Center, the Asian Students Society, the Christian Fellowship, the Young Americans for Freedom, and other campus groups.

During my undergraduate days at Swarthmore, I circulated the idea among my acquaintances (one of whom was on the Budget Commit-

tee) that the committee be abolished and the mandatory student activity fee not be collected. Instead I reasoned, "Let each individual student speak to his friends and acquaintances, decide what interests they have in common, and see how much money they would like to devote to their common interests."

When I attended the University of Chicago Law School from 1986 through 1989, I again suggested that mandatory fees be eliminated in favor of a system based on individual choice.

When defending my idea at both schools, I was faced with questions such as: "Who will pay for the movies shown every Saturday?" "How will the school maintain the diversity of clubs and organizations?" "Who will support the school paper?" "What if a student just spends his \$60 on beer?"

I answered each question in turn, often defending my program to groups of students hurling questions at me. I stated that the principal point was to respect each individual's freedom of choice over his own property. Each of us had relinquished this freedom under the system of centralized planning through the Budget Committee.

I then addressed each empirical question as it was raised: The movie club will charge admission so that only those who attend will pay for movies; the diversity of clubs will be a function of actual interest and how much each individual decides to pay for his participation—certain clubs may fail for lack of support, others may come into existence; the school paper will have to support itself through advertising, alumni contributions, subscriptions, and single-copy sales instead of through the current hidden tax on each student; if a student spends his money on beer, that is his own free choice, no matter how others may view it.

My answers generated many questions and much discussion. Luckily, I found support for my views from one of the economics professors at Swarthmore College and from like-minded students at both Swarthmore and the University of Chicago.

Unfortunately, funding centralization continues at Swarthmore, the University of Chicago, CUNY, and other college campuses. I hope that through the communication of the ideas of liberty, and perhaps by the central planners' own missteps, such programs can be rooted out to allow freedom to flourish. □

Mr. Klein practices corporate and securities law in Palo Alto, California.

Do Seat Belt Laws Work?

by John Semmens

Many states that have passed mandatory seat belt-use laws have required that evidence of the law's effectiveness be produced for the law to escape automatic expiration. A recently published report—"Arizona Hospital Costs for Seat Belt Use vs. Non-Use 1989, 1990, 1991"—from the Governor's Office of Highway Safety purports to be the needed evidence for the extension of Arizona's seat belt law. Unfortunately, these kinds of reports have neither asked nor answered the right questions.

Proving that people suffer more severe and expensive injuries when they're not wearing seat belts belabors the obvious. No credible opponent of seat belt laws has disputed that seat belts can save wearers from death and injury. To present statistics that never were in doubt as the long-awaited evidence fails to deal with the unresolved issue of whether requiring seat belt use is good public policy.

Critics of seat belt laws have contended that they alter driver behavior in ways that increase the hazards for other users of the streets and highways. In particular, some drivers wearing seat belts may feel more assured of surviving an accident, and hence tend to drive more aggressively, thus raising the risk of collisions with other vehicles and pedestrians.

In the early 1970s, a few challenges to the pre-

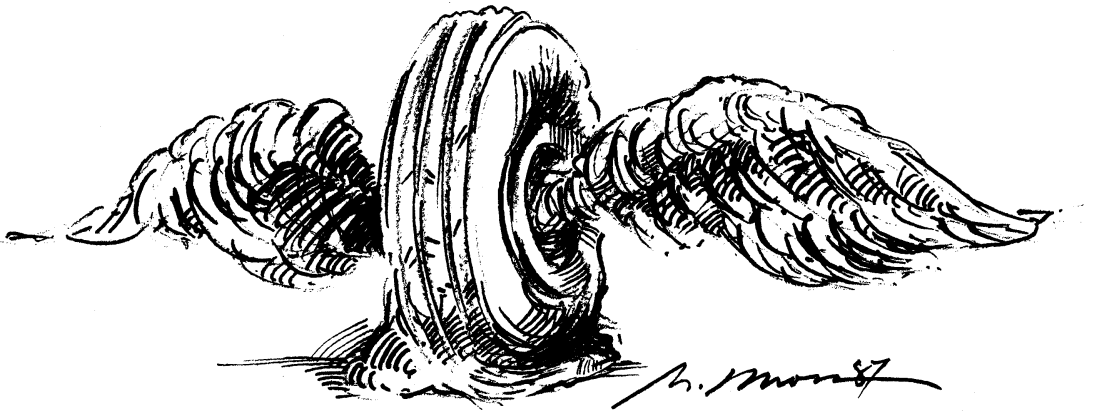
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sumed safety benefits of increased auto safety regulations appeared in lightly read academic journals. In a 1970 issue of *Applied Economics*, L. B. Lave and W. W. Weber suggested that mandated safety devices (seat belts, better bumpers, collapsible steering wheels) might lead to faster driving that could offset the safety gains. In 1975, Sam Peltzman's "The Effects of Automobile Safety Regulations" in the *Journal of Political Economy* hypothesized that safer autos would lead to more aggressive driving that would endanger other users of the roads.

This earlier research has been mostly ignored or dismissed in favor of adherence to more simplistic research that, unsurprisingly, proves that crash-test dummies suffer more damage without safety devices. Crash-test dummies, of course, cannot have their driving behavior altered by a perception of greater crash survivability. Consequently, the research with dummies doesn't refute the hypothesis that driver behavior might be changed and thus negate or reduce some of the anticipated safety gains.

The plausibility of the aggressive driver hypothesis cries out for more research. For example, Hawaii, the state with the most rigorously enforced seat belt law and the highest compliance rate in the nation, has experienced an *increase* in traffic fatalities and fatality rates since its law went into effect in December 1985.

This is not to say that the seat belts are killing



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vehicle occupants. Clearly, enough crash-test dummies have smashed into enough auto windshields and dashboards to convince all but the most obstinate that wearing a seat belt is probably a good idea. What, then, is going on in Hawaii? Well, we don't know. But the data do not support a smug assurance that forcing people to wear seat belts is without potential undesirable outcomes.

A recent statistical study of states with and without seat belt laws was undertaken by Professor Christopher Garbacz of the University of Missouri-Rolla. This study seems to support the altered driver behavior hypothesis. Dr. Garbacz found that states with seat belt laws saw decreases in traffic fatalities for those covered by the laws (typically drivers and front-seat passengers), but increases in fatalities for rear-seat passengers, cyclists, and pedestrians. Further, the patterns of changes in total traffic fatalities among the states

showed no consistent relationship with the existence of a seat belt law in the state.

This suggests a significantly less optimistic interpretation of the impact of seat belt laws than the prevailing orthodoxy would allow. Forcing unwilling motorists to wear seat belts may save their lives and reduce their injuries. Disconcertingly, though, seat belt laws appear to be increasing the hazards for other users of the roads.

Deciding whether this apparent shift in risk is an acceptable cost of a seat belt law is a far different proposition from pretending that there is no significant cost. Policy-makers may be satisfied that the benefits of a seat belt law outweigh the costs. However, a humane public policy demands that those who may ultimately pay the costs be warned of the potential increased risks they face on the streets and highways. To do less is to endanger some of the least protected users of our roads. □

BOOKS

**THE FAIR TRADE FRAUD:
HOW CONGRESS PILLAGES
THE CONSUMER AND DECIMATES
AMERICAN COMPETITIVENESS**

by James Bovard

St. Martin's Press, 175 Fifth Avenue, New York, NY 10010
1991 • 330 pages • \$24.95 cloth

Reviewed by Raymond J. Keating

Author James Bovard sets the tone for this book by declaring at the very outset, "Fair trade is a moral delusion that could be leading to an economic catastrophe." The remaining pages supply reasoned, empirical support for such a claim.

Bovard launches a relentless attack against protectionism masked as "fair trade." He mercilessly exposes politicians' moral posturing on fair trade as being nothing more than pedestrian concerns over campaign funding and re-election. More important, he illustrates why the concept of fair trade damages both U.S. consumers and producers. He manages to combine a seemingly inexhaustible supply of supporting statistics, studies, and anecdotes with a razor-sharp pen, making this not only a formidable contribution to the trade debate, but a thoroughly enjoyable book.

Bovard illustrates how "fair trade" works against low prices, voluntary agreement, competition, and "the economic values of private citizens," in favor of high prices, government coercion, state-protected business, and "the moral and political values of federal policymakers." The concept of fair trade set the stage for Congress to "dictate over 8,000 different taxes on imports, with tariffs as high as 458%," the imposition of trade barriers "costing American consumers \$80 billion a year—equal to over \$1,200 per family," and, in general, the impediment of economic growth by redirecting "capital and labor from relatively more productive to relatively less productive uses." The fundamental Ricardian concept of comparative advantage eludes our elected officials.

Bovard examines the various fair-trade weapons used to wage economic warfare, and their com-

mensurate costs. His description of tariffs is both clarifying and deliciously sardonic: "In the 1400s in Europe, wealthy nobles could go to Rome and purchase a Papal decree officially forgiving their most flagrant sins. Nowadays, American industries go to Washington to 'atone' for their economic mistakes by purchasing an exemption from foreign competition. A tariff is simply a decree from Congress officially forgiving an industry for all its economic sins—its incompetence, mismanagement, lethargy, contempt for its customers, and so on. If the tariff is set high enough, Congress' economic holy water will wash away all of a company's earthly failings." Bovard notes, for example, that American food producers have gained over 500 tariffs on foreign food, and he decries that policymakers apparently believe that "it is better that the poor go hungry than to allow them to eat foreign food."

Import quotas, according to Bovard, "epitomize the subjugation of economics to politics" under the presumption that "no private contract is as important as the government's master scheme to control supply." A revealing example of Congress' notion of fair trade deals with ice cream: "The U.S. exports hundreds of thousands of gallons of ice cream to Canada, yet Canadian ice cream is banned from the U.S. market." Furthermore, the "USDA [United States Department of Agriculture] estimates that dairy import quotas, price restrictions, and marketing restrictions cost American consumers between \$5 and \$7 billion per year. This amounts to over \$50 billion in higher consumer costs since 1980, or roughly \$800 per American family. For the same amount, each American family could have bought its own cow."

Accusing foreign firms of "dumping" is another protectionist weapon wielded by fair-traders, and it is perhaps the most fraught with arbitrary bureaucratic and politically motivated rhetoric. Bovard observes: "Dumping law exists to prevent foreign companies from selling goods in the United States at 'less than fair value.' What is less than fair value? The Commerce Department's creative definitions have probably made many medieval scholastics smile in heaven."

The Commerce Department's arbitrary determination process is perhaps best summarized by the following: "After Commerce estimates the cost of production and adds 10% overhead [even if the firm carried lower overhead costs], Commerce adds 8% profit to achieve the total 'con-

structed value' of the foreign product. If a foreign company earns a profit of 7%, Commerce will punish the company for selling at a loss of 1%." Under such malleable criteria, dumping cases almost always result in penalties being levied on foreign firms . . . and U.S. consumers. One might say that all is fair in a trade war.

Bovard debunks other fair-trade myths, such as subsidies, the notion of reciprocity, and the so-called "level playing field." The damage to the consumer from the imposition of protectionist measures is clear. Bovard expounds upon the many costs, showing how current trade policy "punishes American consumers for the alleged sins of foreign governments."

Bovard goes on to point out how American industry is harmed by such measures. First, U.S. competitiveness suffers as imported inputs are restricted or taxed, thereby raising the costs and often lowering the quality of American products. Second, and more fundamental, "The fewer trade barriers the U.S. has, the more competitive American companies will be. The fewer crutches the government provides, the faster American industry will run."

The Fair Trade Fraud should enrage American consumers, and cause many Congressmen to hang their heads in shame. Bovard declares, "The history of American trade policy vivifies the perennial economic illiteracy and moral irresponsibility of the U.S. Congress." Perhaps our Federal representatives should be assigned this book for their acts of contrition. They just might learn some basic economic principles about the benefits of free trade. □

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THE IMPOSSIBLE H. L. MENCKEN: A SELECTION OF HIS BEST NEWSPAPER STORIES

edited by Marion Elizabeth Rodgers

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Reviewed by Edmund A. Opitz

Reading Mencken cleanses the mind of cant and drivel, raises the blood pressure, and starts the adrenaline pumping. He

may move us to furious dissent or cheerful agreement, but no one reads him unmoved. He may leave us battered, our pride wounded; but we love the way he slaughters the Amalekites and Agag their king! It's not just the man's virtuosity with words, although few equal him as a literary stylist; nor is it his erudition, although it is obvious that he is genuinely learned and widely read. What makes Mencken unique and indispensable is his independent stance; he wore no man's ring in his nose. And he was fearless; no sham was off limits to his barbs, no hypocrite was immune.

Mencken never catered to any party, faction, or clique; he was not swept up into any of the popular and passing idiocies of his day; he did not bend the knee to any of our tribal idols, nor worship at the shrine of the *Zeitgeist*. "He approached everything with a mind unclouded by current opinions. There was nothing of the superior person about him. This makes him terrifying." These words aptly characterize Mencken, but they were written to define William Blake, quoted from T. S. Eliot's essay on the English artist and poet. Now, Blake and Mencken were about as different as two people can be, but both belonged to the same rare breed of *Homo sapiens*—an order composed of men and women who are completely themselves: no echoes allowed. May their tribe increase!

Democracy, in its corrupt version, operates under the pretense that every man is just as good as any other—or a little better. The corresponding ethos lays down a smoke screen behind which cavort a gaudy troupe of impostors, quacks, and charlatans. Mencken spotted them in academia, in ecclesia, and in the media; they flourished in literary circles and enjoyed a prodigal growth in politics.

The politicians of Mencken's day were his primary target; he had at them with every weapon in his amply stocked arsenal. He was a shrewd reporter whose high-voltage prose matched his outrage. He was utterly honest and impartial, albeit a bit cruel when the occasion seemed to demand it. The mountebanks in public office were not, after all, harmless clowns; they were men with power preying on the multitudes of people who lacked the means to defend themselves.

But Mencken also criticized the masses for their apparent willingness, nay even eagerness, to be bamboozled. Aware that the game was crooked, they played on, believing it was the only game in

town. They compromised their innocence by clinging to the airy hope that a turn of events would put them in a position to do their own swindling.

Mencken used the word "democracy" in its two different senses: on the one hand as descriptive of a society of liberty and justice for all; on the other, as a label for the political racket which exercises public power for private gain—pretending, all the while, to be The People's friend. The closing sentences of his short book, *Notes on Democracy*, give us a glimpse of his thoughts on the matter. Referring to those who are short-changed in the political scuffle he writes: "What I can't make out is how any man can believe in democracy who feels for and with them, and is pained when they are debauched and made a show of. How can any man be a 'democrat' who is sincerely a democrat?"

Mencken had a number of friends in public life: senators, congressmen, judges. From his early days as a reporter he was on good terms with the ward bosses who haunt smoke-filled rooms, and the ward heelers who lurk around the seamy edges of society. Tammany types might serve a useful role in those nooks and crannies where the rules do not fit with precision. It was not the "honest imbecility" of the average politico that sent Mencken's temperature up to 103. What brought him to the boiling point was the do-gooder, the right-thinker, the forward-looker in politics—"the resilient, sneaking, limber, oleaginous, hollow and disingenuous [fellow, who purveyed] . . . an idealism that is oblique, confusing, dishonest and ferocious." In other words, Boss Tweed was bad enough, but the New Deal was worse!

This huge tome contains roughly half a million words of Mencken's writing for the press, sparked by some transient event, turned out under pressure, and somehow transmuted by Mencken's genius into absolutely brilliant prose. And of course the style is all his own. The pace never falters; there's always the odd or unusual word which clicks precisely into the right spot; the argument never wanders—except when dealing with some egregious cad or crook, when the *ad hominem* mode jumps in.

Mencken avers that democracy is the most entertaining form of government ever invented. He shares the fun with readers of this book in 172 pages of his reports on eight of the national political conventions he covered from 1904 to 1948. His

sprightly manner conveys much political savvy as well.

We get his views on food, women, "literary gents," the American language, and music—the last especially in his essays on Bach, Brahms, and Beethoven. If his two paragraphs on Beethoven's *Eroica* do not double your enjoyment of this colossal masterpiece, read his other essay on the *Eroica* in his *Chrestomathy*. Or demand your money back!

Mencken is a man eminently worth knowing, and there's no better way to make his acquaintance than by poring over this wonderful collection. What kind of a man will you be taking unto yourself? Hear the report of one of his friends, Albert Jay Nock: "At dinner last night with Henry Mencken at Luchows. . . . There is no better companion in the world than Henry; I admire him, and have the warmest affection for him. I was impressed afresh by his superb character—immensely able, unself-conscious, sincere, erudite, simple-hearted, kindly, generous, really a noble fellow if ever there was one in the world."

A couple of men like this in every generation, and we need not despair of the Republic. □

The Reverend Mr. Opitz is a member of the staff of The Foundation for Economic Education and is the author of the book Religion and Capitalism: Allies, Not Enemies.

FORBIDDEN GROUNDS: THE CASE AGAINST EMPLOYMENT DISCRIMINATION LAWS

by Richard A. Epstein

Harvard University Press, 79 Garden Street, Cambridge, MA 02138 • 1992 • 530 pages • \$39.95 cloth

Reviewed by Jeffrey A. Tucker

Contemporary political culture tolerates two positions on civil rights. The first position says approved minorities need expanded "rights," which really mean privileges and quotas in hiring, mandated benefits, and high taxes to pay reparations for past injustices. This view is held by a wide spectrum of the political left.

The second position challenges this by arguing that minority rights were necessary in the 1960s, but in recent years the quest for equality of economic opportunity has been transformed into

equality of result, and this betrays the original vision of civil rights. This view—that modern civil rights laws are great but have been taken too far—is advanced by neo-conservatives in an unending parade of opinion columns and books.

Richard Epstein, in this new book, overthrows both perspectives. Breaking out of political orthodoxy, he argues: Anti-discrimination laws have not only gone too far, they should all be repealed as capricious, expensive, wasteful, and destructive of economic freedom. His radical thesis appears in what may be the most comprehensive and systematic treatment on various forms of discrimination yet to appear.

Epstein, a law professor at the University of Chicago, is one of the finest legal scholars of our time—and for his willingness to argue this view, he also becomes the most Politically Incorrect. If this book is treated justly, it will forever change the terms of debate on civil rights.

But can Epstein be right? Are modern civil rights laws fundamentally flawed? The heart of the Civil Rights Act of 1964 is Title VII, which prohibits discrimination on the grounds of race, color, religion, sex, or national origin. At the time of passage, Senator Hubert Humphrey said the act would strike a blow for merit and against prejudice. And he promised on the Senate floor that it wouldn't lead to quotas, or he would "start eating the pages" of the bill. He was, of course, completely wrong, and opponents of the act were correct. The act ended up striking a blow against merit and for state-mandated hiring quotas.

The act not only covered hiring. That would have left too much room for evasion by businesses. Instead it created a new set of laws regulating private decisions that were once left to the market: promotion, wages, and even job assignment. The civil rights bureaucracy now controls even micro-details of labor market transactions that harm business and make economic relations less peaceful than they were before 1964.

But how was this engendered by Title VII, which simply prohibits certain criteria from being used to discriminate against minorities? Epstein's argument is simple and profound. Title VII is actually a law against acting with certain motives in mind. Yet it is difficult to legally prove motivation. You need a smoking gun, as when an employer hangs a sign saying, "Blacks, Jews, and Women Need Not Apply" (or "Whites, Christians, and

Men . . ."). The government could easily prosecute the employer who displayed such signs. But once the Civil Rights Act passed, no employer displayed obvious evidence of illegal discrimination. Employers began to claim all decisions were made on merit.

But how can regulators know for sure? The government and interested private parties then looked for other forms of objective evidence of discrimination. The easiest way was to look at the numbers: Why are there so few blacks and women in this firm? How many have been turned down recently? How come they are not being paid "enough" or advanced fast "enough"? Is the claim of merit just a pretext for discrimination? The government began to distrust the motives of every employer in the country.

The employer's only protection against this game was to hire on the basis of race, sex, and national origin—the very thing prohibited in Title VII—as an effort to avert prosecution. The result of the Civil Rights Act is the plethora of minority privileges we know too well. Nowadays, if courts say a hiring test uses criteria not essential to the job, and effects a "disparate impact" on minorities, it is illegal. Even literacy tests have been deemed discriminatory, which means they must be "race-normed." "Merit" is a fine criterion, so long as it is minority-friendly.

The net effect of Title VII on minorities in labor markets has been to increase the risks and costs of hiring them. Employers skim off the cream of the minority labor force, rewarding, for example, well-educated, high-skilled blacks at the expense of poorly educated and low-skilled blacks. And the non-minorities that are excluded or passed over for promotions are getting increasingly angry.

Such are the results of attempts to plan the private economy. The constitutional legitimacy of civil rights derives entirely from a New Deal tradition that views the commerce clause as an open invitation to any and all invasions. Once the premise is granted that the government can interfere with private market transactions, and reward some people at the expense of others, it follows that the same can be done with the freedom to contract in employment.

Today, courts and government agencies use standards that are so complex as to be incomprehensible to average businessmen. Epstein's extended discussion of the evolution of anti-

discrimination rules brings to mind the pricing methods of Soviet bureaucrats. Indeed, he argues that civil rights are a form of central planning which accepts all the assumptions of the more extreme variety practiced by the Soviet Union.

In short, the critics of the Civil Rights Act of 1964—often derided as bigots and racists—were really prophets who pointed to what the act would eventually mean for the freedom of contract. “The fears of the diehard opponents of the statute,” writes Epstein, “have proved correct.” He drives home the lesson that government invites social trouble when it uses motivation (“forbidden grounds”) as the dominant test of legality.

Epstein presents a challenge to free-market advocates. They have usually argued that the market discourages discrimination by making bigots and sexists pay a premium for favored workers, even as competitors clean up on employees passed over. But Epstein finds this argument weak. In consumer markets, one person’s money is as good as another’s. But in labor markets, a contract implies a long-term commitment to the culture of the firm. The employer must use proxies to forecast the long-term compatibility of new employees. Moreover, a homogeneous work force can often increase the efficiency of the firm by making a uniform ambience easy to achieve.

Epstein says we should face the cultural and sociological fact that people’s preferences—and thus the actions of economic agents—will tend to sort themselves into groups defined by common characteristics. One example is language. A restaurant exclusively serving Chinese-speaking customers will not do well with Spanish-speaking waiters. There are reasons for culturally homogeneous workplaces: “the music played in the workplace, the food that is brought in for lunch, the holidays on which the business is closed down, the banter around the coffeepot, the places chosen for firm outings, and a thousand other small details that contribute to the efficiency of the firm.”

Is this tendency toward intra-firm homogeneity unfair? Does it violate anyone’s civil rights? No, says Epstein. Discrimination is a part of the division of labor, and there is no need to impose one model of fairness on the entire economy. “The partition of the market into specialized and well-defined niches should increase the satisfaction of all consumers. *Any* anti-discrimination law cuts against that commendable objective.” Which is

not to say diversity doesn’t have its advantages. But the proper mix of homogeneity and diversity in the work force cannot be known before experience. Epstein asks us to give up egalitarian assumptions and let the market distribute labor resources as it sees fit.

Civil rights advocates have oversimplified the world, he says. They assume that millions of employers have “some fundamental psychological block to their own visions” which makes them act irrationally. In fact, private parties know better than government what is socially peaceful. “Unless and until the contract in question poses the threat of harm to third parties . . . or is procured by fraud or sharp practice, then each person is his or her own best judge both of the private costs incurred by contracting and of the private benefits obtained from the contract. Individuals have the best knowledge of their own preferences and have the strongest possible motivation to make the best deal for themselves.”

The point is to move away from collective decisions to private ones. As Epstein puts it, “the way to resolve the fundamental social disagreement is not to have a knock-down, drag-out moral fight”; it is “to allow people to go their separate ways.”

This would not end affirmative action and quotas, which, he argues, are only destructive when mandated by the government. If the Civil Rights Act of 1964 and all subsequent legislation were repealed, companies could and would practice a wide variety of race and sex privileges. “The level of affirmative action or the extent of quotas should be regarded as an internal affair of the firm, and never as the affair of the public at large or the state,” he writes. Economic efficiency and public attitudes would keep firms in check.

Here is a case in point. A friend of mine owns a business in Richmond, Virginia, and he is paralyzed by the threat of civil rights suits. Being liberally minded, he wants to practice private affirmative action, hiring blacks over more qualified whites. But he can’t do it because if he also fires blacks, he takes the risk of expensive lawsuits. Repeal civil rights laws, and, if he so chooses, he could hire an all-black work force.

Forbidden Grounds also covers sex discrimination, even delving into sociobiology to show why substantial work-related differences between men and women always will be with us. And it refutes the need for anti-discrimination laws for recently

approved victims: the aging and the disabled. His case persuades.

Epstein's astonishing, tightly argued, 530-page legal and economic treatise is a call to rethink the most explosive issues in American political culture. Let the debate begin. □

Jeffrey Tucker is a fellow of the Ludwig von Mises Institute.

THE LITIGATION EXPLOSION

by Walter Olson

Truman Talley Books, Dutton, 375 Hudson Street, New York, NY 10014 • 1991 • 350 pages • \$24.95 cloth; \$13.00 paper

Reviewed by William Tucker

Did you know that if your spouse sues you for divorce, you can find yourself in the private company of his or her lawyer under legal obligation to answer any and all questions about your sex and private life?

Did you know you can volunteer to help put together a jungle gym at your child's school and find yourself being sued for several hundred thousand dollars worth of "pain and suffering" if a child later breaks an ankle on the set?

Did you know that the standards of evidence in civil trials have been so relaxed that you can be held liable for hundreds of thousands of dollars in damages on the basis of evidence that would be inadmissible in a criminal courtroom?

In this amazing book, Walter Olson documents what the "war of all against all" will eventually be like. On that day when the last pretense of civilized restraint and mutual forbearance has given way, everybody will be a lawyer.

What is most remarkable—and certainly not widely known—is how different American law has become from that of the rest of the world. In all places and at all times, certain restraints have been placed on lawyers to prevent them from using the courtroom as their private racquetball court. In some places the restraints are external—the "English rule" of civil cases, for example, which requires the losing side to pay the winner's attorneys fees and keeps going-to-court from becoming a risk-free sport. In other times and places, it has been the codes and traditions of the bar itself that

have prevented lawyers from litigating on their own behalf.

In America, however, all those restraints have now gone by the boards.

Take the process of "discovery." Although now widely practiced, it is actually only about four decades old and completely unique to American law. Anywhere else, you must sue someone on the basis of specific evidence that you present when you go to court. Under "discovery," however, you can make vague and unspecified charges and then summon the defendant's entire personal and private records, fishing for evidence. Discovery has become an essentially unlimited right to private search and seizure.

Or take depositions. Once they were limited to extreme circumstances—if a key witness were on his death bed, for instance. Yet gradually, the lawyers persuaded the judges that lawsuits would resolve themselves more quickly if lawyers had better access to information. The result was an essentially unlimited power to hold private interrogations. If someone sues you today (or even if you are a third-party witness), you must sit in a private deposition with the opponent's lawyer, under legal obligation to answer any and all questions. Your only recourse is to bring your own lawyer at your own expense. Even if the case is never pursued, you're stuck with the legal fees.

Although the law schools constantly turn out charming rationalizations for all this—and the judiciary is usually willing to accept them—there is only one real explanation: It is hugely profitable for plaintiffs' attorneys. The entire plaintiff bar has become a swarm of "private attorneys general" inventing new wrongs such as "jobs stress injury" or "clergy malpractice," scouring the countryside for alleged victims, exacting huge "punitive" damages from deep-pocketed quarry, while keeping almost half the proceeds for themselves. If the insurance companies begin to groan under this new weight, so what? Let the government take over insurance—that will only make the pot bigger.

The truly amazing thing about all this is that at the exact same time the rules of civil procedure were being loosened beyond all previous measure, the criminal code was being tightened to the point of absurdity on behalf of criminal defendants.

Only a few years ago, for example, the U.S. Supreme Court ruled that a police officer had vio-

lated a burglar's constitutional rights by turning a television set to read the serial number after legally entering the burglar's apartment and finding it stashed with stolen goods. Yet at the same time, discovery proceedings were being opened up so that plaintiff attorneys have almost unlimited access to the personal and business records of civil defendants. The Miranda restrictions on confessions were wheeled into place at precisely the same time that civil attorneys were being given almost unlimited powers to grill people in depositions. And hearsay restrictions were being tightened in criminal proceedings just as they were being almost completely eliminated in the civil courtroom.

What is the explanation? The answer is simple. In criminal proceedings, lawyers make all their money on the defense side. Public prosecutors make little more than high school teachers, while successful defense attorneys pull down six- and seven-figure salaries. On the civil side, however, it

is the plaintiff attorneys who are the high rollers. Defense attorneys have certainly benefited from the litigation explosion, but they are not pursuing multi-million-dollar jackpots. They make their money by the hour.

As Olson summarizes it succinctly: "It took centuries of struggle against arbitrary authority to establish the civil-liberty safeguards that protect criminal defendants from being railroaded to punishment. Today the forces of irresponsible accusation have turned instead to the civil law, which they like better anyway because they get to keep the proceeds. . . . America is now reaping the harvest of a strange and ill-considered experiment in the legal system. We have deputized our immense professional body of lawyers to stir up grievances for profit." ☐

William Tucker is author of The Excluded Americans: Homelessness and Housing Policies, winner of the 1991 Mencken Award for best public policy book.

THE JOHN TEMPLETON HONOR ROLL FOR FREE ENTERPRISE TEACHING

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PERSPECTIVE

The Language of Liberty

The idea and practice of human liberty—religious, civil, political, and economic—have been perhaps the most important social contribution of Western culture, yet today the idea of liberty has been all but forgotten in public debate and in the corridors of power. When the language of liberty is still heard, it has a quaint sound, the sound of a value now out of fashion.

The language of liberty has been replaced by the language of power. One no longer hears pleas for liberty, but pleas for and promises of "empowerment." This rhetorical shift from liberty to power reflects a fundamental philosophical shift: No longer is our goal "liberty and justice for all," but power. The peaceful and benevolent cooperation of citizens has been largely replaced by the noisy and malevolent contention of factions, each of which is seeking power at the expense of others.

The consensus that formerly governed America—the consensus that all men are created equal, and the purpose of government is to protect each person—is disappearing. What the new consensus will be, we cannot as yet discern. But the new language of power bodes ill for our future. When the language of liberty is infrequently spoken, and its sounds become unfamiliar to a people, the practice of liberty will pass away as well.

—JOHN W. ROBBINS

Efficiency and Freedom

Federal departments are not efficient, but probably the most inefficient things on the face of this planet. But if they were the most efficient agencies that history has ever seen, I should, in this field of education, be dead opposed to them. Efficiency in a good cause is good; but I am opposed to federal efficiency in this sphere because the result of it is a thing that I regard as bad—namely, slavery. And I am not inclined to do what a great many people do today; I am not inclined to write "freedom" in quotation marks as though it were sort of a joke. I believe, on the contrary, that it is something very real. An ounce of freedom is worth a pound of efficiency.

—J. GRESHAM MACHEN

Lest We Forget

Did the Founders have to know economics to devise a system that raised the standard of living in this country from the near-subsistence level of the colonial period to the prosperity of a leading nation of the world, all within the first century of our republic? No! Their vision was focused not on economic considerations, but on securing individual liberty and individual rights. They established a carefully limited republic, thus freeing citizens from excessive government interference. For the first time in history liberty was validated as the inalienable birthright of an individual.

What a step of faith the Founders demonstrated with their belief that free citizens operating under a system of moral law would exercise their freedom responsibly, and that this would work out for the general good.

This is how a truly free-market economy develops; it is the outcome of the actions of people operating freely with one another, unhampered by government, nothing more, nothing less. This country's early amazing economy evolved as a by-product of establishing the righteous principle of freedom.

—RICHARD W. HOLDEN

A Message From a Great Gray Owl

Who says people don't give a hoot about individual liberty and responsibility anymore? Judging by the spectacle of human initiative triggered by the appearance of a little creature from the wild in Jamestown, New York, Americans still have a feeling for the unregulated and the free.

Why under the drab sky of winter would flocks of brightly dressed individuals, from babies in buntings, to young girls in leggings, to senior citizens with canes, be streaming into a rough, wild forest? They'll tell you it's for a glimpse of a Great Gray Owl. Just two feet high, her tree-trunk-colored form is nonetheless large compared to more common relatives, and her expression is accentuated by big, sharp yellow eyes. Apparently

Miss Great Gray Owl is a rare sight this far south of her distant-north habitat.

In quest of the owl, no one complains about brambles, slippery trails, gorges, and a host of other nuisances, which under different circumstances would call for swift remedial action from some Federal regulatory agency. In fact, the owl's visitors demonstrate an exuberance and openness that suggests they are relishing the challenges.

Youths, parents, and elderly are not segregated into their respective educational or occupational categories. Side by side, they share the intrigue of discovery. No regulations advise us of Miss Gray Owl's visiting hours, or tell us just how close we may approach. There are no bans on rock-throwing, littering, or unnecessary noise, yet I haven't heard of anyone engaging in such practices. (Visitors reminding each other to keep quiet may, however, find their voices drowned out by the roar of an airplane taking off from the Chautauqua County Airport adjacent to the field.)

Despite daunting creek crossings and old barbed-wire fences, there are no signs posted to warn us to proceed at our own risk, or that traveling beyond a particular point may be hazardous to life or limb. Nor are there any inspectors to make sure we keep each other safe, or child-welfare agents to warn parents not to climb banks or jump creeks with an infant in arms. In fact, the absence of restrictions seems to generate an attitude of respect and responsibility, as though everyone were anxious to safeguard so pure and fragile a wilderness freedom.

Unwittingly, the Great Gray Owl provokes us to re-evaluate the risk-free world we have tried to construct around ourselves, and to reflect on the price of broad restrictions on risk-taking. In a society where every other step you take brushes against legal requirements, it is refreshing to see people savor a taste of the raw, the "real" life. It's as though they're clinging to what remnants they can of a creed having to do with "life, liberty, and the pursuit of happiness"—a creed which no one ever had to teach the Great Gray Owl.

—HANNAH LAPP

Losing the Cold War

by Christopher Whalen

"The creatures outside looked from pig to man, and from man to pig, and from pig to man again; but already it was impossible to say which was which."

—GEORGE ORWELL
Animal Farm

Just when the Cold War ended is a question historians will debate for years to come. The fall of the Berlin Wall is the obvious reference point, a powerful picture of the "collapse of Communism" eagerly seized by the media. Yet the victory in Berlin obscured the high price overturning Communist rule would exact from the unique American political economy, and also exaggerated the extent of the triumph. The battle between entrenched Communist elites and the freed citizenry of Eastern Europe shows that toppling the Wall marked the beginning of a new struggle.

As analysts ponder "the end of Communism," a more important struggle rages among the industrialized nations. Francis Fukuyama suggested that with geopolitical confrontation between East and West no more, "the end of history" impended, implying that the struggle for freedom ended with Soviet imperialism. Yet just as formerly Communist nations contain factions reluctant to yield power and dismantle Cold War structures, so too the technocrat elite within the Group of Seven (G-7) countries (Canada, France, Germany, Italy, Japan, the United Kingdom, the United States) remain wedded to policies designed to maintain "stability" in private markets during a time of

Mr. Whalen is a Washington-based writer and consultant.

global military and political conflict.

Many economists and politicians in America, themselves products of the Cold War, reject the idea that global conflict has ended, arguing instead that the new contest among nations is economic. Governmental guidance in the form of "industrial policy" is needed to meet the new menace posed by the European Community, Japan, and other ascendant Asian economic powers, they contend. "The issue is no longer whether government should intervene [in the economy]," Dr. Robert Kuttner wrote in *The New York Times Magazine*, "but when, where and how."

The Road to Perdition

Kuttner represents a uniquely post-modern, positive liberty strain in American intellectual thought which holds that market economies must inevitably evolve toward a managed, regulated formulation where commercial warfare among nations, not individuals or private concerns, is the most disaggregated form of "competition." Under this *dirigiste*, top-down world view, America is pitted in a zero-sum struggle against Europe and Asia, losing rather than gaining benefits from free and open trade. In the world of "industrial policy" and "managed trade," the functioning of markets is the concern of politicians, not mere business people. Private companies, financial institutions, and individuals are seen as dangerous sources of instability in markets where "market surveillance" and "bank supervision" are common terminology; this is perhaps what Justice Learned Hand had in mind when he referred to "a society governed by platonic guardians."

But history is not over. The threat of central planning did not end with the fall of Soviet Communism. The great battle yet to be fought is for the soul of the United States as a libertarian society, the country deliberately made in an image different from the regimented states of Europe. The challenge lies in reaffirming and perhaps even reintroducing the principles of limited government, individual liberty, and private property—the necessary conditions for a free-market, pluralistic society. The question is not about degrees of regulation, but of keeping free markets from disappearing entirely. Ideas once taken for granted must be rediscovered: that public debt is intrinsically evil and leads to speculation and inflation; that thrift and personal responsibility are the foundations of individual and national wealth; and that deviation from these principles leads to social ruin, as evidenced by events in Russia and, more recently, by rioting and looting in Beirut and Los Angeles.

Costly Victory

“The beginning of the end of capitalism in America, which was also the beginning of the rise of totalitarian Communism, came in 1913,” economist Herbert Stein wrote in *The Wall Street Journal* on January 9, 1992. “This was about the same time as the beginning of Communism in Russia. But whereas Communism faded away early in the 1990s, it remained a threat in America.”

The liberal American government that broke the “Robber Barons”; that saw the nation through panics, currency runs, and the Great Depression; that defeated Hitler and General Tojo; and that survived global standoff with the Soviet military menace, is not the limited government of our nation’s founders. Washington, governed by politicians, lobbyists, and the carrion swarm we shall simply call “liberal economists,” constitutes the chief threat to prosperity and liberty in America. “The expediences and exigencies of social machinery,” to paraphrase Hayek, are moving us toward a less libertarian society where “stability” is managed from above—the very same type of society our forebears fought against on forgotten battlefields in Europe and Asia.

Well-intentioned leaders have for decades told America that resisting Soviet imperialism war-

ranted any sacrifice. Debate over running budget deficits or the wisdom of tolerating even modest inflation were easily pushed aside because of the perceived threat of nuclear annihilation, the power of “the crisis.” To question fiscal deficiencies or the use of monetary policy to accommodate projects such as Vietnam, the expansion of welfare expenditures in the 1970s, or the military buildup of the 1980s, was attacked as unpatriotic or even pro-Communist. Deliberately or not, in fighting Communism we have created a home-grown socialist nightmare not fundamentally different from corporativist states proposed by Lenin and Hitler, and realized by Stalin. Both to meet external threats and to satisfy internal needs, America has created an enormous state apparatus that accommodates almost any request, but also limits and regulates ever more aspects of private life, including health care, investing, and the use of private property.

After a presentation by this writer on Social Security, an elderly Bethesda, Maryland, man obliquely highlighted the issue facing Americans when it comes to recognizing limits on government. I had told the audience that SSI and other Federal trust funds are an accounting fiction dependent on future generations’ sweat to redeem promissory notes issued by the Treasury. After a heated debate, we finally concluded that, yes, Social Security is a fraud. But then the gray-haired man with military decorations displayed proudly on his jacket declared that while correct, “We should not say bad things about the United States because America is the greatest country in the world.”

America, world policeman, defender of freedom, land of infinite salable assets and endless credit, can do no wrong. No debt is too big, no expenditure too outrageous for the nation that won the three great wars of this century. Since this perception is widely shared internationally, successive governments in Washington have financed the growth of government with public debt denominated in dollars. Investors, at home and abroad, fund Federal deficits by exchanging cash for future dollars, plus interest, payable at some date certain. Yet the rules of arithmetic and compounded interest suggest that the scheme may eventually reach a ceiling in terms of investor appetite for dollars.

Comstock Partners principal Michael Aronstein characterized America’s fiscal problems from

“Ideas once taken for granted must be rediscovered: that public debt is intrinsically evil and leads to speculation and inflation; that thrift and personal responsibility are the foundations of individual and national wealth; and that deviation from these principles leads to social ruin . . .”

the perspective of the post-war generation's children in *Barron's* on April 27, 1992: “Certainly, there's something enraging about the sort of casual arrogance with which people in Washington sit down and decide what [the deficit will be], whether it is \$300 billion, \$400 billion, \$500 billion or \$600 billion, sure, they can borrow it. . . . There is a limit. And that's the delusion that we as a society are operating under—that all of this is limitless. There is no natural boundary.”

Debt and Forbearance

Two economic indicators, America's rising national debt and politically motivated intervention to rescue private companies from market discipline, best illustrate the strangulating effect of big government on the U.S. economy. Far more than the narrow issue of simply regulating markets, the growing burden of government spending and debt, facilitated by periodic bursts of inflation, is gradually blurring the distinction between private and public property, and the separation between that economic activity which is “public” and that which is clearly private.

Federal government borrowing, on net, presently consumes virtually all excess private capital in the U.S. economy. Annual, *interest only* payments on the outstanding \$3 trillion plus in *public debt* (not including interest accrued by Social Security and other trust funds), totals over \$350 billion, now the single largest item in the Federal budget. With capital inflows from Europe and Japan down dramatically from the torrential levels of the mid-1980s, foreign money is no longer available to offset Federal borrowing.

While often criticized by xenophobic politicians, capital inflows from abroad during the 1980s

delayed the consolidation and asset revaluation that inevitably follows sustained inflation—the corollary to public debt expansion. Following the boom years of the 1970s, when government-induced monetary expansion forced banks and investors to lengthen the maturity of—and trade for short term gain—assets to escape inflation, the 1980s represented a plateau, a pause financed by high real interest rates and dollars repatriated from abroad.

Now, in the 1990s, the proverbial chickens have come home to roost in the form of collapsing asset prices. As high-quality private collateral becomes scarce, well-capitalized financial institutions avoid making loans, preferring the safety of Uncle Sam's AAA-rated IOUs. And large banks, reeling from accumulated asset-quality problems created by making imprudent loans to developing countries, real estate developers, and corporate raiders (whose appearance is attributable to macro-monetary economic fine-tuning) buy long-dated government debt with monies borrowed in the overnight funds market—liquidity available to them only because of Federal Deposit Insurance Corporation (FDIC) insurance.

The “spread” or difference between yields on 30-year Treasury bonds and Federal Reserve funds illustrates, respectively, expectations for inflation and official manipulation of short-term interest rates in order to rescue “private” banks from the results of poor credit and management decisions. The yield curve now totals some 450 basis points from end to end, the widest spread seen in the post-World War II era, and would be steeper were it not for recent Fed purchases of longer-dated Treasury paper—the ultimate act of inflationism and monetary idiocy.

The force driving hope for a U.S. economic

recovery in 1992 is Federal Reserve expansion of high-powered money. In the first quarter of 1992 alone, total bank reserves rose at a near-record 27 percent, measured on a quarter-to-quarter average basis, an example of how Washington, through a servile central bank, uses inflationary monetary policy to create the illusion of economic expansion. By keeping short-term interest rates low, the Bush Administration seeks to revive private economic activity without making any fiscal policy adjustments, such as lowering the deficit or tax rates. In fact, the Bush Administration hopes to use easy money to salvage banks left insolvent by the latest cyclical correction in asset values. One veteran on the staff of the House Banking Committee calls this process a “managed collapse” of the banking industry.

Too Big to Fail

More than any other indicator, the reluctance to allow market resolution of large bank insolvencies is symptomatic of how a *de facto* nationalization of private assets is occurring in America via inflation and debt. The doctrine known as “too big to fail,” whereby the taxpayer subsidizes large depositors and other creditors of private banks, epitomizes the larger trend in the U.S. economy toward politically managed stability from above rather than market-based solutions. Too-big-to-fail is especially pernicious on economic grounds since it subsidizes badly managed banks and companies at the expense of well-run concerns, and even worse, does so based on political determinations where transparency and public accountability are lacking.

Look at the financial problems facing larger commercial banks today and it quickly emerges that we are repeating the socialist mistakes of the past. Since the appearance of the twin specters of Third World loans and domestic disinflation, we have headed down a road attended by familiar monstrosities such as the FDIC and the World Bank, and newer gorgons like the Resolution Trust Corporation (RTC), institutions comparable to the state-sector organs found in the authoritarian societies of Europe and Latin America. Worse yet, America’s political leadership seems incapable of rediscovering even the bailout mechanism of the 1930s, the Reconstruction Finance Corporation (RFC), which while flawed was at least a transparent fiscal tool requiring annual appropri-

tions, rather than the off-budget subterfuge now employed to support the ongoing thrift/bank rescue.

The 1987 stock market break accelerated the trend toward greater overt and covert manipulation of markets in the name of preserving short-run “stability.” The process began years earlier, first through creative accounting—known as forbearance—employed to protect insolvent thrifts in the Southwest. These institutions were gradually taken over and the rest is history—*except* that the government still lacks the money and political will to resolve the situation. Dozens of insolvent thrifts and commercial banks are today open for business under FDIC or RTC ownership, literally government-owned “zombies” operating at a loss and in competition with solvent banks. To make the irony complete, the single largest seller of Federal funds in the “private” market is another Depression-era entity, the Federal Home Loan Banks, which issue notes carrying a presumptive U.S. guarantee.

Starting with the RFC, and continuing through the mobilization and centralization of industry during World War II, government’s role in the economy has gone from passive arbiter to active regulator and now participant. Compare the days of Jim Fisk and Jay Gould, for example, when intervention in the gold market in 1869 burst one of history’s great speculative bubbles, to the rescue of Lockheed (1971), New York City (1976), Chrysler (1980), Continental Illinois (1984), First City Bank of Houston (1987), and most recently the nationalization of Crossland Savings of New York.

While President Ulysses Grant sought to calm markets by selling government gold (albeit after nearly being duped by the wily Gould), the Lockheed rescue and the nationalization of Crossland were deliberate efforts to avoid market-based solutions. With the collapse of the Bank of New England in early 1991, the Treasury used billions of dollars in public money to keep the insolvent institution alive. Even after providing a multi-billion dollar subsidy for uninsured depositors in order to facilitate a purchase, the Treasury still refuses to admit its central (and arguably illegal) role in a bailout that ultimately could cost the taxpayer in excess of \$4 billion (the officially admitted figure is \$2.5 billion).

In the case of banks rescued (and the dozens

“More than any other indicator, the reluctance to allow market resolution of large bank insolvencies is symptomatic of how a de facto nationalization of private assets is occurring in America via inflation and debt.”

closed with public subsidies), the U.S. has accelerated its guarantee of apparently private liabilities in the form of uninsured bank deposits (foreign deposits and those over the \$100,000 legal limit) and even non-deposit liabilities of larger banks, as in the case of the parent of Continental Bank. This direct government subsidy for private investors occurred without Congressional approval, being conducted *de facto* by Federal regulators in the name of limiting what is called “systemic risk,” which regulators refuse to define or address by limiting interbank exposure.

The Invisible Hand

More disturbing than overt bailouts of certain classes of private creditors are instances where supposedly “private” companies, in particular big banks and defense contractors, have been rescued covertly, without the prior knowledge or consent of Congress. The most notable examples of this new approach are found among the New York money-center banks—Citicorp, Chase Manhattan, Manufacturers Hanover, and Chemical Bank—which all suffered in recent years from deteriorating asset quality and substandard earnings.

In the case of Citicorp and Chase Manhattan, for example, it is clear that both have been in a slow, government-supervised liquidation for the past several years, whereby forbearance with respect to impaired assets and other special dispensations allow these institutions to avoid closure or mergers. During the period of November-December 1990 and again at the end of March 1991, Chase was reportedly rescued by a combination of discount window loans from the Federal Reserve Bank of New York and covert loans from other New York banks, acting upon oral guarantees made by senior Federal Reserve officials. Similar reports have been made with respect to

Citicorp, but little hard evidence exists beyond anecdotal reports and extraordinary discount window activity when these banks had difficulty borrowing from private markets.

Another recent example involves McDonnell Douglas, the aircraft manufacturer and defense contractor that experienced serious financial difficulties last year. In April *The New York Times* reported two payments totaling hundreds of millions of dollars ostensibly made for the moribund C-17 program “at a time when the company faced a severe financial crisis.” By shifting payments from one account to another, the Federal government provided funding to the company when it could not raise funds from private markets. “The Congressional investigators said that the effect of the two [payments] was to give McDonnell Douglas immediate payments that it would otherwise have had to wait months or years for,” according to *The Times*.

And we are not alone in this folly—indeed, we learned it from the British, who are still trying to bail out Olympia & York’s exposure on the Canary Wharf project, an office complex located on a narrow, isolated peninsula in East London that lacks no amenity save adequate transportation to convey eager tenants in and out. Vanessa Houlder wrote in the *Financial Times* on June 5, 1992: “The losses incurred by Canary Wharf’s developers, Olympia & York, raise the question of why the project was thought viable in the first place: how did O & Y persuade its bankers to fund the scheme?”

International Cooperation

Just as decisions about interest rates or whether enterprises of a certain size will succeed or fail are increasingly a function of political considerations, in the international arena manipulation of markets

and entire economies is now accepted practice. The 1985 G-7 Plaza Accord, for example, formalized a process whereby central banks manipulated the price of the dollar and "coordinated" interest rate movements to achieve politically designated economic goals.

All G-7 countries manipulate their domestic interest rates, and central bank intervention in the currency market is executed without apology or explanation. And as the increase of government debt dominates the evolution of the "independent" Federal Reserve, in the international realm the efforts by other members of the G-7 to monetize a certain portion of American inflation likewise distorts the economies of Germany and Japan.

The G-7 central banks other than the Federal Reserve now hold over \$300 billion in U.S. debt (which requires that they sell or create an equal amount of their own currency). Washington's profligacy is straining this arrangement, however, as manifested by recent sharp exchanges between Washington and Bonn over monetary and fiscal policy in the newly unified Germany. With the Bundesbank seemingly committed to price stability by maintaining high real interest rates, and the U.S. headed in the opposite direction, the G-7 process of market stabilization is degenerating because Germans and Japanese alike question the need to continue importing American inflation through dollar purchases.

Until the fall of the Berlin Wall, the Bundesbank was willing to counterbalance American fiscal and trade deficits by purchasing dollars, a policy encouraged by exporters and manufacturers in Germany who depend on sustaining the level of the dollar, both to preserve export revenues and the value of direct investments in the U.S. Likewise, Japanese exporters and banks, who generally write contracts or loans in dollar terms, fear a weaker greenback because of the impact on profits and asset values. The scramble by Tokyo banks to meet the revised Basle capital guidelines is caused, in part, because dollar weakness generates lower revenues and valuation losses in yen terms.

Foreign Debt

One area of G-7 cooperation where there remains general agreement, however, is in dealing with debt issued by developing countries and

now by the disintegrating Soviet Union. In much the same way that dollar stabilization efforts by Europe and Japan seek to maintain the value of exports to the U.S., the endeavors of Washington in Latin America, and of the Europeans in central and eastern Europe, are designed to prevent a repeat of the 1982 Mexican loan default. And just as Germany, for example, seeks to prop up the dollar through sales of marks, "managing" the less-developed countries' debt crisis is meant at least partially to preserve the fiction that countries with large external debts, low per capita income levels, and socialist economies constitute a market for exports from developed nations.

Olympia & York of Canada has tried to bully creditors into accepting a "rollover" of existing debt (and, incredibly, new loans). Banks tentatively agreed to a rollover only after the United Kingdom guaranteed a minimum level of occupancy by civil servants. The Russians likewise gave the G-7 a blunt ultimatum: provide new money or face default. No doubt Russian President Boris Yeltsin learned this trick from his advisers, New York Federal Reserve Bank President Gerald Corrigan and former Federal Reserve Board Chairman Paul Volcker. The latter, who is reported to be a formal consultant to Yeltsin, can claim considerable credit for teaching Mexico how the implicit threat of "instability" could be used to coerce new loans and subsidies from Washington.

Frantic efforts to give Russia both debt relief and access to new credit from the International Monetary Fund and the World Bank closely parallel arrangements made with respect to Mexico, culminating in the abortive Brady debt reduction plan in 1989 and, most recently, the political facade of "free trade." Just as new loans from the World Bank, IMF, and other international lending and export-credit agencies are "recycled" to help Mexico make payments on private foreign loans, the G-7 are contemplating a similar "stabilization" arrangement for Moscow to protect already weakened banks and commercial companies in Europe, Japan, and the U.S. from a full-scale Soviet financial collapse. Whereas Mexico requires a modest \$5-10 billion per year in new multilateral loans (total service on its now \$107 billion foreign debt was \$16 billion in 1991, up 43 percent from 1990), new loans required to keep Russian credits current and pay for imports will

“The institutionalized crisis affecting financial markets and the government’s fiscal situation is inexorably moving the United States toward a more centralized and less democratic form of government, no matter which of the three candidates wins the November election.”

soar into the tens of billions of dollars, and this does not include the \$20 billion or so to meet the proclaimed cash needs of other former Soviet republics. If Moscow’s accumulated foreign debt is not to collapse, the flow of new money, consistent with the Mexican “stability” model, must grow every year.

As with the example of domestic debt issuance in the U.S., new multilateral debt, authorized for political reasons, is employed to simulate *bona fide* income in developing nations to pay interest on private debts and to purchase goods and services from the G-7 countries. The Russian bailout is just the latest evolution of this “crisis management.” Starting in the 1970s by recycling Arab petro-dollars to developing nations in the form of private bank loans, the process of managing Third World debt continued in the 1980s with first the Baker Plan (status quo and new loans) and the Brady Plan (debt forgiveness and new loans). Now the process ratchets up several big notches with the start of an open-ended, \$30 billion-plus a year G-7 program to float the latest authoritarian government to reside in the great fortress that is Moscow.

It is interesting to note that the U.S. Treasury will lend money to Russia (most or all of which will be borrowed), which will then be used to clear arrears on private loans to banks and commercial companies largely but not entirely from western Europe and Japan. It is unlikely that investors who buy Treasury debt issued to fund this operation will waive interest or principal payments. But the same cannot be said of the U.S. loans to Moscow, which history suggests will never be repaid. Inevitably, taxpayers in the G-7 countries must redeem these loans through increased levies necessary to “replenish” the cap-

ital of institutions such as the World Bank and IMF, or indirectly via higher levels of domestic debt and inflation. The investors who own AAA-rated World Bank bonds are, after all, the real shareholders.

Price Stability and Freedom

The accumulation of public sector debt in America is the root of many of the problems now facing the U.S. economy. If the other, off balance-sheet liabilities of the Federal government such as Social Security, private pension guarantees, and commitments to multilateral international institutions are added to the cost of resolving the thrift and commercial bank bailouts, it quickly becomes clear that the size of public sector liabilities is growing very rapidly relative to the total value of real private assets (roughly \$35 trillion). This trend holds ominous implications for the “free market,” not to mention the long-term prospects for American democracy.

First, in an environment where the government is forced to finance half a trillion dollars’ worth of new debt annually, and “roll” the interest on \$3.5 trillion in old debt, the question arises as to whether there is any capital left over for private borrowers. So long as the government refuses to curtail expenditures, efforts to alleviate the “credit crunch” or other manifestations of crowding out are exercises in futility at best, and a political swindle at worst.

Second, as the size of the Federal debt increases relative to “private” assets and obligations, the issue of repayment ultimately begs the question as to when and how the government will use its coercive power to expropriate private wealth to pay public debts. It is not a question of Federal officials

actually seizing private property, but rather creating money, much the same way that Messrs. Fisk and Gould printed new shares of Erie Railroad stock when they needed liquidity. Both examples pertain to criminal expropriation of private property, but only one is sanctioned by the coercive power of the state.

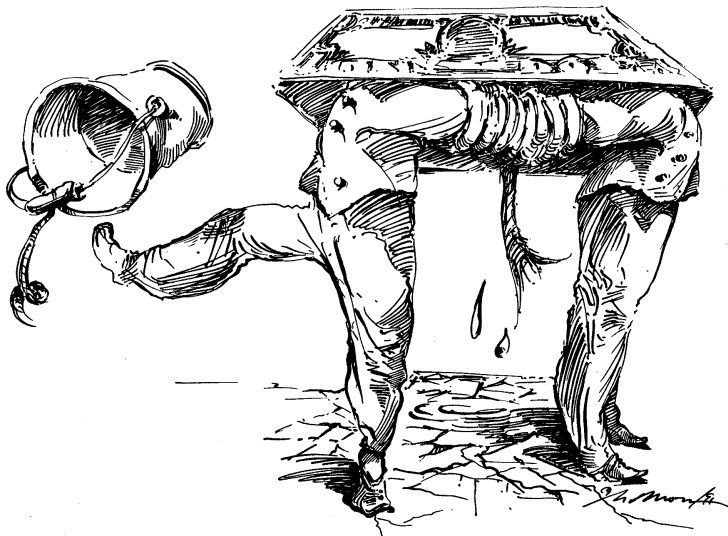
The institutionalized crisis affecting financial markets and the government's fiscal situation is inexorably moving the United States toward a more centralized and less democratic form of government, no matter which of the three candidates wins the November election. Unless some future leader convinces Americans to cut current spending, higher public debt implies rising inflation, falling real wages, and incremental increases in discord among the public at large. While many factors can explain the riots in Los Angeles, the steady erosion of the purchasing power of the dollar is a cause that has received little attention from a financially illiterate media. The age of money politics demands a press conversant in monetary alchemy.

Without a change in the fiscal and monetary regimes of the United States, government will be the central player in the economy, surrounded by a heavily regulated "private" market. Individual liberties and opportunities will become increasing-

ly a function of administrative mechanisms, and decisions about major business transactions will be concentrated far beyond what was even thought possible two decades ago.

This growth in the role of the coercive and redistributive power of the state, perhaps disguised as managerial and funding partnerships between government and private business, will be sold as part of the solution, or at worst a necessary evil. This fundamental economic evolution, which has its roots in the birth of Communism in Russia, the Great Depression, and World War II, will occur within the world's greatest democracy without an informed public debate over the rights of property or government's prerogative to incur new indebtedness without Congressional authorization.

As with any other clear choice between good and evil, the way out of the darkening cave of socialism and debt is to turn around and walk the other way. This involves first committing the nation to monetary freedom; and second, balancing the Federal budget by cutting tax rates and spending, and establishing a *surplus* above current interest payments, in order to begin the orderly retirement of the national debt. Any other choice is not only economically unworkable, but immoral. If we do not make this choice, we will have truly lost the Cold War. □



Friedrich A. Hayek (1899-1992)

by Peter J. Boettke

Friedrich A. Hayek, who died on March 23, 1992, at the age of 92, was probably the most prodigious classical liberal scholar of the 20th century. Though his 1974 Nobel prize was in Economic Science, his scholarly endeavors extended well beyond economics. He published 130 articles and 25 books ranging from technical economics to theoretical psychology, from political philosophy to legal anthropology, and from the philosophy of science to the history of ideas. Hayek was no mere dabbler; he was an accomplished scholar in each of these fields of inquiry. He made major contributions to our understanding in at least three different areas—government intervention, economic calculation under socialism, and development of the social structure. It is unlikely that we will see the likes of such a wide-ranging scholar of the human sciences again.

Hayek was born into a family of intellectuals in Vienna on May 8, 1899. He earned doctorates from the University of Vienna (1921 and 1923). During the early years of the 20th century the theories of the Austrian School of Economics, sparked by Menger's *Principles of Economics* (1871), were gradually being formulated and refined by Eugen Boehm-Bawerk, his brother-in-law, Friedrich Wieser, and Ludwig von Mises. When Hayek attended the University of Vienna,

he sat in on one of Mises' classes, but found Mises' anti-socialist position too strong for his liking. Wieser was a Fabian socialist whose approach was more attractive to Hayek at the time, and Hayek became his pupil. Yet, ironically it was Mises, through his devastating critique of socialism published in 1922, who turned Hayek away from Fabian socialism.

The best way to understand Hayek's vast contributions to economics and classical liberalism is to view them in light of the program for the study of social cooperation laid out by Mises. Mises, the great system builder, provided Hayek with the research program. Hayek became the great dissector and analyzer. His life's work can best be appreciated as an attempt to make explicit what Mises had left implicit, to refine what Mises had outlined, and to answer questions Mises had left unanswered. Of Mises, Hayek stated: "There is no single man to whom I owe more intellectually." The Misesian connection is most evident in Hayek's work on the problems with socialism. But the insights derived from the analysis of socialism permeate the entire corpus of his work, from business cycles to the origin of social cooperation.

Hayek did not meet Mises when he was attending the University of Vienna. He was introduced to Mises after he graduated through a letter from his teacher, Wieser. The Hayek-Mises collaboration then began. For five years, Hayek worked under Mises in a government office. In 1927, he became the Director of the Institute for Business Cycle

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Research which he and Mises had set up together. The Institute was devoted to theoretical and empirical examinations of business cycles.

Building on Mises' *The Theory of Money and Credit* (1912), Hayek refined both the technical understanding of capital coordination and the institutional details of credit policy. Seminal studies in monetary theory and the trade cycle followed. Hayek's first book, *Monetary Theory and the Trade Cycle* (1929), analyzed the effects of credit expansion on the capital structure of an economy.

Publication of that book prompted an invitation from Lionel Robbins for Hayek to lecture at the London School of Economics. His lectures there were published in a second book on the "Austrian Theory of the Trade Cycle," *Prices and Production* (1931), which was cited by the Nobel Prize Committee in 1974.

Hayek's 1930-1931 lectures at the London School were received with such great acclaim that he was called back to the prestigious University of London and appointed Tooke Professor of Economic Science and Statistics. At age 32, Hayek had reached the pinnacle of the economics profession.

The Mises-Hayek theory of the trade cycle explained the "cluster of errors" that characterizes the cycle. Credit expansion, made possible by the artificial lowering of interest rates, misleads businessmen; they are led to engage in ventures that would not otherwise have appeared profitable. The false signal generated by credit expansion leads to malcoordination of the production and consumption plans of economic actors. This malcoordination first manifests itself in a "boom," and then, later, in the "bust" as the time pattern of production adjusts to the real pattern of savings and consumption in the economy.

Hayek versus Keynes

Soon after Hayek's arrival in London he crossed swords with John Maynard Keynes. Keynes, a prominent member of the British civil service then serving on the governmental Committee on Finance and Industry, was credited by the academic community as the author of serious books on economics. The Hayek-Keynes debate was perhaps the most fundamental debate in monetary economics in the 20th century. Beginning with his essay, "The End of Laissez Faire" (1926), Keynes

presented his interventionist pleas in the language of pragmatic classical liberalism. As a result, Keynes was heralded as the "savior of capitalism," rather than being recognized as the advocate of inflation and government intervention that he was.

Hayek pinpointed the fundamental problem with Keynes's economics—his failure to understand the role that interest rates and capital structure play in a market economy. Because of Keynes's unfortunate habit of using aggregate (collective) concepts, he failed to address these issues adequately in *A Treatise on Money* (1930). Hayek pointed out that Keynes's aggregation tended to redirect the analytical focus of the economist away from examining how the industrial structure of the economy emerged from the economic choices of individuals.

Keynes did not take kindly to Hayek's criticism. He responded at first by attacking Hayek's *Prices and Production*. Then Keynes claimed that he no longer believed what he had written in *A Treatise on Money*, and turned his attention to writing another book, *The General Theory of Employment, Interest, and Money* (1936), which in time became the most influential book on economic policy in the 20th century.

Rather than attempting to criticize directly what Keynes presented in his *General Theory*, Hayek turned his considerable talents to refining capital theory. Hayek was convinced that the essential point to convey to Keynes and the rest of the economics profession concerning monetary policy lay in capital theory. Thus Hayek proceeded to set forth his thesis in *The Pure Theory of Capital* (1941). However correct his assessment may have been, this book, Hayek's most technical, was his least influential. By the end of the 1930s, Keynes's brand of economics was on the rise. In the eyes of the public Keynes had defeated Hayek. Hayek lost standing in the profession and with students.

During this time, Hayek was also involved in another grand debate in economic policy—the socialist calculation debate, triggered by a 1920 article by Mises which stated that socialism was technically impossible because it would lack market prices. Mises had refined this argument in 1922 in *Socialism: An Economic and Sociological Analysis*, the book which had profoundly impressed the young Hayek when it appeared. Hayek developed Mises' argument further in several articles during the 1930s. In 1935, he col-

lected and edited a series of essays on the problems of socialist economic organization: *Collectivist Economic Planning*. Additional Hayek essays on the problems of socialism, and specifically the model of "market socialism" developed by Oskar Lange and Abba Lerner in their attempt to answer Mises and Hayek, were later collected in *Individualism and Economic Order* (1948).

Again, the economics profession and the intellectual community in general did not appreciate Hayek's criticism. Had not modern science given man the ability to control and design society according to moral rules of his own choosing? The planned society envisioned under socialism was supposed to be not only as efficient as capitalism (especially in view of the chaos capitalism was said to generate with its business cycles and monopoly power), but socialism, with its promise of social justice, was expected to be fairer. Moreover, it was considered the wave of the future. Only a reactionary, it was argued, could resist the inevitable tide of history. Not only had Hayek appeared to lose the technical economic debate with Keynes and the Keynesians concerning the causes of business cycles but, in view of the rising tide of socialism throughout the world, his general philosophical perspective was increasingly labeled as a primitive version of liberalism.

The Road to Serfdom

Hayek, however, kept on refining the argument for the liberal society. The problems of socialism that he had observed in Nazi Germany and that he saw beginning in Britain led him to write *The Road to Serfdom* (1944). This book forced advocates of socialism to confront an additional problem, over and beyond the technical economic one. If socialism required the replacement of the market with a central plan, then, Hayek pointed out, an institution must be established that would be responsible for formulating this plan. Hayek called this institution the Central Planning Bureau. To implement the plan and to control the flow of resources, the Bureau would have to exercise broad discretionary power in economic affairs. Yet the Central Planning Bureau in a socialist society would have no market prices to serve as guides. It would have no means of knowing which production possibilities were economically feasible. The absence of a

pricing system, Hayek said, would prove to be socialism's fatal flaw.

In *The Road to Serfdom* Hayek also argued that there was good reason to suspect that those who would rise to the top in a socialistic regime would be those who had a comparative advantage in exercising discretionary power and were willing to make unpleasant decisions. And it was inevitable that these powerful men would run the system to their own personal advantage.

Hayek was right on both counts, of course—on the economic as well as the political problem of socialism. The 20th century is replete with the blood of the innocent victims of socialist experiments. Stalin, Hitler, Mao, Pol Pot, and a host of lesser tyrants have committed heinous crimes against humanity in the name of one or another variant of socialism. Totalitarianism is not an historical accident that emerges solely because of a poor choice of leaders under a socialist regime. Totalitarianism, Hayek shows, is the *logical* outcome of the institutional order of socialist planning.

After the defeat in the public forum of his critique of Keynes and the controversy that arose over the debate on economic calculation under socialism, Hayek turned his attention away from technical economics and concentrated on restating the principles of classical liberalism. Hayek had pointed out the need for market prices as conveyors of dispersed economic information. He showed that attempts to replace or control the market lead to a knowledge problem. Hayek also described the totalitarian problem associated with placing discretionary power in the hands of a few. This led him to examine the intellectual prejudices which blind men from seeing the problems of government economic planning.

During the 1940s, Hayek published a series of essays in professional journals examining the dominant philosophical trends that prejudiced intellectuals in a way that did not allow them to recognize the systemic problems that economic planners would confront. These essays were later collected and published as *The Counter-Revolution of Science* (1952). *The Counter-Revolution*, perhaps Hayek's best book, provides a detailed intellectual history of "rational constructivism" and the problems of "scientism" in the social sciences. It is in this work that Hayek articulates his version of the Scottish Enlightenment project of David Hume and Adam Smith of using reason to whittle down

the claims of reason. Modern civilization was not threatened by irrational zealots hell-bent on destroying the world, but rather it was the abuse of reason by rational constructivists trying to consciously design the modern world that had placed mankind in chains of his own making.

In 1950, Hayek moved to the University of Chicago, where he taught until 1962 in the Committee on Social Thought. While there, he wrote *The Constitution of Liberty* (1960). This work represented Hayek's first systemic treatise on classical liberal political economy.

In 1962, Hayek moved to Germany, where he had obtained a position at the University of Freiburg. He then increasingly centered his efforts on examining and elaborating the "spontaneous" ordering of economic and social activity. Hayek set about to reconstruct liberal social theory and to provide a vision of social cooperation among free individuals.

With his three-volume study, *Law, Legislation and Liberty* (1973-1979) and *The Fatal Conceit* (1988), Hayek extended his analysis of society to an examination of the "spontaneous" emergence of legal and moral rules. His political and legal theory emphasized that the rule of law was the necessary foundation for peaceful co-existence. He contrasted the tradition of the common law with that of statute law, i.e., legislative decrees. He showed how the common law emerges, case by case, as judges apply to particular cases general rules which are themselves products of cultural evolution. Thus, he explained that embedded within the common law is knowledge gained through a long history of trial and error. This insight led Hayek to

the conclusion that law, like the market, is a "spontaneous" order—the result of human action, but not of human design.

Hayek's work in technical economics, political and legal philosophy, and methodology of the social sciences has attracted great interest among scholars of at least two generations, and interest in his work is growing. His contributions to economic and classical liberalism are vast and will live on in the progressive research program he has bequeathed to future generations of scholars.

Friedrich Hayek lived a long and fruitful life. He had to endure the curse of achieving fame at a young age and then having that fame turn to ridicule as the Keynesians and socialists gained popularity and the intellectual and political world moved away from his ideas. Fortunately he lived long enough to see his towering intellect recognized again. Both Keynesians and socialists were eventually defeated soundly by the tide of events and the truth of his teachings. Classical liberalism is once again a vibrant body of thought. Austrian economics has re-emerged as a major school of economic thought, and younger scholars in law, history, economics, politics, and philosophy are pursuing Hayekian themes. We may mourn the loss of this great champion of liberalism, but at the same time we can rejoice that F. A. Hayek left us such a brilliant gift.

A great scholar is defined not so much by the answers he provides as by the questions he asks. Successive generations of scholars, intellectuals, and political activists throughout the world will long be pursuing questions that Hayek has posed. □

F.A. Hayek

The principle that the end justifies the means is in individualist ethics regarded as the denial of all morals. In collectivist ethics it becomes necessarily the rule; there is literally nothing which the consistent collectivist must not be prepared to do if it serves "the good of the whole," because the "good of the whole" is to him the only criterion of what ought to be done. . . . Once you admit that the individual is merely a means to serve the ends of the higher entity called society or the nation, most of those features of totalitarian regimes which horrify us follow of necessity. From the collectivist standpoint intolerance and brutal suppression of dissent, the complete disregard of the life and happiness of the individual, are essential and unavoidable consequences of this basic premise. . . .

—*The Road to Serfdom*

IDEAS
ON
LIBERTY



Tough Love for the Needy

by James L. Payne

Why do government welfare programs keep failing? Much of the problem can be summed up in one word: dependency. Government programs reinforce social pathologies they are trying to cure: they pay people for being out of work—and encourage unemployment; they pay people to have children they can't support—and encourage larger welfare families.

Even politicians agree that this one-sided giving is unhealthy. In their rhetoric, they condemn policies of "handout," and extol the virtues of the "helping hand." Yet in practice, program after program turns into another dependency-causing subsidy.

Nowhere is this pattern more dramatically illustrated than in programs to provide shelter for the unhoused. Governments keep increasing their efforts, only to reap ever-growing numbers of homeless. In New York, for example, to help street people the city has built 26,700 units of permanent housing, and has provided 23,000 temporary beds. Yet after spending \$2 billion on these programs, the city's homeless problem is more acute than ever, with 50,000 now sleeping on the streets. The mayor's own commission on the homeless concedes defeat: "The current system must be seen as the failure it is."

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At the root of the failure of the government programs is irresponsible giving. When a person gives away his own, hard-earned funds, he wants to get full value for his sacrifice. He wants to make sure he is really helping someone, and not just throwing his money down the proverbial rat hole. In government welfare programs, legislators and administrators are not spending their personal funds. They are spending tax dollars, money taken involuntarily from other people. Hence, they lack a keen, personal interest in seeing that welfare dollars are spent constructively.

The value of direct, private giving is demonstrated by the success of a remarkable new organization in the housing field, Habitat for Humanity. Founded in 1976, Habitat is a Christian voluntary group that promotes housing for the poor. It has grown to 700 chapters in the United States, Canada, and Australia, and is adding a dozen new ones every month. World-wide, the organization built 4,300 homes in 1991; it expects to complete 6,000 in 1992.

All of the locally controlled chapters follow the "partnership" approach to building housing. The poor are assisted, but in return they must help themselves. They must put in "sweat equity" building their own homes (the typical requirement is 500 hours), and they must agree to make payments on a no-interest loan for the cash cost of their houses (which averages around \$26,000). Habitat accepts no government funds and relies on donations and the volunteer labor of its mem-

bers. A number of other voluntary groups are taking up this idea of self-help housing: Charis Community Housing group in Atlanta is one example; Southern Mutual Help Association in Louisiana is another.

The founder of Habitat, and its current president, Millard Fuller, explains its appeal: "People feel like they are a part of a permanent solution to a problem rather than putting a Band-Aid on it," he says. "They also feel they are helping to empower people, to make them stronger and to maintain their sense of self-dignity."

Empowering needy people is hard work. Each Habitat chapter has a family selection committee that interviews applicants and explains what is expected of them. Committee members investigate thoroughly to select families that want to make a success of the housing opportunity being offered. After the family moves into its Habitat-built home, a family nurture committee provides financial counselling, and encourages the family to live up to its contractual responsibilities.

The Effect of Sweat Equity

This attention pays off in an extremely low default rate on Habitat loans—a rate much lower than that of commercial banks, reports Fuller. "People don't like to disappoint somebody they know who loves them. We try to develop that relationship with the families: a close, loving, caring relationship." Another reason for the low default rate is the effect of "sweat equity."

"A person does not like to lose that which he or she built with their own hands. They have an emotional and psychological investment in it," says Fuller. "People don't feel connected to a government housing unit—because they had nothing to do with building it."

Even though defaults are few, they can occur. Habitat workers are willing to be resolute about

evictions, when necessary, because it is their own sacrifice being wasted by the irresponsible family. "We emphasize partnership in Habitat," says Fuller. "We always would exercise mercy with people if there's a loss of job, or an unexpected illness. But if it becomes obvious that the family is not paying just because they'd rather use their money to buy beer, or go on joyrides, or to buy two or three television sets, when it becomes obvious that they're just trying to take advantage of the program, then we exercise what I call tough love, and say to them, 'You have decided, by your actions, not to be a partner in this ministry.'"

Contrast this firm stance with the typical practice in a government housing program. Just six blocks from my home is a HUD-subsidized apartment complex. There the tenants' rent is 30 percent of their incomes—whatever that happens to be. If their income is zero, then they pay zero rent. Naturally, this system discourages tenants from getting and keeping jobs: the taxpayers pick up the tab no matter what. The administrators in charge of the program don't mind: after all, it's not their money that's being thrown away.

Fuller is opposed to this indulgent approach. He uses an analogy with childrearing: "It's a bad parent who says to a child, 'You can do anything you want to, I'll still love you and support you. If you want to take drugs, rob a bank, shoot somebody, beat somebody up, tear the house up, that's okay because I love you.' What kind of love is that?" he asks indignantly. "You have to say, 'You have responsibilities.'"

This is Habitat's stance: "You have to say to the homeowners, 'We love you, we care for you—that's obvious because we worked with you to build this house—but you now have responsibilities. You're going to have to live up to them. If you don't, there will be consequences.'" In requiring that their tenants uphold their end of a partnership, Habitat workers promote self-reliance—and success—in the needy they are trying to help. □

President Franklin Pierce

I READILY and, I trust, feelingly acknowledge the duty incumbent on us all . . . to provide for those who, in the mysterious order of Providence, are subject to want and to disease of body or mind; but I cannot find any authority in the Constitution for making the Federal Government the great almoner of public charity throughout the United States. . . .

—From a veto message in 1854

**IDEAS
ON
LIBERTY**



The Property Rights Origins of Privacy Rights

by Mary Chlopecki

Among the many sermons Senator Joseph Biden delivered from his pulpit as chairman of the Senate Judiciary Committee during the 1991 confirmation hearings of Supreme Court Justice Clarence Thomas was one that might have been entitled “Up with Privacy, Down with Property.”

In a dramatic moment during this homily, Biden fashioned his arms into a scale to demonstrate how “traditionally” the courts have assigned tremendous value to privacy rights and a much lesser value to property rights.

Biden pointed to a 1977 Supreme Court decision, *Moore v. City of East Cleveland, Ohio*, as an excellent example of how the right to privacy protects precious and fundamental freedoms of Americans. In contrast, he invoked the works of Professors Richard Epstein and Stephen Macedo as representative of a dangerous intellectual extreme that seeks to gain increased protection for that most dubious of asserted rights, the right to property. Biden’s goal, apparently, was to invite the Supreme Court nominee to join him on the record in glorifying privacy rights and denigrating property rights.

Perhaps the reason Biden failed is that privacy and property rights are intimately linked. Moreover, the integrity of privacy rights depends largely upon the protection of private property rights.

Meaning and Origins of the “Right to Privacy”

The “right to privacy” has meant different things to different people and different things in different times. Scholar W. A. Parent considers the following to be the most common views of what the right entails: 1) the right to be left alone, 2) the right to exercise autonomy or control over significant personal matters, and 3) the right to limit access to the self.¹

Given the variety of beliefs regarding the content of privacy rights, and the absence of an explicit reference to privacy in the Federal and in most state constitutions, it is no surprise that courts interested in protecting privacy have protected an array of interests in its name. For instance, the U.S. Supreme Court has within the scope of privacy protected child rearing and education, contraception, and abortion. It has also considered the issues of peddlers going onto private property and disturbing homeowners, and loud trucks running through residential neighborhoods to involve privacy interests.

The concept of privacy and limited privacy rights was recognized in ancient Athens. Indeed, the language, law, and writings of the period reveal that privacy and property in Athenian society were interconnected, and recognized as such.²

While Athenian law respected a form of privacy, Plato believed that privacy could not serve a constructive social or psychological purpose, and argued for the eradication of the private realm. He believed that wiping out private prop-

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erty would contribute significantly to the elimination of all that is private, including thoughts, emotions, desires, judgments, and decisions.

Plato's vision was never realized in Athens, nor was it influential in English and American jurisprudence, which continued in the Athenian vein to recognize and develop privacy rights in connection with property rights. In 18th-century England, the early parameters of what was to become the right to privacy were set in cases dealing with unconventional property claims. In *Pope v. Curl* (1741), a bookseller named Curl obtained and published, without consent of the authors, personal letters written to and by well-known literary figures, including Alexander Pope and Jonathan Swift. Pope sued Curl, seeking to have the book containing the letters removed from the market and Curl enjoined from similar actions in the future. The Lord Chancellor upheld the privacy of Pope's letters on the grounds that the writer of a letter has a property right in his words.

Extending Property Rights Protection

In the 1820 case of *Yovatt v. Winyard*, the court extended property rights protections to cover personal secrets. In that case, Winyard, a journeyman assistant, left the employ of Yovatt, a veterinarian, to start a competing business. Winyard used secret medicines in his new practice, providing clients with printed instructions on how to use them. Yovatt sued, alleging that Winyard had obtained the formulas for the medicines as well as the instructions for their use from him by surreptitious and clandestine means. Particularly, Yovatt believed Winyard had copied the information out of his personal book. The Lord Chancellor ruled in Yovatt's favor on the grounds that there had been a breach of trust and confidence, and ordered Winyard to stop using the formulas and instructions.

Yovatt brings to light the interesting and important fact that "what we now call 'unfair competition' and 'plagiarism' and 'privacy' were all wrapped together, in Yovatt's time, under the principle of 'property.'"³ It was only later that these concepts were separated.

A third case that contributed to the development of privacy rights was *Prince Albert v. Strange*

and *Others*, decided in 1849. The case was famous because the plaintiff was the husband of Queen Victoria, and the Queen herself was an aggrieved party in the suit. In dispute was the right of printer William Strange to sell reproductions of etchings that he had catalogued and printed without the consent of their creators, Queen Victoria and Prince Albert.

While the right to privacy was not explicitly recognized at the time, Victoria and Albert argued their case in terms of their right to keep private art they had created for their personal enjoyment. Realizing that the court would protect a property interest, but not an independent privacy interest, Strange's lawyer sought to capitalize on the distinction. He observed, "It has been argued that privacy is the essence of property, and that the deprivation of privacy would make it, in fact, cease to be property." He concluded that "the notion of privacy is altogether distinct from that of property." The court did not accept his argument. Ruling in favor of Victoria and Albert, the Vice Chancellor wrote: "Every man has a right to keep his own sentiments, if he pleases. He has certainly a right to judge whether he will make them public or commit them only to the sight of his friends. In that state the manuscript is, in every sense, his peculiar property; and no man can take it from him, or make any use of it which he has not authorized, without being guilty of a violation of his property."

According to one commentator, the most significant aspect of this case and its underlying philosophy is that it rested on a right of privacy, which the court considered a type of property right.⁴ In fact, it appears that until 1890, no English court recognized the right to privacy independent of property rights.⁵

Across the Atlantic, the right to privacy was developing in a similar fashion, as an outgrowth of property rights. The Third, Fourth, Fifth, and Fourteenth Amendments to the United States Constitution all protected people and their property against government intrusions. In protecting property, these Amendments also protected privacy. "The legal maxim and popular proverb that 'a man's house is his castle' had wide application in the nineteenth century." Civil and criminal penalties threatened anyone who dared invade the sanctity of the home, or disturb the quiet possession of the householder.

The Fourth Amendment's prohibition of unreasonable search and seizure, as well as the law of trespass, were viewed by courts as safeguards of a homeowner's privacy. Damages in trespass even included compensation for "invasion of privacy." The first United States Supreme Court decision interpreting the Fourth Amendment recognized an "indefeasible right of personal security, personal liberty and private property" against "all invasions on the part of the government and its employees of the sanctity of a man's home and the privacies of life."⁶

Contemporary Views of Privacy and Property

A critical event occurred in 1890, dramatically altering the course of the development of the right to privacy, and giving birth to the current philosophical dichotomy between privacy and property rights. That year, the *Harvard Law Review* published an article by Samuel Warren and Louis Brandeis entitled "The Right to Privacy." In that article, the authors argued that many decisions granting relief on the grounds of invasion of property, such as defamation, breach of confidence, or breach of implied contract, were really based on a broader principle—the right to privacy. Although they acknowledged that privacy was already protected within the ambit of property rights, they argued the right to privacy ought to be recognized and protected separately.

Warren and Brandeis believed that as society became more civilized and technology advanced, rights also should evolve to protect new threats to human dignity and emotions, and to preserve propriety and decency.⁷ The article began the process of divorcing privacy from its historical and intellectual partner, property rights.

The result of this divorce has been a confused understanding of the origin of the right of privacy, as illustrated by the seminal Supreme Court decision in the area. In *Griswold v. State of Connecticut*, the Supreme Court construed the right to privacy as a "penumbra" formed by "emanations" from the First, Fourth, Fifth, and Ninth Amendments, but did not link privacy explicitly to property rights. Similarly, in decisions ranging from abortion to criminal search and seizure cases, the Court has loosened privacy protections from their property rights moorings. In the process, it has

muddled the parameters of the right and allowed critics to argue that the right to privacy does not exist in the Constitution.⁸

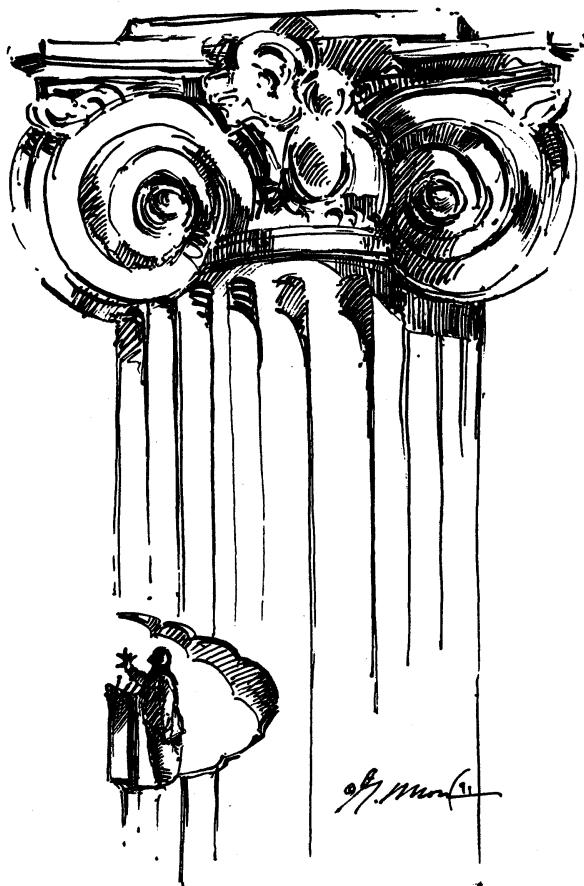
Ironically, the false dichotomy between property and privacy rights—and the need to join the two concepts together again—is perhaps best illustrated by the case of *Moore v. City of East Cleveland*.⁹ *Moore* involved the criminal prosecution of an elderly black woman who, by having two of her grandchildren (who were cousins) living with her, violated a local zoning ordinance limiting occupancy of residential dwellings to members of a single "nuclear" family.

A divided Court struck down the ordinance as unconstitutional. The plurality considered the ordinance a violation of the right to privacy, as protected by the Due Process Clause of the Fourteenth Amendment, noting that the Court has "long recognized that freedom of personal choice in matters of marriage and family life" is constitutionally protected.

Where *Moore* becomes interesting, however, is in the concurring opinion of Justice John Paul Stevens, who provided the swing vote in the 5-4 decision. Justice Stevens viewed the "critical question," as "whether East Cleveland's housing ordinance is a permissible restriction on [Mrs. Moore's] right to use her own property as she sees fit." Stevens observed, "Long before the original States adopted the Constitution, the common law protected an owner's right to decide how best to use his own property." In Stevens's view, the application of the ordinance constituted a "taking" without due process or just compensation, in violation of the Fifth Amendment.

The *Moore* case illustrates the interconnectedness between privacy and property rights. Given the same set of facts, four members of the Court believed privacy rights were jeopardized, while another believed property rights were threatened. Ultimately, the two segments came together to protect the rights at stake.

Since 1977 and the *Moore* decision, the composition of the Court has changed, and a majority now exists that does not view favorably rights that are not explicitly defined in the Constitution. Those like Senator Biden who do not understand the nexus between property and privacy rights may unwittingly be creating the groundwork for the Court to diminish protection for privacy. The most enduring protection for



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both rights is to view each as indispensable to the other.

When asked about the *Moore* case, Judge Thomas replied that he agreed with the decision, and noted that his own family living arrangements as a boy in rural Georgia would have been unlawful under the East Cleveland ordinance. Thomas's personal experiences, growing up in an era of state-enforced segregation, likely gave him a keen appreciation for both property and privacy rights and for the consequences of denying such rights.

Out of the strange ritual that brought together the ideas of Clarence Thomas, Joseph Biden, Stephen Macedo, and Richard Epstein, among others, an important, although perhaps overshadowed issue emerged—what will be the destiny of

privacy and property rights in the decades ahead? Interestingly, the answer may depend on whether the connection between privacy and property rights is rediscovered and acknowledged to be essential to our precious liberties. □

1. W. A. Parent, "Privacy, Morality, and the Law," *Philosophy and Public Affairs*, vol. 12, no. 4 (Princeton, N.J.: Princeton University Press, 1983), pp. 269-88.

2. See Barrington Moore, Jr., *Privacy: Studies in Social and Cultural History* (Armonk, N.Y.: M. E. Sharpe, 1984), pp. 82, 108, and 124.

3. Morris L. Ernst and Alan U. Schwartz, *Privacy: The Right to Be Let Alone* (New York: Macmillan, 1962), pp. 6-12.

4. *Ibid.*, pp. 14-22.

5. "The Right to Privacy in Nineteenth Century America," *Harvard Law Review*, vol. 94 (1981), p. 1892.

6. *Ibid.*, pp. 1894-1895, 1898.

7. Samuel Warren and Louis Brandeis, "The Right to Privacy," *Harvard Law Review*, vol. 4 (1890), p. 191.

8. 381 U.S. 617 (1965).

9. 431 U.S. 494 (1977).

The \$100 Tree Fern

by Donald G. Smith

I once owned a \$1,000 dog. I got him for \$2 and a \$998 cat. —old vaudeville joke

Our house in Los Angeles featured a rather impressive planter area adjacent to the front porch. The builder—it was a new house—had put in a few plants to enhance its eye appeal, and one was a large Australian tree fern.

People who entered the house invariably informed me that the plant was worth \$100: "That's what they go for in the nurseries." I repeatedly offered to sell them the plant, but they weren't interested. It supposedly was worth \$100, but no one would pay it.

Eventually the fern grew to such mammoth proportions that it was starting to take over the porch, and it was clear that it had to go. I offered it for \$50, then \$25, then free to anyone who would cart it off. There were no takers, and I wound up paying to have it cut up and hauled away. Still, I was often told in subsequent conversations that the plant had a value of—what else?—\$100.

What it boils down to is a gross misunderstanding of basic economics. My plant would have been worth \$100, \$500, or \$1,000 if anyone had been willing to pay that amount. The truth was that it was worth nothing—in fact, less than nothing because I had to pay to get rid of it. To put it simply, an item or service is worth only what another person is willing to pay.

This is the very core of the capitalistic system—the marketplace. Those who understand it generally prosper, and those who don't haven't a chance.

We have all read, for example, that no baseball

player is worth \$5 million a year. In the days of Ted Williams and Joe DiMaggio, we heard that no player was worth \$100,000. Whatever the amount, it is a naive statement because it is the marketplace that dictates what a ballplayer, or anyone else, is worth. One can't compare a professional athlete with, say, a classical musician, or a real estate agent with a locksmith. A person's services are worth what he can command in the market.

I have talked with people who believe that we should place a dollar value on occupations—through government, of course. They envision a great chart in which a typist might make X dollars, a plumber Y dollars, and a college professor Z dollars. But market values aren't static. The typist is worth more than the plumber or the college professor if a writer has to get a manuscript in the overnight mail, and the plumber's value goes up when the basement is flooded.

Where, in this great chart of human values, would we place a high-school-dropout rock musician who cannot name his state capital but who can sell out the Los Angeles Coliseum in a matter of hours? The great chart-maker might put him at a minimum wage level, but the marketplace says he is worth millions. There is no set value for an entertainer. If he sells tickets, he is a valuable property. If no one will pay to see him or buy his cassettes, he is worth very little.

This brings us back to the premise that the economic value of anything is determined solely by what it will bring in the marketplace.

Price controls, rent ceilings, minimum wage laws, and other artificial constraints are really worthless because they are injected into the economy to hold back a tide that isn't going to be held back. If a person is worth less to an employer than the minimum wage, he isn't going to be hired. If a price ceiling is far below the real value of a product or service, the item either goes off the market or follows an illegal path to its realistic level. The market value will prevail one way or another.

All of which leads back to my marvelous Australian tree fern. Whatever pleasure I derived was from the delusion that I had a \$100 item greeting guests as they entered my house. It wound up as a great disappointment, but now I have something even better. This is my \$5,000 pine-cone collection. I have decided never to sell it. □

Mr. Smith, a frequent contributor to The Freeman, lives in Santa Maria, California.

How Capitalism Saved the Whales

by James S. Robbins

It is an article of faith among environmentalists that the ills of the world can be traced to economic and technological development, especially since the industrial revolution. The changes that took place in the late 18th and early 19th centuries, such as harnessing new sources of energy (moving from water to coal power, for example), the development of the factory system, and the human population explosion, they say, led directly to the current problems with waste disposal, air and water pollution, overcrowding, and misused resources, not to mention global warming, ozone depletion, acid rain, and other highly speculative developments.

Fixation on doomsaying can cause environmentalists to forget that the negative consequences of industrialization are minute compared to the positive developments of the industrial age. People are healthier, live longer, and are more productive than ever before in history. But defenders of industrialism can go even further to show that in many cases technological progress has benefited the environment. This is vividly demonstrated in the case of one of the most emotion-laden symbols of environmentalism, the whales.

At the dawn of the industrial age, whales were an important natural resource which humans had been exploiting for centuries. Whales were especially valued for their oil, which was used primarily as fuel for lamps. It was also used for heating, for lubrication, soap, paint and varnish manufactur-

ing, and the processing of textiles and rope. The Japanese among others had long acquired a taste for whale meat. Regular whale oil ("train oil") was extracted from the blubber which encased the whale's body. But the best oil was spermaceti, found only in the nose of the sperm whale. If exposed to air it would congeal, and was used for smokeless candles, regarded as the finest quality candles ever made.

The sperm whale also sometimes produced ambergris, a sticky substance from the intestines used in the manufacture of perfume. Baleen, the bony, plankton-straining ribs in the mouths of most whales (excepting the sperm whale), was lightweight and had good tensile qualities. It was used for a variety of things, including corset stays, umbrella ribs, fishing rods, buggy whips, carriage springs, and skirt hoops. Bones from the body were generally used as fertilizer.

Whaling was a major industry in the 19th century, and the United States was the pre-eminent whaling nation. According to tradition, American commercial whaling began in 1712 in New England. Whaling expanded through the 18th century, but was disrupted by the American Revolution and the Napoleonic Wars. In 1815 came peace and rapid growth in the industry. By 1833 there were 392 American whaling vessels. By 1846 there were 735 whalers, comprising 80 percent of the whaling fleet of the entire world. Each year whaling produced 4-5 million gallons of sperm oil, 6-10 million gallons of train oil, and 1.6-5.6 million pounds of bone. The price of train oil rose from 35 cents per gallon in 1825 to 95 cents in 1855.

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A 19th-century illustration which carried the caption, "Grand ball given by the whales in honor of the discovery of the oil wells in Pennsylvania."

Though large, whaling was not a robust industry. Even with rising prices, profit margins were always slim, and one in ten ships typically lost money on a voyage. In 1858, a very poor year, 64 percent failed to make a profit. But whalers could always count on an increasing demand for their products, as populations grew and markets expanded accordingly. Had the whaling industry matched the 300 percent population growth from 1850 to 1900, many species of whale would have been extinct long ago.

The Role of Technology in Saving the Whales

Yet, the American whaling industry peaked in the 1850s. The reason for its decline was not because of public awareness of the evils of whaling, it was not because of consciousness-raising efforts by pioneer environmentalists, and it definitely was not because of legislation. The whales were saved because of the march of technology.

The first step that led to saving the whales was made by Dr. Abraham Gesner, a Canadian geologist. In 1849, he devised a method whereby kerosene could be distilled from petroleum. Petroleum had previously been considered either a nuisance, or a miracle cure (an idea originating with Native Americans). Earlier coal-gas methods had been used for lighting since the 1820s, but they were prohibitively expensive. Gesner's kerosene was cheap, easy to produce, could be burned in existing lamps, and did not produce an offensive

odor as did most whale oil. It could be stored indefinitely, unlike whale oil, which would eventually spoil. The American petroleum boom began in the 1850s. By the end of the decade there were 30 kerosene plants operating in the United States. The cheaper, more efficient fuel began to drive whale oil out of the market.

The man most responsible for the commercial success of kerosene was John D. Rockefeller. In 1865, at the age of 25, he went into partnership with Samuel Andrews, the part-owner of a Cleveland refinery. Rockefeller had sensed that too much capital was being invested in finding and extracting oil, and not enough was being invested in its processing. Backed by investors, he set up a network of kerosene distilleries which would later develop into Standard Oil.

As kerosene became generally available throughout the country, the demand for whale oil dropped precipitously. The 735-ship fleet of 1846 had shrunk to 39 by 1876. The price of sperm oil reached its high of \$1.77 per gallon in 1856; by 1896 it sold for 40 cents. Yet it could not keep pace with the price of refined petroleum, which dropped from 59 cents per gallon in 1865 to a fraction over seven cents in 1895.

Rockefeller, too, would eventually find himself having to adapt to the changing market. A new invention soon snuffed out both flame-based lighting systems. In 1879 Thomas A. Edison began marketing the incandescent light bulb he had invented the previous year. Arc-light technologies had existed since the turn of the century, but it was

Edison who devised the modern, commercially feasible light bulb, which produced an even light, burned longer and brighter than oil or kerosene, and was much safer than an open flame. As the country was electrified, whale oil and kerosene were both driven from the illumination market.

American whaling might have expired then, but for the vagaries of fashion. The peripheral market in baleen and whalebone suddenly exploded as more women began to wear corsets, bustles, and other garments that relied for their shape upon the pliant material. From 32 cents per pound in 1870, whalebone rose to \$1.12 in 1875, and \$3.25 in 1878, reaching \$5.00 at the turn of the century. Whalebone constituted 80 percent of the value of a bow-head—sperm whales were given a respite because of their lack of baleen. But by 1908, this market crashed as well. Spring steel replaced whalebone in women's fashions, and as automobiles supplanted horse-drawn carriages, demand for whalebone buggy whips and wagon suspensions collapsed. A few American whalers stayed in business, but their time had passed. The last American whaler left port in 1924, and grounded on Cuttyhunk Island the next day.*

Stopping technology in its tracks in the 1850s would have doomed the whales. But suppose whaling had been outlawed then, as it is now? The immediate effect would have been a dramatic decline in quality of life. Would kerosene and electric lamps have come on the scene any faster, in reaction to the sudden surge in demand for substitutes? Maybe—but at the cost of the spirit of innovation which brought the inventions on the scene in the first place. A government which can squelch one endeavor, such as whaling, can outlaw any enterprise. The unpredictability and capriciousness of the state is the true enemy of innovation. Gesner, Rockefeller and Edison had no intention of saving the whales. Their primary motivation was to make a profit. If the government fosters an atmosphere in which innovation and profit making potential are subject to whims of bureaucrats, lawyers and politicians, and not based in the abilities of creative people to find innovative solutions to public needs, innovators will not set their minds to the task, and no state whip can force them to do so. In its time, killing whales was rational, goal-oriented activity, fulfilling human needs. It was not "mindless slaughter" for fun or sport. And the

decline of whaling was also rational; human needs remained, even increased—but human ingenuity had found better ways to meet those needs. The whale industry declined—not because of concern for the whales, not because of legislation, but because they were no longer a necessary resource.

The whales were not the only beneficiaries of the technological advancements of the 19th century. The Galapagos tortoise was driven almost to extinction because the islands were in the center of a major whaling area, and sailors killed the tortoises for fresh meat. In northern climes, whalers sometimes killed blubber-rich arctic seals to augment their oil stores. Both of these animals were saved by the decline of whaling. Oil-drilling in Pennsylvania restored many lakes which had been contaminated by natural petroleum leaks. These were all unintended consequences; but the fact that technological development under capitalism manages to produce such consequences consistently argues in favor of the system.

Humans are problem solvers, and the human mind should not be prevented from doing what only it can do. Creative solutions are superior to state restrictions because they strike at the causes of problems, not their effects. Furthermore, just as creative action produces unintentional positive consequences, restricting innovation multiplies negative effects. No one, especially government agencies or neo-Luddites, can anticipate the indirect or unintended favorable consequences of technological innovation. This is why Abraham Gesner, John D. Rockefeller and Thomas Edison saved more whales than GreenPeace ever will. □

*Despite the extinction of American whaling, the whales were not yet safe. The whaling mantle passed to other countries, notably Norway, Japan, and the Soviet Union. Critics of technological development can point to other inventions which kept whaling on the margins of profitability, notably the rocket harpoon, and the harpoon cannon. The process of hydrogenation gave whale oil new markets in soap and margarine. A by-product of whale oil is glycerine, used in manufacturing explosives, and the two World Wars guaranteed a market. The Japanese took increasing numbers of whales for food, and the Soviets used them for animal fodder and fertilizer. By the middle of the 20th century whaling had revived.

The second cycle of whaling was more destructive than the first in absolute number; but it never equalled the per capita whale consumption of the previous century. Had per-capita rates of the 1850s continued unabated, the total would have been three times that number in the American market alone.

The situation would have been worse for less numerous species. In the first two decades of the 19th century, American whalers killed right whales at an average of almost 15,000 per year. When whaling dropped off at the end of the century, there were only about 50,000 right whales left alive.

Charity in the Land of Individualism

by John D. Fargo

It was back on the farm, late 1940s, along the northwestern edge of the corn belt—in the land of individualism. Folks were poor, and only the more rugged had survived the ravages of the Great Depression, but times were better now.

A new farmer moved in and rented the farm across the section. I'll call him George. Within this self-reliant culture, George didn't fit in well. Each farm, a piece of carefully marked-off private property, was conscientiously cared for by the farmer and his family, but not George's.

This was before farmers used chemical weed killers. Thus, each farmer had to control weeds the hard way, by laboriously chopping them down, lest they go to seed and infest not only his fields but those of his neighbors. But not George.

We shared three-quarters of a mile of fence with George. Each farmer took care of half his common fences, making repairs when needed and chopping the weeds out of the fence row each summer. But George never laid a hand on any part of that fence.

Thistles were a nasty problem. Patches of these perennial weeds choked out the grain, and with no chemicals they were all but impossible to destroy. In the fall the thistles released thousands of tiny seeds that floated in the wind and could spread for miles. It was understood in the land of individualism that no one let his thistles go to seed—but George exempted himself. His farm became an eyesore in a culture where pride in one's property, rented or otherwise, ran high.

Farmers often had to extend themselves. For example, instead of the normal 12-hour workday, they might put in 15 to 18 hours a day to get the hay crop in before a rainstorm. But George was too irresponsible to put forth the extra effort.

Corn, which requires a relatively long growing season, was the main crop back then, but it was vulnerable along the northwestern edge of the corn belt. Farmers had no commercial grain driers; most of them didn't even have electricity. Thus, to prevent spoilage, the corn had to be left in the fields until it became sufficiently dry. This meant waiting until October, when early snows threatened to bury the crop.

Every October the race was on—to beat that first snowstorm and get the corn in. Corn-picking machines were repaired, greased, and ready to go. Corn cribs were built, farm kids skipped school to help with the harvest, and the time for 16-hour days, seven days a week, was on. But not George—his dilapidated corn picker wasn't ready. And his three little kids were too young to help bring in the crop.

Tragedy Strikes

Machinery was primitive by today's standards. Corn pickers often broke down, and dry corn husks often wouldn't feed down between the steel husking rollers. Instead, they accumulated above the rollers, plugging up the machine. The operator was constantly stopping his machine to dig out the jammed husks. It was a tedious process.

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But there was an faster and easier way of handling this problem: leave the machine running, reach in with your hand, and push the husks down so they would feed through the steel-ridged rollers. It was dangerous; a man could lose his fingers.

Well, George did it the easy way. He had barely gotten started with his corn picking when those steel rollers grabbed his fingers. All the doctor could salvage of his mutilated right hand was part of one finger and his thumb, minus the nail.

"He probably deserved it." I never heard those words spoken, but I don't doubt that the thought ran through a mind or two. In any event, the forces of selection had weeded George out. Farming required a strong back and two good hands, and this incident ensured that George would never farm again.

Word of the tragedy spread rapidly. The next day, a neighbor drove up to where we were working and talked briefly to my father. The neighbor planned to work in George's fields the following day—maybe get some of his crop in—and thought we might like to help.

Early the next morning, we pulled into George's farm with our corn picker, wagons, elevator (a long conveyor mechanism that lifted the corn into the cribs), and hoist (which lifted the front end of the wagons for easier unloading). George had no permanent corn cribs, so we scrounged around in the dark, looking for pieces of old corn-crib fencing to construct temporary cribs. About then, another farmer pulled in with a trailer loaded with brand new corn-crib fencing.

Before daybreak, we had the elevator up and running, the bottom rung of the corn crib built, and the first loads of corn already were coming in from the fields. The bitter cold penetrated to the bone, and I was anxious to start unloading wagons.

A young farmer drove in with his corn picker, stopped where I was working, and asked if he could help me unload wagons. That seemed strange because running the elevator and hoist, tending the temperamental gasoline engine that powered the works, and unloading the wagons was normally

a one-man job. He insisted until I convinced him that I could handle it—and they probably needed him and his corn picker in the fields. It wasn't until he left that I realized it was probably my age that had prompted his offer. I was 11 or 12 at the time, but younger kids than I were operating the tractors that pulled the wagons loaded with corn.

Judging by the rate the corn started coming in, I figured there must have been a dozen corn pickers running. A second elevator pulled into the farmyard and was set up nearby. More corn pickers arrived—their faded yellow, green, or red paint showing through the dirt and grime of the machines. By mid-morning the place was swarming with people and machines.

Farm wives drove in with pots and baskets of food for dinner (the noon meal). The area near the farmhouse was beginning to look like a small parking lot. The house could not hold everyone, so we ate in shifts. Most ate quickly and quietly, then returned to work. I didn't know of anyone who was on "visiting terms" with George and his family.

By mid-afternoon, some of the corn pickers were returning from the fields, pulling through the farm yard, and leaving. One farmer, pulling in a load of corn, said that most of the corn was picked and they were starting to get in each other's way. Before dark George's entire crop was harvested, and he hadn't even returned from the hospital.

The remaining operators were solemnly departing. I counted over 20 corn pickers leaving, but there weren't that many farmers in the area. Some of them must have pulled their machines several miles in order to help out. Now, each farmer was going his own way, returning to his own fields where he would work late into the night in that annual race with the snowstorms.

That was how charity worked in the land of individualism, back before the welfare state became entrenched.

It may take the world a while, but eventually it will discover that true charity lies deep within the fertile soil of authentic individualism. These rugged souls, who dare to stand alone, tend to have hearts of gold. □

Freedom and Majority Rule

by Edmund A. Opitz

Lord Northcliffe, the publisher of the *London Times*, came to this country a few years after World War I. A banquet in his honor was held in New York City, and at the appropriate time he rose to his feet to propose a toast. Prohibition was in effect, you will recall, and the beverage customarily drunk by Northcliffe in his homeland was not available here. So Northcliffe raised his glass of water and said: "Here's to America, where you do as you please. And if you don't, they make you!"

Here, in this land of the free, "we" as voters had amended the Constitution to punish conduct which "we"—as consumers—had been enjoying. If you point out that the 18th Amendment had been inserted into the Constitution by majority vote, and that therefore "we" had done it to "ourselves," you need to be reminded that the "we" who did it were not the same people as the "ourselves" to whom it was done!

The 18th Amendment was repealed by passage of the 21st Amendment in 1933. Shortly thereafter another prohibition law was passed, this one a prohibition against owning gold. Under the earlier dispensation you could walk down the street with a pocketful of gold coins without breaking the law; but if you were caught carrying a bottle of whiskey you might be arrested. Then the legal switcheroo occurred, and you could carry all the whiskey you

wanted, but if you had any gold in your pocket you could be thrown in jail!

Our scientists are exploring outer space looking for intelligent life on other planets. I hope they find some, because there's none to spare on planet Earth! With how little wisdom do we organize our lives, especially in the areas of government and the economy. We've been going by dead reckoning for too long, and our dumb luck has just about run out.

Our present subject is political philosophy. This is a complex subject, so we shall do no more than ponder the first step. The big question in any serious theory of politics is to decide what's political and what's private. In a totalitarian nation there is no sector of life which is intrinsically private; the whole of life is politicized. The State controls economic life; there is a State Church; there is a controlled press; the schools are all run by government. Big Brother oversees every activity. When people in such a nation decide to move in the direction of a free society, they do so by carving private sectors out of what had hitherto been 100 percent public.

You're all familiar with the division of society into the private, voluntary sector, in contrast to the public, governmental, coercive sector; and you know that "the history of liberty is the history of the limitations placed upon governmental power." It is obvious that the more things the law commands you to do the fewer the things you may do freely, on your own initiative. If the public, governmental sector extends over 50 percent of the society, this means that the people of this society, are half free and half unfree. We become

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freer only as we limit government to its proper competence. But what is government's proper competence?

In the 18th century they put the question as follows: What shall be the extent of rule? This is the fundamental, primordial question in political philosophy, but we'd phrase it differently. What are the functions appropriate to the political agency? we would ask. What is the role of the law? What tasks should be assigned to Washington or some lesser governmental agency, and in what sectors of life should people be free to pursue their own goals? When should legal coercion be used to force a person to do something against his will?

What Functions Are Appropriate?

In the light of government's nature, what functions may we appropriately assign to it? This is the question, and there are two ways to approach it. The approach favored today is to count noses—find out what a majority of the people want from government, and then elect politicians who will give it to them! And believe me, they've been giving it to us!

The other approach, the one favored by our ancestors, was to think about the matter, employing relevant intellectual and moral considerations in order to decide what the law should and should not do. The backbone of every legal system is a set of prohibitions, a series of "Thou Shalt Not's." The law forbids certain actions and punishes those who persist in them, so we need to know what actions should be forbidden. Our moral code prescribes what not to do, so the solid core of any legal system is the moral code, which, in our culture is conveyed to us by the Mosaic Law; the Ten Commandments. The Sixth Commandment of The Decalogue says: "Thou shalt not commit murder," and this moral imperative against murder is built into every statute which prescribes punishment for homicide. The Eighth Commandment says: "Thou shalt not steal," and this moral norm gives rise to laws punishing theft.

There is a moral law against murder because each human life is precious; and there is a moral law against theft because rightful property is an extension of the person. "A possession," Aristotle writes, "is an instrument for maintaining life." Deprive a person of the right to own property and for his own survival he has to become the property

of someone else—a slave. The master-slave relation is a violation of the rightful order of things, the rightful order being individual liberty and voluntary association.

The Gift of Life

We've taken care of the right to life and the right to property; what about liberty? Reflect on the fact that every human being has the gift of life, and each of us is charged with the primary responsibility of bringing his own life to completion. Each one of us is also a steward of the earth's scarce resources, which we must use wisely and economically. In short, we are responsible beings. But no person can be held responsible for the way he lives his life and conserves his property, unless he is free. Responsibility—Freedom; two sides of one coin. Liberty, therefore, is a necessary corollary to Life and Property. Our forebears regarded Life, Liberty, and Property as natural rights, and the importance of these basic rights was stressed again and again in the oratory, the preaching, and the writings of the 18th century. Life, Liberty, and Property are potent ideas because they transcribe into words an important aspect of the way things are.

Our ancestors founded their legal and moral codes on the nature of things, on what they believed to be real—just as students of the natural sciences frame their scientific laws to describe the way things behave. For example: physical bodies throughout the universe attract one another; the attraction increases with the mass of the attracting bodies and diminishes with the square of the distance between them. This has always been so, but it was Sir Isaac Newton who made some observations along these lines and gave us the law of gravitation. How come gravitational attraction varies as the inverse square of the distance, and not as the inverse cube? One is as thinkable as the other; but it just happens that the universe is prejudiced against the inverse-cube in this instance; precisely as this same universe is prejudiced against murder, has a strong bias in favor of property, and wills that men and women be free.

Immanuel Kant echoed an ancient sentiment when he declared that two things filled him with awe: the starry heavens without, and the moral law within. The precision and order in nature manifest the Author of nature, the Creator. The Creator is also the Author of *our* being and requires certain

duties of us, his creatures. There is, thus, a reality outside of us joined to the reality within, and this twofold reality—inner and outer—has an intelligible pattern, a coherent structure. This dual arrangement is not made by human hands; it's unchangeable, it's not affected by our wishes, and it can't be tampered with. It can, however, be misinterpreted, and it may be disobeyed. We consult certain portions of the exterior pattern and draw up blueprints for building a bridge. If we misinterpret, the bridge collapses. And a society disintegrates if its members disobey the configuration laid down in the nature of things for our guidance. This configuration is the moral order, as interpreted by reason and tradition.

The point, simply put, is that our forebears, when they wanted some clues for regulating their private and public lives, anchored their beliefs in a reality beyond society and superior to government. They thought their way through to the idea of a sacred order which overarches the world—the order of creation. They figured out that our duties within society reflect the mandates of this divine order.

Take a Poll

This view of one's duty is quite in contrast to the method currently popular for determining what we should do politically, which is to conduct an opinion poll. Find out what the crowd wants, and then say, "Me too!" This is what the advice of certain political scientists boils down to. Here is Professor James MacGregor Burns, a self-professed liberal and the author of several highly touted books, including *The Deadlock of Democracy* and a biography of John F. Kennedy. Liberals play what Burns calls "the numbers game." "As a liberal I believe in majority rule," he writes. "I believe that the great decisions should be made by numbers." In other words, don't bother to think; just count! "What does a majority have a right to do?" he asks. And he answers his own question. "A majority has the right to do anything in the economic and social arena that is relevant to our national problems and national purposes." And then, realizing the enormity of what he has just said, he backs off: "... except to change the basic rules of the game."

Burns's final disclaimer sounds much like an afterthought, for some of his liberal cohorts sup-

port the idea of unqualified majority rule. The late Herman Finer, in his anti-Hayek book entitled *Road to Reaction*, declares "For in a democracy, right is what the majority makes it to be." (p. 60) What we have here is an updating of the ancient "might makes right" doctrine. The majority does have more muscle than the minority, it has the power to carry out its will, and thus it is entitled to have its own way. If right is whatever the majority says it is, then whatever the majority does is O.K., by definition. Farewell, then, to individual rights, and farewell to the rights of minorities; the majority is the group that has made it to the top, and the name of the game is winner take all.

The dictionary definition of a majority is 50 percent plus 1. But if you were to draw up an equation to diagram modern majoritarianism it would read:

$$50\% \text{ plus } 1 = 100\%$$

$$50\% \text{ minus } 1 = 0$$

Amusing confirmation comes from a professor at Rutgers University, writing a letter to *The Times*. Several years ago considerable criticism was generated by the appointment of a certain man to a position in the national government. Such criticism is unwarranted, writes our political scientist, because the critics comprise "a public which, by virtue of having lost the last election, has no business approving or disapproving appointments by those who won." This is a modern version of the old adage, "To the victor belong the spoils." This Rutgers professor goes on to say, "Contrary to President Lincoln's famous but misleading phrase, ours is not a government by the people, but government by government." So there!

The Nature of Government

What functions may we appropriately assign to the political agency? What should government do? Today's answer is that government should do whatever a majority wants a government to do; find out what the people want from government, and then give it to them. The older and truer answer is based upon the belief that the rules of living together in society may be discovered if we think hard and clearly about the matter and the corollary that we can conform our lives to these rules if we resolve to do so. But I have said nothing so far about the nature or essence of government.

Americans are justly proud of our nation, but this pride sometimes blinds us to reality. How

often have you heard someone declare, "In America, 'We' are the government." This assertion is demonstrably untrue; "we" are the society, all 250 million of us; but society and government are not at all the same entity. Society is all-of-us, whereas the government is only some-of-us. The some-of-us who make up government would begin with the President, Vice-President, and Cabinet; it would include Congress and the bureaucracy; it would descend through governors, mayors and lesser officials, down to sheriffs and the cop on the beat.

A Unique Institution

Government is unique among all the institutions of society; society has bestowed upon this one agency, government, the exclusive right to use legal force in specified situations. Governments use persuasion and they employ advertising technicians and public relations experts. They invoke the symbols of authority, legitimacy, and tradition—as do institutions like the Church and the School. But only one agency has the power to tax; only one agency has the authority to operate the system of courts and jails; only one agency has a warrant for mobilizing the machinery for making war; and that is government, *the* power structure. Monarchy, aristocracy, democracy—it doesn't matter. Governmental action is what it is, no matter what rationale might be offered to justify what it *does*. Government always acts with power; in the last resort government uses force to back up its decrees.

It is a truism that government is society's legal agency of compulsion. Virtually every statesman and every political scientist—whether Left or Right—takes this for granted and does his theorizing from this as a base. "Government is not reason, it is not eloquence," wrote George Washington; "it is force." Bertrand Russell, in a 1916 book, said, "The essence of the State is that it is the repository of the collective force of its citizens." Ten years later, Columbia University professor R. M. MacIver spoke of the state as "the authority which alone has compulsive power." The English writer Alfred Cobban says that "the essence of the State, and of all political organizations, is power."

But why belabor the obvious except for the fact that so many of our contemporaries—those who say "we are the government"—overlook it? What we are talking about here is the power of man over

man; government is the legal authorization which permits some men to use force on others. Whenever we advocate a law to accomplish a certain goal, we advertise our inability to persuade people to act in the manner we recommend, so we're going to force them to conform! As Sargent Shriver once put it, "In a democracy you don't compel people to do something, unless you are sure they won't do it."

In the liberal mythology of this century, government is all things to all men. Liberals think that government assumes whatever characteristics people wish upon it—like Proteus in Greek mythology who took on one shape after another, depending on the circumstances. But government is not an all-purpose tool; it has a specific nature, and the nature of government determines what government can accomplish. When properly limited, government uses lawful force to annul violence and redress injury, thus limited government serves a social end no other agency—call it what you will—can achieve. But when the proper limits are overstepped, a government's use of force is destructive. The alternatives here are defensive force versus aggressive force; or law versus tyranny—as the Greeks would have put it. Here's how Aeschylus saw it in his drama *The Eumenides*: "Let no man live uncurbed by law, nor curbed by tyranny."

The Moral Code

If the political agency is to serve a moral end it must not violate the moral code. The moral code tells us that human life is sacred, that liberty is precious, and that ownership of property is good. And by the same token, this moral code supplies a definition of criminal action; murder is a crime, theft is a crime, and it is criminal to abridge any person's lawful freedom. It is the essential function of government, then, in harmony with the moral code, to use lawful force against criminals in order that peaceful citizens may go about their business. The use of lawful force against criminals for the protection of the innocent is the earmark of a properly limited government. Standing in utter contrast is the State's use of tyrannical force on peaceful citizens—whatever the excuse, or whatever the rationalization. It's the contrast between defense and aggression, between the rule of law and oppression.

People should not be forced into conformity with any social blueprint; their private plans should not be overridden in the interests of some national plan or social goal. Government—the public power—should never be used for private advantage; it should not be used to protect people from themselves. Well, then, what *should* the law do to peaceful, innocent citizens? It should let 'em alone! When government lets John Doe alone, and punishes anyone who refuses to let him alone, then John Doe is a free man.

In this country we have a republican form of government. The word “republic” is from the Latin words, *res* and *publica*, meaning the things or affairs which are common to all of us, the affairs which are in the public domain, in sharp contrast to matters which are private. Government, then, is “the public thing,” and this strong emphasis on public serves to delimit and set boundaries to governmental power, in the interest of preserving the integrity of the private domain.

What's in a name? you might be thinking. Well, in this case, in the case of *republic*, a lot. The word “republic” encapsulates a political philosophy; it connotes the philosophy of government that would limit government to the defense of life, liberty, and property in order to serve the ends of justice. There's no such connotation in the word “monarchy,” for example; or in aristocracy or oligarchy.

A monarch is the sole, supreme ruler of a country, and there is theoretically no area in the life of his citizens over which he may not hold sway. The king owns the country and his people belong to him. Monarchical practice pretty well coincided with theory in what is called “Oriental Despotism,” but in Christendom the power of the kings was limited by the nobility on the one hand, and the Emperor on the other; and all secular rulers had to take account of the power of the Papacy. Power was thus played off against power, to the advantage of the populace.

Individual Liberty

The most important social value in Western civilization, historically, is the idea of individual liberty. The human person was looked upon as God's creature, gifted with free will which endows him with the capacity to choose what he will make of his life. This is our inner, spiritual freedom and it

must be matched by an outer and social liberty if man is to fulfill his duty toward his Maker. Creatures of the state cannot achieve their destiny as human beings; therefore, government must be limited to securing and preserving freedom of personal action within the rules, and the rules must be designed to maximize liberty and opportunity for everyone.

Now, unless we are persuaded of the importance of freedom to the individual, it is obvious that we will not bother to structure government around him to protect his private domain and secure his rights. So, the idea of individual liberty is the key. This idea is as old as Christianity but it was given a tremendous boost in the 16th century by the Reformation and the Renaissance. The earliest manifestation of this renewed idea of individual liberty was in the area of religion, issuing in the conviction that every person should be allowed to worship God in his own way. This religious ferment in 16th-century England gave us Puritanism. Early in the 17th-century, Puritanism projected a political movement whose members were contemptuously called Whiggamores—later shortened to Whigs—a word roughly equivalent to “cattle thieves.” The king's men were called Tories—“highway robbers.” The Whigs worked for individual liberty and progress; the Tories defended the old order of the king, the landed aristocracy, and the established church.

One of the great writers and thinkers in the Puritan and Whig tradition was John Milton, who wrote his celebrated plea for the abolition of Parliamentary censorship of printed material in 1644, *Areopagitica*. Many skirmishes had to be fought before freedom of the press was finally accepted as one of the earmarks of a free society. Free speech is a corollary of press freedom, and I remind you of the statement attributed to Voltaire: “I disagree with everything you say, but I will defend with my life your right to say it.”

Adam Smith extended freedom to the economic order with *The Wealth of Nations*, published in 1776 and warmly received in the thirteen colonies. The colonists had been practicing economic liberty for a long time, simply because their governments were too busy with other things to interfere—or too inefficient—and Adam Smith gave them a rationale.

Ten amendments to the Constitution were adopted in 1791. Article the First reads: “Congress

shall make no law respecting an establishment of religion, or prohibiting the free exercise thereof . . ." The separation of Church and State enunciated here was a momentous first step in world history. Religious liberty, freedom of the press, free speech, and the free economy are four departments of the same liberating trend—the Whig movement.

The men we refer to as the Founding Fathers would have called themselves Whigs. Edmund Burke was the chief spokesman for a group in Parliament known as The Rockingham Whigs. In 1832 the Whig Party in England changed its name to one which more aptly described its emphasis on liberty. It became the Liberal Party, standing for free trade, religious liberty, the abolition of slavery, extension of the franchise and other reforms.

Classical Liberalism is not to be confused with the thing called "liberalism" in our time! Today's "liberalism" is the exact opposite of historical Liberalism—which came out of the 18th-century Whiggism—which came out of the 17th-century Puritanism. The labels are the same; the realities are utterly different. Present-day liberals have trouble with ideas as ideas, so they try to dispose of uncomfortable thoughts by pigeonholing them in a time slot. The ideas of individual liberty, inherent rights, limited government, and the free economy are dismissed by contemporary liberals as "18th-century ideas." What a dumb comment! The proper test of an idea is the test of truth. Is the idea sound, does it hold water? You do not judge the quality of an idea by pigeonholing it in a particular time slot; you don't dispose of an idea by relegating it to the historical period when the idea emerged and became influential. But this is a typical liberal tactic.

The Proper Role of Government

Our discussion has focused on the nature of government, and we have come to realize that government is society's power structure constitutionally authorized to use legal force in certain last-resort situations. Once this truth sinks in we take the next step, which is to figure out what functions are properly assigned to the one social agency authorized to use force. This brings us back to the moral code and the primary values of life, liberty, and property. It is the function of the

law to protect the life, liberty, and property of all persons alike in order that each human being has maximum opportunity to achieve his proper destiny. This is the thesis of Classical Liberalism, and I buy it.

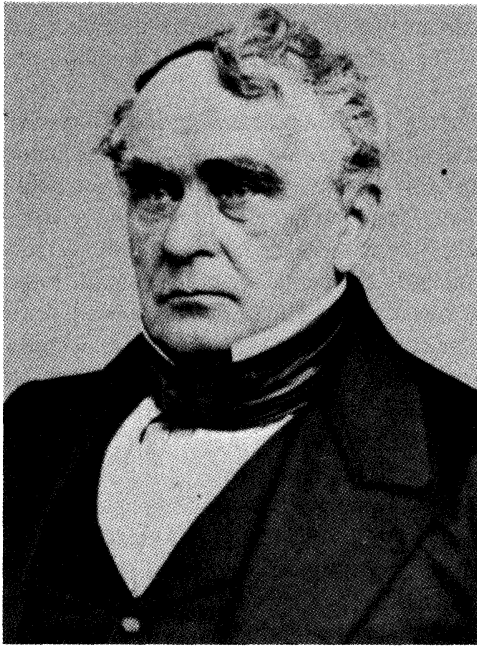
There's a second political question to resolve, tied in with the basic one, but much less important: How do you choose personnel for public office? Once you have employed the relevant intellectual and moral criteria and confined public things to the public sector, leaving the major concerns of life free in the private sector . . . once you've done this there's still the matter of choosing people for public office. One method is choice by bloodline. If your father is king, and if you are the eldest son, why you'll be king when the old man dies. Limited monarchy still has its advocates, and kingship will work if a people embrace the monarchical ideology. Monarchy hasn't always worked smoothly, however, else what would Shakespeare have done for his plays? Sometimes your mother's lover will bump off the old man, or your kid brother may try to poison you.

There's a better way to choose personnel for public office: Let the people vote. Confine government within the limits dictated by reason and morals, lay down appropriate requirements for exercising the franchise, and then let voters go to the polls. The candidate who gets the majority of votes gets the job. This is democracy, and this is the right place for majority action. As Pericles put it 2,500 years ago, democracy is where the many participate in rule.

Voting today is little more than a popularity contest, and the most popular man is not necessarily the best man, just as the most popular idea is not always the soundest idea. It is obvious, then, that balloting—or counting noses or taking a sampling of public opinion—is not the way to get at the fundamental question of the proper role of government within a society. We have to think hard about this one, which means we have to assemble the evidence; weigh, sift, and criticize it; compare notes with colleagues, and so on. In other words, determining the proper role for government is an educational endeavor, a matter for the classroom, the study, the podium, the pulpit, the forum, the press. To count noses at this point is a cop out; there's no place here for a Gallup Poll.

To summarize: The fundamental question in

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Francis Lieber (1800-1872) warned of the dangers of democracy.

political philosophy has to do with the scope and functions of the political agency. Only hard thinking—education in the broad sense—can resolve this question. The lesser question has to do with the choice of personnel, and majority action—democratic decision-making—is the way to deal with it. But if we approach the first question with the mechanics appropriate to the second, we have confused the categories and we're in for trouble.

“Democratic Despotism”

We began to confuse the categories more than a century and a half ago, as Alexis de Tocqueville observed. His book, *Democracy in America*, warned us about the emergence here of what he called “democratic despotism,” which would not shatter the wills of men, but merely soften and bend them. It would “degrade men without tormenting them.”

We were warned again in 1859 by a professor at Columbia University, Francis Lieber, in his book *On Civil Liberty and Self-Government*: “Woe to the country in which political hypocrisy

first calls the people almighty, then teaches that the voice of the people is divine, then pretends to take a mere clamor for the true voice of the people, and lastly gets up the desired clamor.” Getting up the desired clamor is what we today call “social engineering,” or “the engineering of consent.” What is called “a majority” in contemporary politics is almost invariably a numerical minority, whipped up by an even smaller minority of determined and sometimes unscrupulous men. There's not a single plank in the platform of the welfare state that was put there because of a genuine demand by a genuine majority. A welfarist government is always up for grabs; and various factions, pressure groups, special interests, causes, ideologies seize the levers of government in order to impose their programs on the rest of the nation. Formula for present-day liberalism: “Somebody's program at everybody's expense!”

Let's assume that we don't like what's going on today in this and other countries; we don't like it because people are being violated, as well as principles. We know the government is off the track, and we want to get it back on, but we know in our bones that Edmund Burke was right when he said, “There never was, for any long time . . . a mean, sluggish, careless people that ever had a good government of any form.” The politics of a nation reflects the character of a people, and you cannot improve the tone of politics except as you elevate the character of a significant number of persons. The improvement of character is the hard task of religion, ethics, art, and education. When we do our work properly in these areas, our public life will automatically respond.

Large numbers are not required. A small number of men and women whose convictions are sound and clearly thought out, who can present their philosophy persuasively, and who manifest their ideas by the quality of their lives . . . such people can inspire the multitude whose ideas are too vague to generate convictions one way or another. A little leaven raises the entire lump of dough; a small rudder turns a huge ship. And a handful of people possessed of ideas and a dream has got hold of the handle which can turn a nation around—especially a nation that is searching for new answers and a new direction. □

A Future That Should Have Been Ours

by John C. Sparks

I have a complaint. It's about something that has been missing from my life—and from yours. It is about a future that should have been ours, but isn't.

My complaint is addressed initially to our long-distant ancestors who did not focus clearly upon their rulers and see them for what they were—despots and tyrants who had no divine right to rule anyone. With a few minor exceptions, this kind of government dominated until the American Revolution, by which I mean the philosophical revolution, rather than the shooting war that sprang from it.

If my complaint were in a court of law, the question ultimately would be: What is the measure of my injury? How have I been hurt or deprived of something I would have had? In other words, put a number on it.

All right, let's try it. It has been just over 200 years since the American Revolution, which produced a government with severely limited powers, thus providing Americans with more freedom than any other people who ever lived. It is unnecessary to detail the explosion of knowledge, new products, advances in health, and other human comforts that followed.

There is a direct correlation between freedom and a better life—running the gamut from physical health and longevity to cultural achievement and luxury. This is no accident. Good government pro-

fects its people from those who would take lives, interfere with peaceful transactions, and steal property. When government does this and nothing more, then each person is free to pursue his own ideas, make his own peaceful choices—and human progress results.

Keep in mind this direct correlation—freedom and a better life—while we apply a little imagination. The last 200 years of comparative freedom produced the miraculous upsurge of products and knowledge we know today, all because of the absence of bad government. This means that these advances could have happened anytime before—if bad governments hadn't been tolerated by our distant ancestors. It is conceivable that people living in the year 1000 A.D., for example, could have reached the same level of life we enjoy today! And thus we may be 1,000 years behind where we should be. If we had not had bad governments centuries ago, perhaps we could have a standard of living equivalent to what people may enjoy 1,000 years from now.

Think about it. You can fill out a list of your own specific complaints. Will you include the lost lives of your loved ones who could have been cured of diseases or injuries had they had access to medical knowledge that will be available 1,000 years from now? What other possibilities are there?

But if human well-being is closely related to freedom, why do we still enjoy a high living standard when our government has been restricting freedom for most of the 20th century? The answer is that freedom from the 1800s and early 1900s

Mr. Sparks, a retired businessman in Canton, Ohio, has served for many years as a Trustee of The Foundation for Economic Education.

built up a momentum—a way of freedom-based life—that bad government cannot destroy at once.

However, the development of new inventions, products, and methods will be increasingly delayed, or may not happen at all. This will be difficult to see, except when we compare ourselves with other countries where freedom may grow. If there are no other places to compare with, then we will fly blind, unaware again of

what we are missing. The risk to mankind is a repetition of the ignorance of the Dark Ages with progress postponed and living standards held in suspension—or worse.

A good government protects the people's freedom and then gets out of the way to let progress work its miracles. Our descendants deserve a heritage of freedom equal to or better than ours. We must not deal them out of their future. ☐

Three's a Crowd

by Robert Zimmerman

My landlord, Luigi, is a tiny old man from Italy. He speaks poor English, and likes to make jokes that nobody can understand. No one who lives in his building would deny that he is cheap. The plumbing and electrical systems in the building are ancient, and though they work, he patches them together with chewing gum and spit. It took him almost five years to admit that the water-heating system needed to be replaced. The mailboxes are ancient, too small, and at least a few are broken and cannot be fixed.

Yet, the building is *not* a slum tenement. It is clean, neat, reasonably well kept, and a decent place to live.

My apartment is on the top floor. Because of this I usually get the least heat. The second year I lived there, Luigi installed storm windows for my apartment, without a request, since he knew that to heat my apartment properly he would either have to raise the building's thermostat too high for everyone else, or make my apartment more heat efficient. He made the most cost-effective

decision, which was perfectly acceptable to me.

Last winter, I was working at home when I got a telephone call from Luigi. He was in a panic. Since his English is so bad, I had trouble understanding him. Something about my complaining about the heat.

I didn't know what he was talking about. The heat, never great, is good enough. I don't have the time or interest to complain if the temperature in my apartment is 68 degrees instead of 72. Why be petty about these things? Luigi does the best he can.

Eventually I was able to learn from him that someone had called the New York City Department of Housing Preservation and Development's heat and housing complaint telephone line, using my name, and had complained that the heat in my apartment was too low. To Luigi, this could mean fines, government inspection, and endless hassles.

I hadn't complained. If Luigi did not provide me with adequate heat, I would take the issue to him directly. This had always worked in the past. It got the plumbing fixed, and it got my apartment painted on time.

Mr. Zimmerman is a feature film producer in New York City.

Luigi told me that a city heating inspector would visit me, and he begged me to deny the complaint. "Sure," I said.

When the heating inspector came, he had an official clipboard and an official "I'm here to save you" attitude. He asked me a lot of questions, some of which I considered none of the city's business. Even though I told him I had no complaints about the heat and had never called the Housing Department, now that he was there he felt he had the right to pry into the situation. Eventually I got him to go away.

I was offended by this third party's interference in my personal affairs. What business is it of a government agency how much heat my landlord provides?

Worse, I was disgusted that some unknown third party could cause so many problems by calling the Housing Department in my name. I was reminded of Orwell's *1984* (as well as Soviet Russia), where people could report on their neighbors simply because they didn't like them.

My lease is a contractual agreement between my landlord and me. When I moved into this building, I agreed to pay him rent for the space, and he agreed to provide heat and maintain the building. I did not make this contractual agreement with the New York City government, nor with any other third party lurking about trying to save me from myself. If I couldn't get my landlord to give me heat, I would move out. No one *makes* me live where I do.

This points to the fundamental problem with government interference in our private lives. Many human interactions take place between two people, face to face. By asking the government to police the situation, we bring in a third party whose

interests and motives are not linked to the problem. In addition, by giving power to such a third party, we remove responsibility from the two main parties (in this case, my landlord and me).

If tenants sit back and expect the government to protect them, too often they will find themselves abused by landlords. No government has the resources to police every contractual agreement. This has to be the responsibility of the individual citizen. Or as it used to be said, "Let the buyer beware."

When I was a child, it was considered bad form to run to my parents for help when I had an argument with friends. To whine, "He hit me!" was not a solution. I was taught that we must learn to resolve conflicts peaceably among ourselves.

For our society to function in a healthy manner, we must abandon this notion that a third party (i.e., the government) can resolve our differences. This notion allows each of us a convenient escape from responsibility. Like little children, we go running for help, whining, "He didn't give me enough heat!" "He was racist, and called me names!" "She didn't rent me her house!" "He harassed me!" And on and on.

We must deal with each other, face to face, and not run for help. Most human interactions don't require interference by the police. Two people, with respect and common dignity, can usually settle their differences if left alone. And in a free society, if they cannot settle their differences they usually go their own way.

Or as Thomas Jefferson said, "A wise and frugal government, which shall restrain men from injuring one another, shall leave them otherwise free to regulate their own pursuits of industry and improvement, and shall not take from the mouth of labor the bread it has earned." □

"For their own good"

Many persons are so reluctant to become involved in other people's affairs that they will stand by and see a fellow man beaten or even killed without intervening. Yet those very same non-Samaritans readily join in great numbers to make other people's decisions for them, meddle in their business, force them to act "for their own good."

—JAMES C. PATRICK

**IDEAS
ON
LIBERTY**



Forge of Union

by John Chamberlain

With the publication by Jameson Books of Ottawa, Illinois, of the third volume of his “eyewitness” narrative history of the founding of the U.S. government, Jeffrey St. John, radio and television commentator, has completed the job he set out to do. His idea was to pretend that he was “there” when General Washington, James Madison, Alexander Hamilton, Patrick Henry, Thomas Jefferson, Benjamin Franklin, John Adams, and the other founders were deciding to cut loose from King George the Third, whose government tried to tax them without their permission.

For his volume one, *Constitutional Journal*, St. John pretended that he was in the room at Philadelphia and sneaking out daily reports of the new Federalist effort to provide something more solid in the way of government than the Articles of Confederation, which had staggered through seven years of war without the taxing authority needed to pay Washington’s troops.

In volume two, *Child of Fortune*, St. John gave a weekly recounting of the battle in the states to ratify the Philadelphia constitution. It was hard going for the Federalists to combat the Anti-federalists led by Patrick Henry, of “liberty or death” fame, who wanted to scrap the centralizing work of Madison and Hamilton. There had to be a promise of a Bill of Rights to get the Constitution adopted in recalcitrant states.

St. John’s volume three, *Forge of Union, Anvil of Liberty*, (320 pages, \$24.95 cloth) reports on the first Federal elections and the creation of the Bill of Rights, a list of which was reduced from seventeen, then to twelve, and finally, with merger phrasing, to the familiar ten.

One interesting thing in St. John’s *Forge of Union, Anvil of Liberty* is the way in which Washington relied on Madison to keep Patrick Henry and the Anti-federalists at bay. With the Spanish and the French and the British egging the Indians on in Florida and in the Mississippi Valley, care had to be taken in pursuing a foreign policy. Monetary policy was important too: Alexander Hamilton proposed that the federal government assume at face value the debts incurred by the states during the recent war, adding them to the debts carried by the general treasury. The government’s taxing power and the projected national bank would assure repayment. Patrick Henry “could find no clause in the Constitution authorizing congress to assume the debts of the states,” but President Washington, without fully understanding what Hamilton was proposing, backed him. “This is the first symptom,” so Hamilton wrote of Patrick Henry’s attack on debt assumption, “of a spirit which must either be killed or will kill the Constitution . . .”

The difference between the American and French revolutions is continuously stressed through letters and documents produced by St. John. A parenthetical refrain running through the book is St. John’s boast of “a copy having been obtained by this correspondent.”

There was a savagery to the French revolutionary uprising that was, in St. John’s words, fueled by a burning hatred for the aristocracy. “This type of savagery,” says the author, “was almost totally absent during the American revolution . . . in the last two years it has been demonstrated to a disbelieving world that it is possible, on this side of the Atlantic, to effect revolutionary political reform

without recourse to mob violence and internal bloodshed. Even during the long War of Independence, the conflict was governed within specific codes of conduct that prevented it from degenerating into a savage civil conflict between people of the same cultural traditions."

Savagery, remarks St. John, was a commonplace in such collisions as those that Washington had witnessed in western Pennsylvania, but, "its appearance on the supposedly civilized streets of Paris has shocked and stunned American political leaders."

Violence might have developed from the Founders' failure to rid their culture of slavery. But compromise was possible here—in the so-called Northwest Ordinance territory, no slaves were permitted in new states north of the Ohio River. Kentucky and Vermont could peaceably join the union as the fourteenth and fifteenth states without provoking trouble.

New Jersey became the first state to adopt a Bill of Rights. The struggle for a permanent site of government was settled in favor of the "Powtomac" (the upper Potomac) at the expense of the Susquehanna, which was too far north.

Having emerged from the 18th century, Jeffrey St. John will be looking for something to do. He is tempted by the subject of the Cold War. But that would mean spending inordinate time with the ghosts of Stalin and Brezhnev. Better, one thinks, to stick with the 18th century. Why not a history of the Louisiana Purchase, which gave us half a continent? □

LIBERTY & CULTURE

by Tibor R. Machan

Prometheus Books, 700 Amherst Street, Buffalo, NY 14215
1989 • 288 pages • \$21.95 cloth

Reviewed by J. E. Chesher

I've just finished reading a delightfully thought-provoking and entertaining book, *Liberty & Culture* by Tibor Machan, professor of philosophy at Auburn University. Machan is widely published in professional journals and a frequent contributor to *The Freeman*. Though the great bulk of Machan's previous work is scholarly and aimed at a highly trained, specialized audience, *Liberty & Culture* is more widely accessible. This book is a collection of selected editorials that

have appeared, over a period of 20 years, on the Op-Ed pages of many prominent newspapers and magazines, including *The New York Times*, *The Los Angeles Times*, *Liberty*, and the *National Review*.

The essays cover diverse issues and topics, beginning with Machan's touching and colorful account of his "Escape from Tyranny" as a youth in Communist Hungary. There are a number of essays each on Marxism, Democracy, Individual Human Rights, Foreign Affairs, Politics, Economics, Business Law, Morality, Medicine, and Culture. Each one addresses, in terms of some fundamental principle, a specific event, problem, or issue of the day. The essays, though varied in scope, are smoothly woven together by the common thread of Machan's concern with the relationship between "liberty and culture."

The essays are further unified by a common motive. As Machan observes, "my main concern in these writings has been with moral and political standards for contemporary society. I have stressed the enormous diversity open to each of us as we strive to live a morally proper life. And I champion the preservation of individual liberty, which makes moral conduct possible for everyone in the human community."

What the reader will find in this book are familiar themes freshly and originally applied to contemporary issues. For example, in response to the claim that video recorders make it possible to infringe on the rightful earnings of the Hollywood community, Machan observes that "the crucial question is whether the proposal advanced by the Hollywood creative community—that Congress tax tape equipment and transfer the funds to the industry—is consistent with individual rights. Is this a special case requiring government intervention or is it simply another case of special-interest pleading?" Machan demonstrates that this plea for special government assistance is not consistent with rights of ownership.

Again, in response to the lament that the competition of free markets is good for the swift but cruel to the slow, Machan offers this perspective: "... competition is actually only a sideshow in a free market . . . what the market makes possible is only incidentally a matter of contest. More accurately it is a matter of excellence. In a free market people can excel at what they do, even if there is no one challenging them. If there are many who want to

excel at some craft, profession, or art, then here we find competition. . . . But that is not crucial. Freedom allows those who want to work at some task to do their best without punishment."

Machan comments on strikes by public school teachers. He discusses the Supreme Court's support of statism. He points out that creeping fascism, not socialism, is the greater threat in this country. He writes of the business community's ironic disdain of capitalism. He explains why it is wrong to blame tobacco companies for the woes of smokers, why defense spending and social spending are no more comparable than apples and oranges, why the government's war on drugs may be more threatening than drugs themselves, why it is contradictory to claim that "given a free press, a fair and impartial jury is impossible," also when one has the obligation *not* to vote.

The essays in this book are challenging but "reader friendly," requiring no special knowledge, no dictionary at one's side. *Liberty & Culture* brings the philosophy of liberty down from the clouds and demonstrates how sound theory and moral principles are solidly grounded in experience. Each essay provides the reader with sufficient information to consider the issue intelligently. This collection of essays would be an excellent introduction to liberty for those many people we know who are not familiar with the literature on the subject, but are genuinely curious about its limits and applications. Such people are not moved by works on abstract theory and lofty moralizing. Give them this book instead. ☐

Mr. Chesher, who teaches in the philosophy department of Santa Barbara City College, is a free-lance writer and reviewer.

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Power and Accountability

I cannot accept your canon that we are to judge Pope and King unlike other men, with a favourable presumption that they did no wrong. If there is any presumption it is the other way, against holders of power, increasing as the power increases. Historic responsibility has to make up for the want of legal responsibility. Power tends to corrupt and absolute power corrupts absolutely. Great men are almost always bad men, even when they exercise influence and not authority: still more when you superadd the tendency or the certainty of corruption by authority. There is no worse heresy than that the office sanctifies the holder of it For many years my view of Catholic controversy has been governed by the following chain of reasoning: 1. A crime does not become a good deed by being committed for the good of a church. 2. The theorist who approves the act is no better than the culprit who commits it. 3. The divine or historian who defends the theorist incurs the same blame To commit murder is the mark of a moment, exceptional. To defend it is constant, and shows a more perverted conscience.

—LORD ACTON

A Fundamental Inconsistency

There is a fundamental inconsistency between farm price support programs that raise product prices and food-assistance programs. Price support programs raise prices of milk, fresh fruit, sugar, peanuts, and other products at the same time low-income consumers are deemed to have too little money to provide food. Domestic consumers are legally prevented from purchasing lower-priced dairy products, for example, by import restrictions which are a necessary component of price support programs that hold domestic prices above world prices. In addition to administering the dairy program, which raises fluid milk prices, for example, the USDA has prevented reconstituted milk from being sold for less than the price of whole fluid milk. In marketing orders for fruits, lower-income consumers are harmed most by quality control provisions that restrict sales of lower grades and smaller sizes of commodities. It is ironic that bil-

lions of dollars are being spent on government programs to raise prices of milk and other commodities while, at the same time, billions of dollars are also being spent on programs to lower the price of food to low-income consumers.

—E. C. PASOUR, JR.
Agriculture and the State

Food Shopping in Russia

Just to obtain milk, for example, Anna, a factory worker and housewife, must take public transportation, time-consuming in itself, from store to store, using her experience to guide her to shops that have received deliveries of milk in the past. A few kopecks here and a ruble placed in strategic hands there will give her tips that she could never have found on her own. One salesclerk tells her about an afternoon milk delivery scheduled for a store on the other side of the city and, made especially garrulous by an extra few kopecks, the clerk advises her how many kopecks she will need to bribe another salesclerk to receive a few liters. Anna immediately rushes to the other store to bribe the clerk before the delivery. Because she is far from the factory where she works, she decides to scour the nearby stores for bread and cabbages while she is there. She keeps an eye out for the milk truck the entire time. Anna manages to get another tip in much the same way about an upcoming shipment of cabbages across town. With that valuable information in hand, she feels the day was productive, although the milk delivery arrived three hours late, precluding her return to work. Once in possession of the valuable liters of milk, Anna carefully arranges them in her shopping bag and presses the bag close to her body to try to prevent the milk from freezing in the subzero temperatures during her long ride home.

—PAUL CRAIG ROBERTS
and KAREN LAFOLLETTE
Meltdown: Inside the Soviet Economy

Legal Discrimination

As currently engaged in, race-norming tests, and gender- and race-based preferences and quotas have two incontrovertible characteristics. The

first is they discriminate against white males in favor of ethnically identifiable minorities, and in favor of white females who have had themselves legislatively declared a disadvantaged class—supposedly victims of white male oppression. Second, they are premised on the proposition that their beneficiaries are intellectually inferior to white males, or are otherwise unqualified to succeed on their own merit. The use of race- or gender-based tests, preferences, and quotas constitutes discrimination—discrimination directed solely at white males. These practices are wrong, they are unconstitutional, and they should be abolished. No group should be more aware of this fact than we African-Americans.

—W. JAMES ELLISON, writing
in *The Birmingham News*

Your Papers, Please . . .

My little sister, a high school senior, recently put together her college applications. Everything looked fine: good grades, camp counselor, band, cheerleader. All the evidence of a fine young person who can both contribute to and gain from higher education.

But that's not all the evidence that went into her state scholarship applications. My sister had just documented that she is 1/32 American Indian. This made her eligible for minority-only state scholarships.

What other societies have required racial documentation for participation in government programs? The Soviet Union issued identification cards that classified the carriers as "Russian," or "Georgian," or "Jewish," regardless of where they lived at the time. And, of course, the Nazis required proof of "pure Aryan blood."

In a lighter mood, I might suggest that genealogy will be a growth industry. However, happy as I am that my sister is college bound, I'm concerned. Will the accomplishment mean as much to her if she is left wondering whether she could have made it without this advantage? And as much as her internal well-being, I'm worried about her growing up in a world where one has to document one's racial heritage.

—ERIK P. WINGREN
Seattle, Washington

Thoughts on Creativity While Watching *The Twilight Zone*

by Thomas A. Giovanetti

In one of the better known episodes of *The Twilight Zone*, the head of a manufacturing company callously replaces experienced workers with “more efficient” computers and automated machinery. The CEO is gleeful at the prospect of an automated production line since machines “don’t call in sick, take breaks, or require maternity leave.” In this episode, which stemmed from the concern that automation would make human beings obsolete, the machines eventually drove the CEO mad, and he himself was replaced by a machine. In the justice of *The Twilight Zone*, the CEO got his comeuppance because he did not properly value the inherent dignity of human beings.

Of course, we know that technology does not make human workers obsolete. Though there is always some temporary displacement of lower-skilled workers when new technology comes along, the technological revolution is relieving human beings of the more monotonous and dangerous tasks in the workplace, and is freeing them for more creative ventures.

But no matter how advanced technology becomes, it is doubtful that machines will ever possess *creativity*. The idea of a computer performing a task with creativity or inspiration seems best left to the imagination of science fiction writers. Without doubt, computers are superior to human

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beings at certain tasks. Anyone who has watched a computerized drill press or robotic welder cannot but marvel at the ability of machines to outperform human workers at repetitive tasks. Computers can process data and reach conclusions based on that data much faster than human beings. Computers reach more reliable conclusions in some areas because they base their conclusions on data alone and are not confused by emotion. But computers probably will never be creative. The increasing complexity of computer hardware and software is a testament to *human* creativity, not to some talent or dignity resident in silicon.

Creativity is one of those inherent human traits that distinguish us from machines and animals. The Bible tells us that man is made in the “image of God.” Though theologians have puzzled for centuries over the meaning of the phrase, “image of God,” certainly one of the characteristics God has shared with us is his creativity. The first thing God chose to tell us about himself is his creation of the universe in its almost infinite diversity. And part of God’s plan for man (the pinnacle of his creation) is that man be creative. God’s job for Adam was to name the animals, to tend the Garden of Eden, and to otherwise maintain the new creation—tasks that certainly demanded creativity. But even apart from theology, it is evident that human beings are happiest when their lives involve creativity.

Because creativity is an essential characteristic of man's nature, the quality of a person's life may well be determined by the degree of creativity present. A stereotypical "life of misery" that we might conjure up—say working 12 hours a day in a coal mine or working in a Dickensian sweatshop—would be characterized by drudgery and monotony, and by a distinct lack of creativity. On the other hand, what we might imagine as a life of pleasure—such as being a writer or artist, or running our own business—would be characterized by a demand for creativity and imagination. We crave creativity, even if we do not think of ourselves as "creative." Our need for variety in life is an expression of our desire for creativity, both in ourselves and in others.

The Market Rewards Creativity

Part of the dignity, legitimacy, and superiority of the free market is that it encourages creativity in its participants. The amount of creativity in an economy depends on the degree of freedom allowed by that economy. Where there is no reward for creativity, or where creativity is punished, the creative spark dies. A free market produces better, cheaper, and more diverse products and services than a command economy at least partly because the free market both permits and rewards creativity.

Indeed, while a command economy punishes creativity, a free market *demands* creativity. In today's free market, it is scarcely possible for a company to remain in business without investing in research and development for new products and services. Creativity also finds ways to produce products and services more profitably. Any attempt by a command economy to compel creativ-

ity of its subjects is about as fruitful as trying to *force* an artist to paint beautifully.

Free markets have proven to be wellsprings of technology because free markets, by design, reward creativity. After the collapse of the Communist regimes, is there any remaining doubt about the technological superiority of free market economies? Odd, isn't it, that one of the supposed advantages of command economies was that they would allocate resources more efficiently, and thus excel in technological production? It didn't happen, in part because command economies do not take into account the nature of man. Rather than allowing the strengths in human nature to be freely expressed, command economies imagine that somehow human nature can be forcibly changed through bureaucracy.

The evil in a command economy is that it attacks the image of God in man, in part by denying man an outlet for his creativity. A command economy is the logical outgrowth of a philosophy that denies the divine and attacks the image of God within man. It was entirely consistent for Communism, which forbade (note past tense!) free religious and artistic expression, also to mandate a strictly planned economy.

Technology is not a measure of man's independence from the divine, nor is it a menacing "outside" force that threatens the essential dignity of man. Technology is a product of man's creativity. True, technology can be used as a force for evil, but in free economies the overwhelming impact of technology has been to improve the lot of mankind through increased food production, better medical techniques, and safer, more rewarding work. Technology is an example of what can be accomplished when free men express the image of God within them without the restraint of government. □

The Power of Invention

A TOOL is but the extension of a man's hand, and a machine is but a complex tool. And he that invents a machine augments the power of a man and the well-being of mankind.

—HENRY WARD BEECHER

IDEAS
ON
LIBERTY



Lessons From An Entrepreneur

by David N. Laband

The praise recently showered upon the late Sam Walton suggests that now is an opportune time to question the consistency with which Americans treat successful businessmen and to reaffirm the *universal* applicability of capitalism's Invisible Hand as a "mechanism" to promote consumer welfare.

On March 17 of this year, Sam Walton received the Presidential Medal of Freedom, the nation's highest civilian honor, from President Bush. Upon Walton's death, the President remembered him as "an American original who embodied the entrepreneurial spirit and epitomized the American dream." Mr. Walton was not lionized by President Bush merely because of his entrepreneurial spirit; millions of Americans have entrepreneurial spirit. What made Sam Walton unique was his spectacular success as an entrepreneurial capitalist. Mr. Walton and his four children have become fabulously wealthy from their creation of over 1,735 Wal-Mart stores and 212 Sam's Wholesale Club warehouses throughout America. They ranked numbers 3-7 on the most recent *Forbes* list of wealthiest Americans.

Sam Walton was an enormously successful free-market capitalist. An appropriate eulogy for him would include thanks for an economic system that rewards individuals who cater to consumers' wishes. The millions of Americans who have patronized his stores and contributed there-

by to his immense wealth would do well to consider the meaning of Sam Walton's success story in terms of international trade.

Our admiration for Sam Walton goes far beyond mere awe of his fortune. Indeed, his great wealth reflects something far more significant. The cavils of anti-free-market fanatics notwithstanding, American consumers *voluntarily* made Sam Walton rich. The same individuals who seek to raise taxes on the rich because of their enviable position in the current income distribution probably buy merchandise at both Wal-Mart and Sam's. They, like many other rational consumers, flock to Wal-Mart stores because of the low prices, the service, and the quality. In short, Sam Walton figuratively built a better mousetrap than his competitors, and with their many billions of dollar-votes American consumers demonstrated that they preferred his product. Those who continued to patronize *other* department stores and shops benefited too, as these stores were forced to lower their prices and improve their product lines and services to remain competitive. The personal wealth amassed by the Walton family pales in comparison to the cumulative benefits Sam Walton generated for virtually all American consumers.

However, in the process of making Sam Walton rich, American consumers impoverished many of Mr. Walton's competitors. Every dollar spent at Wal-Mart was a figurative dollar and a quarter not spent for similar merchandise at Sears, K-Mart, J. C. Penney, or any of the other large chain department stores. Perhaps more importantly, it

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was a dollar and fifty cents not spent at local, small businesses. Some owners of small businesses, unable to take advantage of Wal-Mart's huge economies of scale, sought to prevent Wal-Marts from being built in their local communities. The everyday low-price strategy employed by Wal-Mart would put them out of business, they argued. They were (and continue to be) half-correct. It is true that Wal-Mart's competitors lost business. However, let's get the cause and the effect straight: Wal-Mart never put anybody out of business, *American consumers* did.

Businesses that lose their competitive edge to a more efficient rival have three options. They can: (1) change their product/service mix to reflect more accurately what they do best, (2) exit the market, or (3) petition consumers and/or the state for protection against "unfair competition." The first two responses enhance consumer welfare. To the extent consumers *voluntarily* purchase more expensive, lower-quality goods produced by domestic manufacturers, no self-respecting economist would argue with their choices: *de gustibus non est disputandum*. However, the instant the state regulates to protect domestic firms from "unfair competition," the result is higher prices, reduced choice, and lower quality and service for American consumers.

Shooting the Messenger

Every effort by small businessmen to forestall the building of a Wal-Mart is an attempt to shoot the messenger rather than pay heed to the message. Local economies do not go to pot when Wal-Marts are built. Quite the opposite: Sam Walton once said, "There was a lot more business in those towns than people ever thought."

Without question, each Wal-Mart and Sam's store alters the structure of local unemployment. The sons and daughters of local businessmen and women no longer follow in their parents' proprietary footsteps. Now they, as well as many other local workers, go to work for Uncle Sam (Walton). Thus, the overall rate of local employment is generally not adversely affected. While we may feel sorry for the personal losses suffered by the owners of these no-longer competitive small firms, the aggregate benefits reaped by

(all-too-often forgotten) consumers, including those same small businessmen, outweigh their losses. If this were not true, Sam Walton would never have received the Presidential Medal of Freedom.

The pleas to local zoning boards and planning commissions for protection from "unfair competition" by small businesses faced with the prospect of having to compete with a new Wal-Mart store sound identical to the rhetoric employed by mouthpieces for the Big Three automobile companies, the textile and steel industries, sugar producers, and every other domestic industry seeking to restrict foreign sales of these products in America. To kick Japanese and other foreign producers out of American markets is to deny the benefits of Sam Walton-esque competition.

The negative impact of one business on another in the process of ordinary competition (price, service, quality, product line) is known among academic economists as a "technological externality." Technological externalities are the fingers of Adam Smith's Invisible Hand that guide producers to supply what consumers want, when they want it, at prices equal to cost of production. Any interference with these technological externalities, especially government interference, jeopardizes consumer welfare.

By invoking the rhetoric of "unfair competition," domestic firms seek deliberately to mislead consumers into thinking that protection of competitors is the same thing as protection of competition. Nothing could be further from the truth. Protection of the existing firms in an industry against more efficient competitors, be they American or foreign, insulates those firms from the forces of competition. American consumers are the worse for it: they pay higher prices for shoddier products than would be available in a more competitive environment.

Japan-bashing is equivalent to Sam Walton-bashing. The principles of competition are universal, whether the competitors are domestic or foreign. The fact that sellers are foreign does not diminish the potential gains to American consumers from competition between sellers. If we're going to lionize Sam Walton, consistency demands that we lionize *every* successful producer in the global economy. □

The Toxicity of Environmentalism

by George Reisman

Recently a popular imported mineral water was removed from the market because tests showed that samples of it contained 35 parts per billion of benzene. Although this was an amount so small that only 15 years ago it would have been impossible even to detect, it was assumed that considerations of public health required withdrawal of the product.

Such a case, of course, is not unusual nowadays. The presence of parts per billion of a toxic substance is routinely assumed to be a cause of human deaths. And whenever the number of projected deaths exceeds one in a million, environmentalists demand that the government remove the offending pesticide, preservative, or other alleged bearer of toxic pollution from the market. They do so, even though a level of risk of one in a million is one-third as great as that of an airplane falling from the sky on one's home.

The Toxicity of Environmentalism

While it is not necessary to question the good intentions and sincerity of the overwhelming majority of the members of the environmental or ecology movement, it is vital that the public realize that *in this seemingly lofty and noble*

movement itself can be found more than a little evidence of the most profound toxicity. Consider, for example, the following quotation from David M. Graber, a research biologist with the National Park Service, in his prominently featured *Los Angeles Times* book review of Bill McKibben's *The End of Nature*:

This [man's "remaking the earth by degrees"] makes what is happening no less tragic for those of us who value wildness for its own sake, not for what value it confers upon mankind. I, for one, cannot wish upon either my children or the rest of Earth's biota a tame planet, be it monstrous or—however unlikely—benign. McKibben is a biocentrist, and so am I. We are not interested in the utility of a particular species, or free-flowing river, or ecosystem to mankind. They have intrinsic value, more value—to me—than another human body, or a billion of them.

Human happiness, and certainly human fecundity, are not as important as a wild and healthy planet. I know social scientists who remind me that people are part of nature, but it isn't true. Somewhere along the line—at about a billion years ago, maybe half that—we quit the contract and became a cancer. We have become a plague upon ourselves and upon the Earth.

It is cosmically unlikely that the developed world will choose to end its orgy of fossil-energy consumption, and the Third World its suicidal consumption of landscape. Until such time as *Homo sapiens* should decide to rejoin nature, some of us can only hope for the right virus to come along.¹

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While Mr. Graber openly wishes for the death of a billion people, Mr. McKibben, the author he reviewed, quotes with approval John Muir's benediction to alligators, describing it as a "good epigram" for his own, "humble approach": "'Honorable representatives of the great saurians of older creation, may you long enjoy your lilies and rushes, and be blessed now and then with a mouthful of terror-stricken man by way of a dainty.'"2

Such statements represent pure, unadulterated poison. They express ideas and wishes which, if acted upon, would mean terror and death for enormous numbers of human beings.

These statements, and others like them, are made by prominent members of the environmental movement. The significance of such statements cannot be diminished by ascribing them only to a small fringe of the environmental movement. Indeed, even if such views were indicative of the thinking only of five or ten percent of the members of the environmental movement—the "deep ecology," Earth First! wing—they would represent toxicity in the environmental movement as a whole not at the level of parts per billion or even parts per million, but at the level of *parts per hundred* which, of course, is an enormously higher level of toxicity than is deemed to constitute a danger to human life in virtually every other case in which deadly poison is present.

But the toxicity level of the environmental movement as a whole is substantially greater than even parts per hundred. It is certainly at least at the level of *several parts per ten*. This is obvious from the fact that the mainstream of the environmental movement makes no fundamental or significant criticisms of the likes of Messrs. Graber and McKibben. Indeed, John Muir, whose wish for alligators to "be blessed now and then with a mouthful of terror-stricken man by way of a dainty" McKibben approvingly quotes, was the founder of the Sierra Club, which is proud to acknowledge that fact. The Sierra Club, of course, is the leading environmental organization and is supposedly the most respectable of them.

The "Intrinsic" Value of Nature

There is something much more important than the Sierra Club's genealogy, however—something that provides an explanation in terms of *basic principle* as to why the mainstream of the ecology

movement does not attack what might be thought to be merely its fringe. This is a fundamental philosophical premise which the mainstream of the movement shares with the alleged fringe and which logically implies hatred for man and his achievements. Namely, the premise that *nature possesses intrinsic value*—i.e., that nature is valuable in and of itself, apart from all contribution to human life and well-being.

The anti-human premise of nature's intrinsic value goes back, in the Western world, as far as St. Francis of Assisi, who believed in the equality of all living creatures: man, cattle, birds, fish, and reptiles. Indeed, precisely on the basis of this philosophical affinity, and at the wish of the mainstream of the ecology movement, St. Francis of Assisi has been officially declared the patron saint of ecology by the Roman Catholic Church.

The premise of nature's intrinsic value extends to an alleged intrinsic value of forests, rivers, canyons, and hillsides—to everything and anything that is not man. Its influence is present in the Congress of the United States, in such statements as that recently made by Representative Morris Udall of Arizona that a frozen, barren desert in Northern Alaska, where substantial oil deposits appear to exist, is "a sacred place" that should never be given over to oil rigs and pipelines. It is present in the supporting statement of a representative of the Wilderness Society that "There is a need to protect the land not just for wildlife and human recreation, but just to have it there." It has, of course, also been present in the sacrifice of the interests of human beings for the sake of snail darters and spotted owls.

The idea of nature's intrinsic value inexorably implies a desire to destroy man and his works because it implies a perception of man *as the systematic destroyer of the good, and thus as the systematic doer of evil*. Just as man perceives coyotes, wolves, and rattlesnakes as evil because they regularly destroy the cattle and sheep he values as sources of food and clothing, so, on the premise of nature's intrinsic value, the environmentalists view man as evil, because, in the pursuit of his well-being, man systematically destroys the wildlife, jungles, and rock formations that the environmentalists hold to be intrinsically valuable. Indeed, from the perspective of such alleged intrinsic values of nature, the degree of man's alleged destructiveness and evil is directly in proportion to his

loyalty to his essential nature. Man is the rational being. It is his application of his reason in the form of science, technology, and an industrial civilization that enables him to act on nature on the enormous scale on which he now does. Thus, it is his possession and use of reason—manifested in his technology and industry—for which he is hated.

The doctrine of intrinsic value is itself only a rationalization for a pre-existing hatred of man. It is invoked not because one attaches any actual value to what is alleged to have intrinsic value, but simply to serve as a pretext for denying values to man. For example, caribou feed upon vegetation, wolves eat caribou, and microbes attack wolves. Each of these, the vegetation, the caribou, the wolves, and the microbes, is alleged by the environmentalists to possess intrinsic value. Yet absolutely no course of action is indicated for man. Should man act to protect the intrinsic value of the vegetation from destruction by the caribou? Should he act to protect the intrinsic value of the caribou from destruction by the wolves? Should he act to protect the intrinsic value of the wolves from destruction by the microbes? Even though each of these alleged intrinsic values is at stake, man is not called upon to do anything. When does the doctrine of intrinsic value serve as a guide to what man should do? Only when man comes to attach value to something. Then it is invoked to deny him the value he seeks. For example, the intrinsic value of nature is invoked as a guide to man's action only when there is something man wants, such as oil, and then, as in the case of Northern Alaska, its invocation serves to stop him from having it. In other words, *the doctrine of the intrinsic value of nature is nothing but a doctrine of the negation of human values*. It is pure nihilism.

It should be realized that it is logically implicit in what has just been said that to establish a public office, such as that recently proposed in California, of "environmental advocate," would be tantamount to establishing an office of Negator of Human Value. The work of such an office would be to stop man from achieving his values for no other reason than that he was man and wanted to achieve them.

Of course, the environmental movement is not pure poison. Very few people would listen to it if it were. As I have said, it is poisonous only at the level of several parts per ten. Mixed in with the poison and overlaying it as a kind of sugar coating is the

advocacy of many measures which have the avowed purpose of promoting human life and well-being, and among these some that considered in isolation, might actually achieve that purpose. The problem is that the mixture is poisonous. And thus, when one swallows environmentalism, one inescapably swallows poison.

Given the underlying nihilism of the movement, it is not possible to accept at face value any of the claims it makes of seeking to improve human life and well-being, especially when following its recommendations would impose on people great deprivation or cost. Indeed, nothing could be more absurd or dangerous than to take advice on how to improve one's life and well-being from those who wish one dead and whose satisfaction comes from human terror, which, of course, as I have shown, is precisely what is wished in the environmental movement—openly and on principle. This conclusion, it must be stressed, applies irrespective of the scientific or academic credentials of an individual. If an alleged scientific expert believes in the intrinsic value of nature, then to seek his advice is equivalent to seeking the advice of a medical doctor who was on the side of the germs rather than of the patient. Obviously, Congressional committees taking testimony from alleged expert witnesses on the subject of proposed environmental legislation need to be aware of this fact and never to forget it.

Errors and Panics

Not surprisingly, in virtually every case, the claims made by the environmentalists have turned out to be false or simply absurd. Consider, for example, the recent case of Alar, a chemical spray used for many years on apples in order to preserve their color and freshness. Here, it turned out that even if the environmentalists' claims had actually been true, and the use of Alar would result in 4.2 deaths per million over a 70-year lifetime, all that would have been signified was that eating apples sprayed with Alar would then have been *less dangerous than driving to the supermarket to buy the apples!* (Consider: 4.2 deaths per million over a seventy-year period means that in any one year in the United States, with its population of roughly two hundred and fifty million people, approximately *fifteen* deaths would be attributable to Alar! This is the result obtained by multiplying 4.2 per million times 250 million and then dividing by

70. In the same one-year period of time, approximately 50,000 deaths occur in motor vehicle accidents in the United States, most of them within a few miles of the victims' homes, and undoubtedly far more than fifteen of them on trips to or from supermarkets.) Nevertheless, a panic ensued, followed by a plunge in the sale of apples, the financial ruin of an untold number of apple growers, and the virtual disappearance of Alar.

Before the panic over Alar, there was the panic over asbestos. According to *Forbes* magazine, it turns out that in the forms in which it is normally used in the United States, asbestos is *one-third as likely to be the cause of death as being struck by lightning*.³

Then there is the alleged damage to lakes caused by acid rain. According to *Policy Review*, it turns out that the acidification of the lakes has not been the result of acid rain, but of the cessation of logging operations in the affected areas and thus the absence of the alkaline run-off produced by such operations. This run-off had made naturally acidic lakes non-acidic for a few generations.⁴

Besides these cases, there were the hysterias over dioxin in the ground at Times Beach, Missouri, TCE in the drinking water of Woburn, Massachusetts, the chemicals in Love Canal, and radiation at Three Mile Island. According to professor Bruce Ames, one of the world's leading experts on cancer, it turned out that the amount of dioxin that anyone would have absorbed in Times Beach was far less than the amount required to do any harm and that, indeed, the actual harm to Times Beach residents from dioxin was less than that of drinking a glass of beer.⁵ (The Environmental Protection Agency itself subsequently reduced its estimate of the danger from dioxin by a factor of fifteen-sixteenths.) In the case of Woburn, according to Ames, it turned out the cluster of leukemia cases which occurred there was statistically random and that the drinking water there was actually above the national average in safety, and not, as had been claimed, the cause of the leukemia cases. In the case of Love Canal, Ames reports, it turned out upon investigation that the cancer rate among the former residents has been no higher than average. (It is necessary to use the phrase "former residents" because the town lost most of its population in the panic and forced evacuation caused by the environmentalists' claims.) In the case of Three Mile Island, not a single resident has died, nor

even received an additional exposure to radiation, as the result of the accident there. In addition, according to studies reported in *The New York Times*, the cancer rate among residents there is no higher than normal and has not risen.⁶

Before these hysterias, there were claims alleging the death of Lake Erie and mercury poisoning in tuna fish. All along, Lake Erie has been very much alive and was even producing near record quantities of fish at the very time the claims of its death were being made. The mercury in the tuna fish was the result of the natural presence of mercury in sea water; and evidence provided by museums showed that similar levels of mercury had been present in tuna fish since prehistoric times.

And now, in yet another overthrow of the environmentalists' claims, a noted climatologist, Professor Robert Pease, has shown that it is impossible for chlorofluorocarbons (CFCs) to destroy large quantities of ozone in the stratosphere because relatively few of them are even capable of reaching the stratosphere in the first place. He also shows that the celebrated ozone "hole" over Antarctica every fall is a phenomenon of nature, in existence since long before CFCs were invented, and results largely from the fact that during the long Antarctic night ultraviolet sunlight is not present to create fresh ozone.⁷

Pseudo-Science

The reason that one after another of the environmentalists' claims turn out to be proven wrong is that they are made without any regard for truth in the first place. In making their claims, the environmentalists reach for whatever is at hand that will serve to frighten people, make them lose confidence in science and technology, and, ultimately, lead them to deliver themselves up to the environmentalists' tender mercies. The claims rest on unsupported conjectures and wild leaps of imagination, from scintillas of fact to arbitrary conclusions, by means of evasion and the drawing of invalid inferences. It is absurd to leap from findings about the effects of feeding rats or mice dosages the equivalent of a hundred or more times what any human being would ever ingest, and then draw inferences about the effects on people consuming normal quantities. Fears of parts per billion of this or that chemical causing single-digit deaths per million do not rest on science, but on

imagination. Such claims have nothing to do either with actual experimentation or with the concept of causality.

No one ever has, can, or will observe such a thing as two groups of a million people identical in all respects except that over a 70-year period the members of one of the groups consume apples sprayed with Alar, while the members of the other group do not, and then 4.2 members of the first group die. The process by which such a conclusion is reached, and its degree of actual scientific seriousness, is essentially the same as that of a college students' bull session, which consists of practically nothing but arbitrary assumptions, manipulations, guesses, and plain hot air. In such a session, one might start with the known consequences of a quarter-ton safe falling ten stories onto the head of an unfortunate passerby below, and from there go on to speculate about the conceivable effects in a million cases of other passers-by happening to drop from their hand or mouth an M&M or a peanut on their shoe, and come to the conclusion that 4.2 of them will die.

Furthermore, as indicated, in contrast to the procedures of a bull session, reason and actual science establish causes which, in their nature, are universal. When, for example, genuine causes of death, such as arsenic, strychnine, or bullets, attack vital organs of the human body, death is certain to result, in *all but* a handful of cases per million. When something is in fact the cause of some effect, it is so in *each and every case* in which specified conditions prevail, and fails to be so only in cases in which the specified conditions are not present, such as a person's having built up a tolerance to poison or wearing a bulletproof vest. Such claims as a thousand different things each causing cancer in a handful of cases are proof of nothing but that the actual causes are not yet known—and, beyond that, an indication of the breakdown of the epistemology of contemporary science. (This epistemological breakdown, I might add, rapidly accelerated in the 1960s when the government took over most of the scientific research in the United States and began the large-scale financing of statistical studies as a substitute for the discovery of causes.)

In making their claims, the environmentalists willfully ignore such facts as that carcinogens, poisons, and radiation exist in nature. Fully half of the chemicals found in nature are carcinogenic when

fed to animals in massive quantities—the same proportion as applies to man-made chemicals when fed in massive quantities. (The cause of the resulting cancers, according to Professor Ames, is actually not the chemicals, either natural or man-made, but the repeated destruction of tissue caused by the massively excessive doses in which the chemicals are fed, such as saccharin being fed to rats in a quantity comparable to humans drinking eight hundred cans of diet soda a day.) Arsenic, one of the deadliest poisons, is a naturally occurring chemical element. Oleander, one of the most beautiful plants, is also a deadly poison, as are many other plants and herbs. Radium and uranium, with all their radioactivity, are found in nature. Indeed, all of nature is radioactive to some degree. If the environmentalists did not close their eyes to what exists in nature, if they did not associate every negative exclusively with man, if they applied to nature the standards of safety they claim to be necessary in the case of man's activities, they would have to run in terror from nature. They would have to use one-half of the world to construct protective containers or barriers against all the allegedly deadly carcinogens, toxins, and radioactive material that constitute the other half of the world.

It would be a profound mistake to dismiss the repeatedly false claims of the environmentalists merely as a case of the little boy who cried wolf. They are a case of the *wolf* crying again and again about alleged dangers to the little boy. The only real danger is to listen to the wolf.

Direct evidence of the willful dishonesty of the environmental movement comes from one of its leading representatives, Stephen Schneider, who is well-known for his predictions of global catastrophe. In the October 1989 issue of *Discover* magazine, he is quoted (with approval) as follows: "... To do this, we need to get some broad-based support, to capture the public's imagination. That, of course, entails getting loads of media coverage. So we have to offer up scary scenarios, make simplified, dramatic statements, and make little mention of any doubts we may have. This 'double ethical bind' we frequently find ourselves in cannot be solved by any formula. Each of us has to decide what the right balance is between being effective and being honest."

Thus, in the absence of verification by sources totally independent of the environmental move-

ment and free of its taint, all of its claims of seeking to improve human life and well-being in this or that specific way must be regarded simply as lies, having the actual purpose of inflicting needless deprivation or suffering. In the category of malicious lies fall all of the environmental movement's claims about our having to abandon industrial civilization or any significant part of it in order to cope with the dangers of alleged global warming, ozone depletion, or exhaustion of natural resources. Indeed, all claims constituting denunciations of science, technology, or industrial civilization which are advanced in the name of service to human life and well-being are tantamount to claiming that our survival and well-being depend on our abandonment of reason. (Science, technology, and industry are leading products of reason and are inseparable from it.) All such claims should be taken as nothing but further proof of the environmental movement's hatred of man's nature and man's life, certainly not of any actual danger to human life and well-being.

Which Environment?

It is important to realize that when the environmentalists talk about destruction of the "environment" as the result of economic activity, their claims are permeated by the doctrine of intrinsic value. Thus, what they actually mean to a very great extent is merely the destruction of alleged intrinsic values in nature such as jungles, deserts, rock formations, and animal species which are either of no value to man or hostile to man. That is their concept of the "environment." If, in contrast to the environmentalists, one means by "environment" *the surroundings of man*—the external material conditions of human life—then it becomes clear that all of man's productive activities have the inherent tendency to *improve* his environment—indeed, that that is their essential purpose.

This becomes obvious if one realizes that the entire world physically consists of nothing but chemical elements. These elements are never destroyed. They simply reappear in different combinations, in different proportions, in different places. Apart from what has been lost in a few rockets, the quantity of every chemical element in the world today is the same as it was before the Industrial Revolution. The only difference is that, because of the Industrial Revolution, instead of

lying dormant, out of man's control, the chemical elements have been moved about as never before, in such a way as to improve human life and well-being. For instance, some part of the world's iron and copper has been moved from the interior of the earth, where it was useless, to construct buildings, bridges, automobiles, and a million and one other things of benefit to human life. Some part of the world's carbon, oxygen, and hydrogen has been separated from certain compounds and recombined in others, in the process releasing energy to heat and light homes, power industrial machinery, fuel automobiles, airplanes, ships, and trains, and in countless other ways serve human life. It follows that insofar as man's environment consists of the chemical elements iron, copper, carbon, oxygen, and hydrogen, and his productive activity makes them useful to himself in these ways, his environment is correspondingly improved.

All that *all* of man's productive activities fundamentally consist of is in the rearrangement of nature-given chemical elements for the purpose of making them stand in a more useful relationship to himself—that is, for the purpose of improving his environment.

Consider further examples. To live, man needs to be able to move his person and his goods from place to place. If an untamed forest stands in his way, such movement is difficult or impossible. It represents an improvement in his environment, therefore, when man moves the chemical elements that constitute some of the trees of the forest somewhere else and lays down the chemical elements brought from somewhere else to constitute a road. It is an improvement in his environment when man builds bridges, digs canals, opens mines, clears land, constructs factories and houses, or does anything else that represents an improvement in the external, material conditions of his life. All of these things represent an improvement in man's material surroundings—his environment. All of them represent the rearrangement of nature's elements in a way that makes them stand in a more useful relationship to human life and well-being.

Thus, all economic activity has as its sole purpose the improvement of the environment—it aims exclusively at the improvement of the external, material conditions of human life. Production and economic activity are precisely the means by

which man adapts his environment to himself and thereby improves it.

So much for the environmentalists' claims about man's destruction of the environment. Only from the perspective of the alleged intrinsic value of nature and the nonvalue of man can man's improvement of his environment be termed destruction of the environment.

The environmentalists' recent claims about the impending destruction of the "planet" are entirely the result of the influence of the intrinsic-value doctrine. What the environmentalists are actually afraid of is not that the planet or its ability to support human life will be destroyed, but that the increase in its ability to support human life will destroy its still extensively existing "wildness." They cannot bear the thought of the earth's becoming fully subject to man's control, with its jungles and deserts replaced by farms, pastures, and forests planted by man, as man wills. They cannot bear the thought of the earth's becoming man's garden. In the words of McKibben, "The problem is that nature, the independent force that has surrounded us since our earliest days, cannot coexist with our numbers and our habits. *We may well be able to create a world that can support our numbers and our habits*, but it will be an artificial world . . ." (italics supplied).⁸

The Virtue of Separation

The toxic character of the environmental movement implies the observance of a vital principle in connection with any measures which the movement advocates and which might actually promote human life and well-being, such as those calling for the reduction of smog, the cleaning up of rivers, lakes, and beaches, and so forth. The principle is that even here one must not make common cause with the environmental movement in any way. One must be scrupulously careful not to advocate even anything that is genuinely good, under its auspices or banner. To do so is to promote its evil—to become contaminated with its poison and to spread its poison. In the hands of the environmentalists, concern even with such genuine problems as smog and polluted rivers serves as a weapon with which to attack industrial civilization. The environmentalists proceed as though problems of filth emanated from industrial civilization, as though filth were not the all-pervasive con-

dition of human life in pre-industrial societies, and as though industrial civilization represented a decline from more healthful conditions of the past.

The principle of non-cooperation with the environmental movement, of the most radical differentiation from it, must be followed in order to avoid the kind of disastrous consequences brought about earlier in this century by people in Russia and Germany who began as basically innocent and with good intentions. Even though the actual goals and programs of the Communists and Nazis were no secret, many people did not realize that such pronouncements and their underlying philosophy must be taken seriously. As a result, they joined with the Communists or Nazis in efforts to achieve what they believed were worthy specific goals, above all goals falling under the head of the alleviation of poverty. But working side by side with the likes of Lenin and Stalin or Hitler and Himmler did not achieve the kind of life these people had hoped to achieve. It did, however, serve to achieve the bloody goals of those monsters. And along the way, those who may have started out innocently enough very quickly lost their innocence and to varying degrees ended up simply as accomplices of the monsters.

Evil needs the cooperation of the good to disguise its nature and to gain numbers and influence it could never achieve on its own. Thus, the doctrine of intrinsic value needs to be mixed as much as possible with alleged concern for man's life and well-being. In allowing themselves to participate in advancing the cause of the mixture, otherwise good people serve to promote the doctrine of intrinsic value and thus the destruction of human values.

Already large numbers of otherwise good people have been enlisted in the environmentalists' campaign to throttle the production of energy. This is a campaign which, to the degree that it succeeds, can only cause human deprivation and the substitution of man's limited muscle power for the power of motors and engines. It is actually a campaign which seeks nothing less than the undoing of the Industrial Revolution, and the return to the poverty, filth, and misery of earlier centuries.

The Anti-Industrial Revolution

The essential feature of the Industrial Revolution is the use of *man-made power*. To the relatively feeble muscles of draft animals and the still

more feeble muscles of human beings, and to the relatively small amounts of usable power available from nature in the form of wind and falling water, the Industrial Revolution added man-made power. It did so first in the form of steam generated by the combustion of coal, and later in the form of internal combustion based on petroleum, and electric power based on the burning of any fossil fuel or on atomic energy.

This man-made power is the essential basis of all of the economic improvements achieved over the last two hundred years. Its application is what enables us human beings to accomplish with our arms and hands the amazing productive results we do accomplish. To the feeble powers of our arms and hands is added the enormously greater power released by these sources of energy. Energy use, the productivity of labor, and the standard of living are inseparably connected, with the two last entirely dependent on the first.

Thus, it is not surprising, for example, that the United States enjoys the world's highest standard of living. This is a direct result of the fact that the United States has the world's highest energy consumption per capita. The United States, more than any other country, is the country where intelligent human beings have arranged for motor-driven machinery to accomplish results for them. All further substantial increases in the productivity of labor and standard of living, both here in the United States and across the world, will be equally dependent on man-made power and the growing consumption of energy it makes possible. Our ability to accomplish more and more with the same limited muscular powers of our limbs will depend entirely on our ability to augment them further and further with the aid of still more such energy.

In total opposition to the Industrial Revolution and all the marvelous results it has accomplished, the essential goal of environmentalism is to block the increase in one source of man-made power after another and ultimately to roll back the production of man-made power to the point of virtual nonexistence, thereby undoing the Industrial Revolution and returning the world to the economic Dark Ages. There is to be no atomic power. According to the environmentalists, it represents the death ray. There is also to be no power based on fossil fuels. According to the environmentalists, it causes "pollution," and now global warm-

ing, and must therefore be given up. There is not even to be significant hydro-power. According to the environmentalists, the building of the necessary dams destroys intrinsically valuable wildlife habitat.

Only three things are to be permitted as sources of energy, according to the environmentalists. Two of them, "solar power" and power from windmills, are, as far as can be seen, utterly impracticable as significant sources of energy. If, somehow they became practicable, the environmentalists would undoubtedly find grounds for attacking them. The third allowable source of energy, "conservation," is a contradiction in terms. "Conservation" is *not* a source of energy. Its actual meaning is simply using less. Conservation is a source of energy for one use only at the price of deprivation of energy use somewhere else.

The environmentalists' campaign against energy calls to mind the image of a boa constrictor entwining itself about the body of its victim and slowly squeezing the life out of him. There can be no other result for the economic system of the industrialized world but enfeeblement and ultimately death if its supplies of energy are progressively choked off.

Large numbers of people have been enlisted in the campaign against energy out of fear that the average mean temperature of the world may rise a few degrees in the next century, mainly as the result of the burning of fossil fuels. If this were really to be so, the only appropriate response would be to be sure that more and better air conditioners were available. (Similarly, if there were in fact to be some reduction in the ozone layer, the appropriate response, to avoid the additional cases of skin cancer that would allegedly occur from exposure to more intense sunlight, would be to be sure that there were more sunglasses, hats, and sun-tan lotion available.) It would *not* be to seek to throttle and destroy industrial civilization.

If one did not understand its underlying motivation, the environmental movement's resort to the fear of global warming might appear astonishing in view of all the previous fears the movement has professed. These fears, in case anyone has forgotten, have concerned the alleged onset of a *new ice age* as the result of the same industrial development that is now supposed to result in global warming, and the alleged creation of a "nuclear

winter" as the result of man's use of atomic explosives.

The words of Paul Ehrlich and his incredible claims in connection with the "greenhouse effect" should be recalled. In the first wave of ecological hysteria, this "scientist" declared:

"At the moment we cannot predict what the overall climatic results will be of our using the atmosphere as a garbage dump. We do know that very small changes in either direction in the average temperature of the Earth could be very serious. With a few degrees of cooling, a new ice age might be upon us, with rapid and drastic effects on the agricultural productivity of the temperate regions. With a few degrees of heating, the polar ice caps would melt, perhaps raising ocean levels 250 feet. Gondola to the Empire State Building, anyone?"⁹

The 250-foot rise in the sea level projected by Ehrlich as the result of global warming has been scaled back somewhat. According to McKibben, the "worst case scenario" is now supposed to be eleven feet, by the year 2100, with something less than seven feet considered more likely. According to a United Nations panel of alleged scientists, it is supposed to be 25.6 inches. (Even this still more modest projection did not stop the UN panel from calling for an immediate 60 percent reduction in carbon-dioxide emissions to try to prevent it.)

Perhaps of even greater significance is the continuous and profound distrust of science and technology that the environmental movement displays. The environmental movement maintains that science and technology cannot be relied upon to build a safe atomic power plant, to produce a pesticide that is safe, or even to bake a loaf of bread that is safe, if that loaf of bread contains chemical preservatives. When it comes to global warming, however, it turns out that there is one area in which the environmental movement displays the most breathtaking confidence in the reliability of science and technology, an area in which, until recently, no one—not even the staunchest supporters of science and technology—had ever thought to assert very much confidence at all. The one thing, the environmental movement holds, that science and technology can do so well that we are entitled to have unlimited confidence in them is *forecast the weather*—for the next one hundred years!

It is, after all, supposedly on the basis of a

weather forecast that we are being asked to abandon the Industrial Revolution, or, as it is euphemistically put, "to radically and profoundly change the way in which we live"—to our enormous material detriment.

Very closely connected with this is something else that might appear amazing. This concerns prudence and caution. No matter what the assurances of scientists and engineers, based in every detail on the best established laws of physics—about backup systems, fail-safe systems, containment buildings as strong as U-boat pens, defenses in depth, and so on—when it comes to atomic power, the environmental movement is unwilling to gamble on the unborn children of fifty generations hence being exposed to harmful radiation. But on the strength of a weather forecast, it is willing to wreck the economic system of the modern world—to literally throw away industrial civilization. (The 60 percent reduction in carbon dioxide emissions urged by that United Nations panel would be utterly devastating in itself, totally apart from all the further such measures that would surely follow it.)

The meaning of this insanity is that industrial civilization is to be abandoned because this is what must be done to *avoid bad weather*. All right, very bad weather. If we destroy the energy base needed to produce and operate the construction equipment required to build strong, well-made, comfortable houses for hundreds of millions of people, we shall be safer from the wind and rain, the environmental movement alleges, than if we retain and enlarge that energy base. If we destroy our capacity to produce and operate refrigerators and air conditioners, we shall be better protected from hot weather than if we retain and enlarge that capacity, the environmental movement claims. If we destroy our capacity to produce and operate tractors and harvesters, to can and freeze food, to build and operate hospitals and produce medicines, we shall secure our food supply and our health better than if we retain and enlarge that capacity, the environmental movement asserts.

There is actually a remarkable new principle implied here, concerning how man can cope with his environment. Instead of our taking action upon nature, as we have always believed we must do, we shall henceforth control the forces of nature more to our advantage by means of our *inaction*. Indeed, if we do not act, no significant threatening forces

of nature will arise! The threatening forces of nature are not the product of nature, but of *us*! Thus speaks the environmental movement.

All of the insanities of the environmental movement become intelligible when one grasps the nature of the destructive motivation behind them. They are not uttered in the interest of man's life and well-being, but for the purpose of leading him to self-destruction.

Free Market Solutions to Environmental Problems

It must be stressed that even if global warming turned out to be a fact, the free citizens of an industrial civilization would have no great difficulty in coping with it—that is, of course, if their ability to use energy and to produce is not crippled by the environmental movement and by government controls otherwise inspired. The seeming difficulties of coping with global warming, or any other large-scale change, arise only when the problem is viewed from the perspective of government central planners.

It would be too great a problem for government bureaucrats to handle (as is the production even of an adequate supply of wheat or nails—as the experience of the whole socialist world has so eloquently shown). But it would certainly not be too great a problem for tens and hundreds of millions of free-thinking individuals living under capitalism to solve. It would be solved by means of each individual being free to decide how best to cope with the particular aspects of global warming that affected him. Individuals would decide, on the basis of profit-and-loss calculations, what changes they needed to make in their businesses and in their personal lives, in order best to adjust to the situation. They would decide where it was now relatively more desirable to own land, locate farms and businesses, and live and work, and where it was relatively less desirable, and what new comparative advantages each location had for the production of which goods. The essential thing they would require is the freedom to serve their self-interests by buying land and moving their businesses to the areas rendered relatively more attractive, and the freedom to seek employment and buy or rent housing in those areas.

Given this freedom, the totality of the problem would be overcome. This is because, under capital-

ism, the actions of the individuals, and the thinking and planning behind those actions, are coordinated and harmonized by the price system (as many former central planners of Eastern Europe and the Soviet Union have come to learn). As a result, the problem would be solved in exactly the same way that tens and hundreds of millions of free individuals have solved much greater problems, such as redesigning the economic system to deal with the replacement of the horse by the automobile, the settlement of the American West, and the release of the far greater part of the labor of the economic system from agriculture to industry.

Indeed, it would probably turn out that if the necessary adjustments were allowed to be made, global warming, if it actually came, would prove highly beneficial to mankind on net balance. For example, there is evidence suggesting that it would postpone the onset of the next ice age by a thousand years or more and that the higher level of carbon dioxide in the atmosphere, which is supposed to cause the warming process, would be highly beneficial to agriculture.

Whether global warming comes or not, it is certain that nature itself will sooner or later produce major changes in the climate. To deal with those changes and virtually all other changes arising from whatever cause, man absolutely requires individual freedom, science, and technology. In a word, he requires the industrial civilization constituted by capitalism.

This brings me back to the possibly truly good objectives that have been mixed in with environmentalism, such as the desire for greater cleanliness and health. If one wants to advocate such objectives without aiding the potential mass murderers in the environmental movement in achieving their goals, one must first of all accept unreservedly the values of human reason, science, technology, and industrial civilization, and never attack those values. They are the indispensable foundation for achieving greater cleanliness and health and longer life.

In the last two centuries, loyalty to these values has enabled man in the Western world to put an end to famines and plagues, and to eliminate the once dread diseases of cholera, diphtheria, smallpox, tuberculosis, and typhoid fever, among others. Famine has been ended, because the industrial civilization so hated by the environmentalists has produced the greatest abundance and variety of

food in the history of the world, and created the transportation system required to bring it to everyone. This same hated civilization has produced the iron and steel pipe, and the chemical purification and pumping systems that enable everyone to have instant access to safe drinking water, hot or cold, every minute of the day. It has produced the sewage systems and the automobiles that have removed the filth of human and animal waste from the streets of cities and towns.

Such improvements, together with the enormous reduction in fatigue and exhaustion made possible by the use of labor-saving machinery, have resulted in a radical reduction in mortality and increase in life expectancy, from less than thirty years before the beginning of the Industrial Revolution to more than 75 years currently. By the same token, the average newborn American child today has a greater chance of living to age 65 than the average newborn child of a nonindustrial society has of living to age five.

In the earlier years of the Industrial Revolution, the process of improvement was accompanied by the presence of coal dust in towns and cities, which people willingly accepted as the by-product of not having to freeze and of being able to have all the other advantages of an industrial society. Subsequent advances, in the form of electricity and natural gas, have radically reduced this problem. Those who seek further advances along these lines should advocate the freedom of development of atomic power, which emits no particulate matter of any kind into the atmosphere. Atomic power, however, is the form of power most hated by the environmentalists.

Also essential for further improvements in cleanliness and health, and for the long-term availability of natural resources, is the extension of private ownership of the means of production, especially of land and natural resources. The incentive of private owners is to use their property in ways that maximize its long-term value and, wherever possible, to improve their property. Consistent with this fact, one should seek ways of extending the principle of private ownership to lakes, rivers, beaches, and even to portions of the ocean. Privately owned lakes, rivers, and beaches would almost certainly be clean lakes, rivers, and beaches. Privately owned, electronically fenced ocean ranches would guarantee abundant supplies of almost everything useful that is found in or

beneath the sea. Certainly, the vast land holdings of the United States government in the western states and in Alaska should be privatized.

But what is most important in the present context, in which the environmental movement is operating almost unopposed, is that anyone who is afraid of becoming physically contaminated by exposure to one or another alleged toxic chemical should take heed that he does not place an indelible stain on his very existence through his exposure to the deadly poison of the environmental movement. This is what one is in danger of doing by ingesting the propaganda of the environmental movement and being guided by it. I do not know of anything worse that anyone can do, than having been born into the greatest material civilization in the history of the world, now to take part in its destruction by cooperation with the environmental movement, and thus be a party to untold misery and death in the decades and generations to come.

By the same token, there are few things better that one can do, than having become aware of what is involved, take one's stand with the values on which human life and well-being depend. This is something which, unfortunately, one must be prepared to do with few companions in today's world. The great majority of those who should be fighting for human values—the professional intellectuals—either do not know enough to do so, have become afraid to do so, or, still worse, have themselves become the enemies of human values and are actively working on the side of environmentalism.

The Treason of the Intellectuals

It is important to explain why there are so few intellectuals prepared to fight environmentalism and why there are so many who are on its side.

I believe that to an important extent the hatred of man and distrust of reason displayed by the environmental movement is a psychological projection of many contemporary intellectuals' self-hatred and distrust of their own minds arising as the result of their having been responsible for the destruction wrought by socialism. As the parties responsible for socialism, they have certainly been "a plague upon the world," and if socialism had in fact represented reason and science, as they continue to choose to believe, there would be grounds to distrust reason and science.

In my judgment, the “green” movement of the environmentalists is merely the old “red” movement of the communists and socialists shorn of its veneer of science. The only difference I see between the greens and the reds is the superficial one of the specific reasons for which they want to violate individual liberty and the pursuit of happiness. The reds claimed that the individual could not be left free because the result would be such things as “exploitation” and “monopoly.” The greens claim that the individual cannot be left free because the result will be such things as destruction of the ozone layer and global warming. Both claim that centralized government control over economic activity is essential. The reds wanted it for the alleged sake of achieving human prosperity. The greens want it for the alleged sake of avoiding environmental damage. In my view, environmentalism and ecology are nothing but the intellectual death rattle of socialism in the West, the final convulsion of a movement that only a few decades ago eagerly looked forward to the results of paralyzing the actions of individuals by means of “social engineering” and now seeks to paralyze the actions of individuals by means of prohibiting engineering of any kind. The greens, I think, may be a cut below the reds, if that is possible.

While the collapse of socialism is an important precipitating factor in the rise of environmentalism, there are other, more fundamental causes as well.

Environmentalism is the leading manifestation of the rising tide of irrationalism that is engulfing our culture. Over the last two centuries, the reliability of reason as a means of knowledge has been under a constant attack led by a series of philosophers from Immanuel Kant to Bertrand Russell. As a result, a growing loss of confidence in reason has taken place. As a further result, the philosophical status of man as the being who is distinguished by the possession of reason has been in decline. In the last two generations, as the effects of this process have more and more reached the general public, confidence in the reliability of reason, and the philosophical status of man, have declined so far that now virtually no basis is any longer recognized for a radical differentiation between man and animals. This is the explanation of the fact that the doctrine of St. Francis of Assisi and the environmentalists concerning the equality between man and animals is now accepted with virtually no opposition.

The readiness of people to accept the closely connected doctrine of intrinsic value is also a consequence of the growing irrationalism. An “intrinsic value” is a value that one accepts without any reason, without asking questions. It is a “value” designed for people who do what they are told and who do not think. A rational value, in contrast, is a value one accepts only on the basis of understanding how it serves the self-evidently desirable ultimate end that is constituted by one’s own life and happiness.

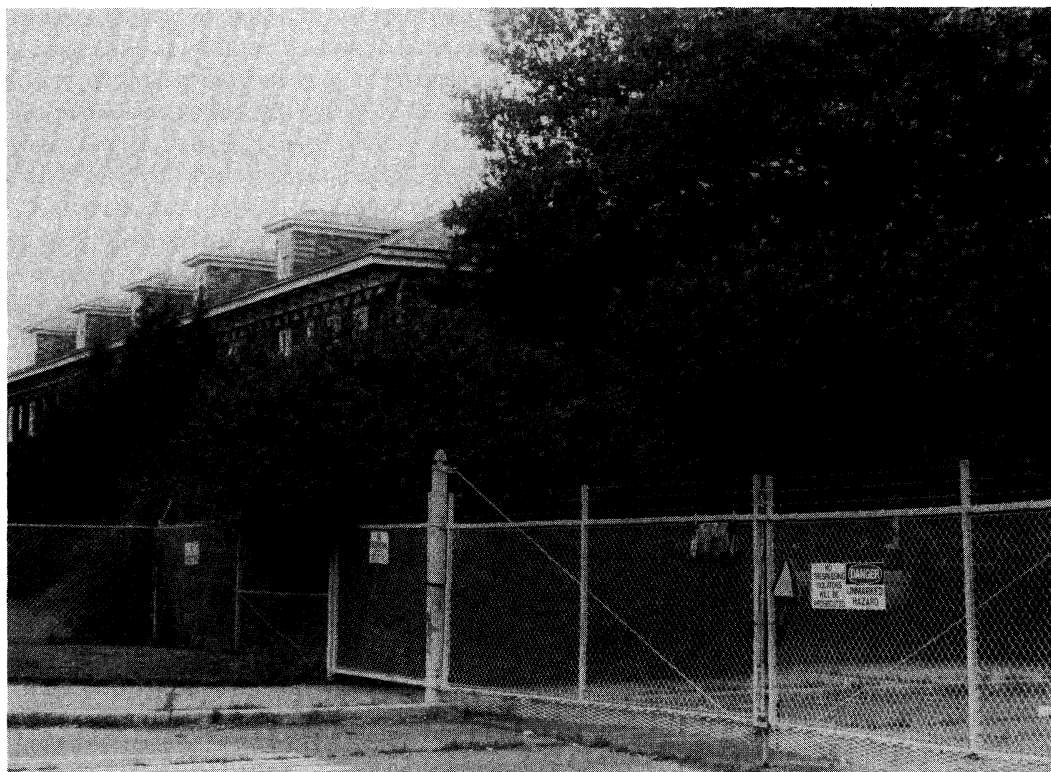
The cultural decline of reason has created the growing hatred and hostility on which environmentalism feeds, as well as the unreasoning fears of its leaders and followers. To the degree that people abandon reason, they must feel terror before reality, because they have no way of dealing with it other than reason. By the same token, their frustrations mount, since reason is their only means of solving problems and achieving the results they want to achieve. In addition, the abandonment of reason leads to more and more suffering as the result of others’ irrationality, including their use of physical force. Thus, in the conditions of a collapse of rationality, frustrations and feelings of hatred and hostility rapidly multiply, while cool judgment, rational standards, and civilized behavior vanish. In such a cultural environment, monstrous ideologies appear and monsters in human form emerge alongside them, ready to put them into practice. The environmental movement, of course, is just such a movement.

But if, because of these reasons, there are no longer many intellectuals ready to take up the fight for human values—in essence, for the value of the intellect, for man the rational being and for the industrial civilization he has created and requires—then all the greater is the credit for whoever is willing to stand up for these values now and, in so doing, don the mantle of intellectual.

The Role of the New Intellectuals

There is certainly ample work for such “new intellectuals” to do. At one level, the work directly concerns the issue of environmentalism.

The American people must be made aware of what environmentalism actually stands for and of what they stand to lose, and have already lost, as the result of its growing influence. They must be made aware of the environmental movement’s



BETH R. BOWLEY

The now-deserted offices of the former Johns Manville Company in New Jersey.

responsibility for the energy crisis and the accompanying high price of oil and oil products, which is the result of its systematic and highly successful campaign against additional energy supplies. They must be made aware of its consequent responsibility for the enrichment of Arab sheiks at the expense of the impoverishment of hundreds of millions of people around the world, including many millions here in the United States. They must be made aware of its responsibility for the vastly increased wealth, power, and influence of terrorist governments in the Middle East, stemming from the high price of oil it has caused, and for the resulting need to fight a war in the region.

The American people must be made aware of how the environmental movement has steadily made life more difficult for them. They must be shown how, as the result of its existence, people have been prevented from taking one necessary and relatively simple action after another, such as building power plants and roads, extending airport runways, and even establishing new garbage dumps. They must be shown how the history of the environmental movement is a history of destruction: the destruction of the atomic power industry,

of the Johns Manville Company, of cranberry growers and apple growers, of sawmills and logging companies, of paper mills, of metal smelters, of coal miners, of steel mills, of tuna fishermen, of oil fields and oil refineries—to name only those which come readily to mind. They must be shown how the environmental movement has been the cause of the wanton violation of private property rights and thereby of untold thousands of acres of land not being developed for the benefit of human beings, and thus of countless homes and factories not being built. They must be shown how as the result of all the necessary actions it prohibits or makes more expensive, the environmental movement has been a major cause of the marked deterioration in the conditions in which many people now must live their lives in the United States—that it is the cause of families' earning less and having to pay more, and, as a result, being deprived of the ability to own their own homes or even to get by at all without having to work a good deal harder than used to be necessary.

In sum, the American people need to be shown how the actual nature of the environmental movement is that of a *virulent pest*, consistently coming

between man and the work he must do to sustain and improve his life.

If and when such understanding develops on the part of the American people, it will be possible to accomplish the appropriate remedy. This would include the repeal of every law and regulation in any way tainted by the doctrine of intrinsic value, such as the Endangered Species Act. It would also include the repeal of all legislation requiring the banning of man-made chemicals merely because a statistical correlation with cancer in laboratory animals can be established when the chemicals are fed to the animals in massive, inherently destructive doses. The overriding purpose and nature of the remedy would be to break the constricting grip of environmentalism and make it possible for man to resume the increase in his productive powers in the United States in the remaining years of this century and in the new century ahead.

The Philosophical Environment

In addition to all of this vital work, there is a second and even more important level on which the new intellectuals must work. This, ironically enough, entails a form of cleaning up of the environment—the *philosophical, intellectual, and cultural environment*. What the cultural acceptance of a doctrine as irrational as environmentalism makes clear is that the real problem of the industrialized world is not “environmental pollution” but *philosophical corruption*. The so-called *intellectual mainstream* of the Western world has been fouled with a whole array of intellectual toxins resulting from the undermining of reason and the status of man, and which further contribute to this deadly process. Among them, besides environmentalism, are collectivism in its various forms of Marxism, racism, nationalism, and feminism; and cultural relativism, determinism, logical positivism, existentialism, linguistic analysis, behaviorism, Freudianism, Keynesianism, and more.

These doctrines are intellectual toxins because they constitute a systematic attack on one or more major aspects of the requirements of human life and well-being. Marxism results in the kind of disastrous conditions now prevailing in Eastern Europe and the Soviet Union. All the varieties of collectivism deny the freedom and rationality of the individual and attribute his ideas, character, and vital interests to his membership in a collec-

tive; namely, his membership in an economic class, racial group, nationality, or sex, as the case may be depending on the specific variety of collectivism. Because they view ideas as determined by group membership, these doctrines deny the very possibility of knowledge. Their effect is the creation of conflict between members of different groups: for example, between businessmen and wage earners, blacks and whites, English speakers and French speakers, men and women.

Determinism, the doctrine that man's actions are controlled by forces beyond his power of choice, and existentialism, the philosophy that man is trapped in a “human condition” of inescapable misery, lead people not to make choices they could have made and which would have improved their lives. Cultural relativism denies the objective value of modern civilization and thus undercuts both people's valuation of modern civilization and their willingness to work hard to achieve personal values in the context of it. The doctrine blinds people to the objective value of such marvelous advances as automobiles and electric light, and thus prepares the ground for the sacrifice of modern civilization to such nebulous and, by comparison, utterly trivial values as “unpolluted air.”

Logical positivism denies the possibility of knowing anything with certainty about the real world. Linguistic analysis regards the search for truth as a trivial word game. Behaviorism denies the existence of consciousness. Freudianism regards the conscious mind (the “Ego”) as surrounded by the warring forces of the unconscious mind in the form of the “Id” and the “Superego,” and thus as being incapable of exercising substantial influence on the individual's behavior. Keynesianism regards wars, earthquakes, and pyramid building as sources of prosperity. It looks to peacetime government budget deficits and inflation of the money supply as a good substitute for these allegedly beneficial phenomena. Its effects, as the present-day economy of the United States bears witness, are the erosion of the buying power of money, of saving and capital accumulation, and of credit.

These intellectual toxins can be seen bobbing up and down in the “intellectual mainstream,” just as raw sewage can be seen floating in a dirty river. Indeed, they fill the intellectual mainstream. Virtually every college and university in the Western

world is a philosophical cesspool of these doctrines, in which intellectually helpless students are immersed for several years and then turned loose to contaminate the rest of society. These irrationalist doctrines, and others like them, are the philosophical substance of contemporary liberal arts education.

Clearly, the most urgent task confronting the Western world, and the new intellectuals who must lead it, is a *philosophical and intellectual cleanup*. Without it, Western civilization simply cannot survive. It will be killed by the poison of environmentalism.

To accomplish this cleanup, only the most powerful, industrial-strength, philosophical and intellectual cleansing agents will do. These cleansing agents are, above all, the writings of Ayn Rand and Ludwig von Mises. These two towering intellects are, respectively, the leading advocates of reason and capitalism in the twentieth century. A philosophical-intellectual cleanup requires that all or most of their writings be introduced into colleges and universities as an essential part of the core curriculum, and that what is not included in the core curriculum be included in the more advanced programs. The incorporation of the writings of Ayn Rand and Ludwig von Mises into a prominent place in the educational curriculum is the central goal that everyone should work for who is con-

cerned about his cultural environment and the impact of that environment on his life and well-being. Only after this goal is accomplished will there be any possibility that colleges and universities will cease to be centers of civilization-destroying intellectual disease. Only after it is accomplished on a large scale, at the leading colleges and universities, can there be any possibility of the intellectual mainstream someday being clean enough for rational people to drink from its waters.

The Twenty-first Century should be the century when man begins the colonization of the solar system, not a return to the Dark Ages. Which it will be will depend on the extent to which new intellectuals can succeed in restoring to the cultural environment the values of reason and capitalism. □

These notes are furnished for the benefit of *Freeman* readers and do not appear in the pamphlet.

1. *Los Angeles Times Book Review*, October 22, 1989, p. 9.
2. Bill McKibben, *The End of Nature* (New York: Random House, 1989), p. 176.
3. *Forbes*, January 8, 1990, p. 303.
4. Edward C. Krug, "Fish Story," *Policy Review*, Number 59, Spring, 1990, pp. 44-48.
5. March 18, 1989 broadcast of ABC's *20/20*. See also Bruce Ames, "What Are the Major Carcinogens in the Etiology of Human Cancer?" in *Important Advances in Oncology, 1989*, V. T. DeVita, Jr., S. Helman, and S. A. Rosenberg, eds. (New York: J. P. Lippincott, 1989), pp. 241-242.
6. *The New York Times*, September 20, 1990, p. A15.
7. *Orange County Register*, October 31, 1990, p. B15.
8. McKibben, *op. cit.*, p. 170.
9. *The Population Bomb* (New York: Ballantine Books, 1968), p. 61.

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The Gregs of Styal

by Robert Thomas

The modern village and estate of Styal are situated in countryside nine miles south of the city of Manchester in northern England. At the center of the village is the factory mill which, powered by the waters of the river Bollin, still spins and weaves cotton as it has done for over two hundred years. The present-day textile production at Styal is part of an acclaimed working industrial museum visited by many thousands of people each year. The museum seeks to reproduce accurately the methods and working conditions of the Industrial Revolution, and has received both the British Museum of the Year Award and the European "Europa Nostra" diploma for restoration and interpretation.

In the 19th century, the Styal mill was at the center of a great industrial and commercial empire involved in the production and selling of cotton goods. The Greg family who owned Styal were not only highly successful businessmen, they were also ardent advocates of free trade. These individualist beliefs were expressed in the business philosophy which they applied to the running of mills such as Styal, and in their political activities where they were involved in the campaign against the restrictive Corn Laws.

The advent of the Industrial Revolution in Britain saw the rapid expansion in the size and industrial import of Manchester and the surrounding area. Between 1773 and 1801 the population of Manchester more than trebled with a contemporary witness recording the building of "hundreds of five and six storied factories, each with a towering chimney at its side which exhales black coal vapour."

During the period from 1760 to 1829 the value of English cotton exports, on which the region's wealth was based, rose from an average of

£200,000 to over £37 million a year. The region's combination of industrial self-sufficiency within Britain and important international contacts gave rise to a distinct set of social and political attitudes and values amongst the new industrialists of the area who believed in an ethos of individualism, self-help, and free trade. The Gregs, who in the late 18th and early 19th centuries rose to be among the greatest of the northern "cotton kings," were typical of this.

When Samuel Greg founded his mill at Styal outside Manchester in 1784 he was already a man of some wealth from an established non-conformist merchant family. Circumstances at the time were favorable for a movement into cotton manufacturing. The American War of Independence had recently ended, opening up new markets for cotton goods. In 1783 the patent on Arkwright's new spinning machine known as "the spinning Jenny" had expired, relieving manufacturers such as Greg of the burden of license fees. The Styal site situated on the river Bollin offered a highly suitable source of water power. A combination of business dynamism and family contacts allowed Samuel Greg to expand his firm, establishing new factory mills in the area at Bury, Bollington, Caton, and Lancaster that employed more than 2,000 people. Despite an uncertain period during the Napoleonic wars, when substantial losses were suffered on goods being traded in Spain, the Greg factories continued to be highly profitable. Overall returns in the Greg factories between 1819 and 1831 averaged 13.2 percent comparing favorably with other factory mills in the area.

Samuel Greg died in 1834 and the family firm passed into the joint management of his sons. The firm was dissolved in 1841 and the mills divided among the Greg brothers. Two of the brothers, Samuel and William, soon dropped out of the cotton industry, leaving the mills at Lancaster, Caton,

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and Bollington to be run by John Greg. The original mill at Styal was run by Robert Hyde Greg along with new mills he had acquired at Calver and Reddish. These mills remained profitable under Robert Hyde Greg's management until his death in 1875. The latter 19th and 20th century saw a decline in the area's cotton industry. Styal mill, however, remained in production until 1939 when the mill and estate were purchased by the National Trust. Styal mill opened to the public as a museum in 1978. The descendants of Samuel Greg still live in Styal village.

A Harmony of Interests

Fundamental to the Gregs' outlook was a belief that there was a harmony of interests between the employer and the employee. The Gregs invested in providing good working and living conditions for their parish apprentices and factory operatives in the belief that such a policy would be rewarded by hard work and good labor relations.

The apprentices were poor children from workhouses bound by their local parish authorities (who were responsible for them) into trades for a period of seven years. This system had its origin in 16th-century poor-law legislation and was intended to teach the children skills that would support them in later life. The system was condemned by contemporary social critics as the involuntary nature of the apprentice labor often led to poor conditions of employment and documented abuses by some mill owners. Poor working conditions were, however, alien to the policy and philosophy of the Gregs, who believed that a badly treated and unhealthy workforce would inevitably be an inefficient workforce. The good conditions maintained by the Gregs for their apprentices would seem to account for the many recorded instances of apprentices staying on at Styal after their seven years were up. One former apprentice said that at Styal "the rooms were very clean, the floors frequently washed, the rooms aired every day and white washed once a year." A medical officer was maintained to treat any apprentices who fell ill, and care was taken to provide a varied diet. As a result, there were comparatively few deaths at Styal mill, and hardly any were the result of mill work. Education was also provided for the apprentices—possibly due to the liberal influence of Samuel's wife, Hannah Greg—with the children

being given a basic education supplemented by music lessons and religious instruction.

In the 1820s, when the Factory Acts discouraged the employment of juvenile labor and parish children were less readily available, the Gregs sought to create a stable community at Styal. In order to attract adults the Gregs provided housing for their workers. Between 1819 and 1831 over £6000 was spent on cottage development, and by 1873 there were 108 cottages at Styal, housing some 538 workers. The Gregs also attempted to create a cultural life for their employees by providing a school, a chapel, and a shop, and encouraging the establishment of a Female Society and a debating society. A branch of the Mechanics Institute was set up at the mill. The Gregs' investment in their workforce seems to have paid off, as until the last quarter of the 19th century Styal mill enjoyed a very low level of labor turnover. Labor relations also appear to have been good: the mill was stopped by industrial action only once during the whole of the 19th century.

This evidence of good relations between factory owner and workers contrasts markedly with the grim picture of exploitation and class hatred offered by such writers as Friedrich Engels who observed the Manchester area in this period. All the measures taken by the Gregs to benefit their workers were, however, meant to enhance the productivity and profitability of the mill rather than as part of any scheme of social improvement. It was in the ultimate interest of owner and employee alike to see that the mill continued to be profitable. This was, however, forgotten by Samuel Greg, Jr., when he took over the running of Bollington Mill in 1832. Samuel, Jr., saw the mill not as a chance to make money but as an opportunity to carry out a social experiment—similar to that effected by the socialist pioneer Robert Owen in his factories at New Lanark—in order to "elevate the conditions of the labouring classes." In pursuit of this aim Samuel, Jr., gave lessons in natural history, held tea parties for his workers and established an "Order of the Silver Cross" to be awarded to girls of 17 and 18 who showed a "superiority of character and manner." While these high-minded ideals consumed Samuel's interests, the Bollington mill's finances were neglected. Falling profitability and increasing debt led to a breakdown in labor relations in 1846. As a result the running of Bollington mill was taken over by John Greg, who applied

rational business aims once more to the management of the mill.

British politics before the industrial revolution had been the almost exclusive domain of the landed aristocracy. Increasingly, however, in the 19th century the newly powerful factory owners and industrialists became involved in politics. One of the Gregs' fellow cotton mill owners, Robert Peel from nearby Bolton, was to become Prime Minister. Peel's Tamworth manifesto published in 1834 is credited with being one of the founding documents of the modern British Conservative party. The Gregs enthusiastically campaigned for the 1832 Reform Act which removed the anomaly of under-representation in Parliament of the new urban centers of wealth and population. At a reform meeting in Manchester, Robert Hyde Greg argued that "the elective franchise should be so efficient that members of the House of Commons should be really—not nominally—the representatives of the people."

The Gregs were, however, deeply suspicious of further extension of the franchise. They feared it would lead to the dominance of the collective over the individual in government, endangering the institution of property. Robert Hyde Greg confided his worries to his journal, writing that "poverty causes dependence and is easily bought. No property diminishes respect for property, consequently the security of property becomes compromised. Multitudes are easily carried away by passion and by rumours, however absurd." William Greg openly expressed his fear that the removal of the property qualification for voting would undermine the incentive to acquire property. Greg's friend, William Lecky, expanded on this theme of the danger to the individual from the uncontrolled will of the majority in his book *Democracy and Liberty*.

The political issue that most concerned the Gregs was, however, the promotion of free trade and opposition to the Corn Laws. The Corn Laws had been introduced in 1815 to protect agriculture artificially by inhibiting foreign competition. By closing British markets to foreign agricultural produce the laws also restricted the export markets for British manufactured goods and even encouraged foreign competition. Robert Hyde Greg was a prominent member of the Manchester Chamber of Commerce when it began to argue in favor of free trade in the 1820s. In 1825 he drew up a memorial outlining the benefits of free trade and

began calling for the repeal of the Corn Laws. "Agriculture," Greg declared angrily, "has relied on protection instead of relying as it ought to have done on intelligence, frugality and industry." He emphasized the damaging effects of protection and trade prohibition on industry saying that, "The great point we have to impress upon the minds of our rulers is that trade is merely barter, that it is an exchange of one commodity for another, that we can no more trade with those countries the products of which we refuse to receive than we can trade with those countries which absolutely prohibit the products of this country."

Robert Hyde Greg's active opposition to the Corn Laws brought him into contact with Richard Cobden. Greg claimed, however, that his interest in the issue pre-dated that of Cobden, writing in 1843: "The fact is that no one in Lancashire some years ago thought anything about the Corn Laws except J. B. Smith and myself. Cobden was then unknown; but the second time I saw him was when he came to me, in the company of J. B. Smith, for the purpose of forming an Anti-Corn Law Association." In 1838 the Association was transformed into the nationally organized Anti-Corn Law League. Greg took a prominent role in the League, addressing numerous meetings and raising money. At one meeting in Manchester chaired by Robert Hyde Greg, £60,000 was raised in a few hours. Between 1839 and 1841 Greg served as the Anti-Corn Law League Member of Parliament for Manchester. To a lesser extent, William Greg was also active in the League, opposing the Corn Laws on humanitarian grounds, drawing attention to the effect on the working classes of the artificially high bread prices. The Corn Laws, William Greg declared in 1842, conspired "To keep up the first necessary of life at a famine price." In 1846 the League triumphed and the Corn Laws were abolished, effectively ushering in the era of Victorian free trade.

The significance of the Gregs as a family lies in the fact that they combined the economic and political theory of such philosophers as Adam Smith, Richard Cobden, and Frederic Bastiat with the technical innovations of their time to produce great works of industrial enterprise. It was through men such as the Gregs that the ideas of free trade were applied in practice, and their full consequences for the spreading of prosperity and liberty fell in Britain and across the world. The museum at Styal stands as a memorial to their work. □

Prelude to the Total State

by Nelson Hultberg

The enslavement of man usually begins in the economic sphere.

—EDWARD GIBBON

Capitalism died in 1929, according to the esteemed pundits of our day. Since that fateful year, the prominent intellectuals and politicians of our country have been promoting the welfare state as a “safe, responsible, middle ground between the opposite poles of capitalism and socialism”—the perfect system to preserve freedom, maintain economic stability, and bring about the good life.

Today’s chaotic and corrupted America does little to corroborate that notion. What the last 60 years have shown is that the welfare state is not a stable middle ground at all, but a highly unstable mixture of individual freedom and government coercion that is evolving steadily away from freedom toward an all-pervasive statism.

It becomes more obvious each year that what Ludwig von Mises repeatedly declared throughout his extensive writings is true, that there can never be a third way between capitalism and socialism—that is, a third way that does not degenerate into socialism or progress to capitalism. The Herculean task confronting us today is to convince the public, in clear-cut terminology, why this is so. What cogent arguments can we articulate to warn America about the dangers of adopting the policies of welfare statism, and expose as

well its tendency to evolve into some form of tyranny?

The purpose of this essay is to examine three of the primary reasons why unchecked welfarism is only a “prelude to the total state.” These arguments have been expounded in the past by numerous insightful advocates of freedom, but they must be repeated and rearticulated by different minds and voices for new generations of Americans.

Interventions Bring More Interventions

The first reason why the welfare state cannot sustain freedom is the famous Misesian thesis: *Government interventions always breed economic dislocations that “necessitate” more government interventions.*

For example, no government can pay for the extravagances of welfarism solely with taxes, for the productive members of society will tolerate only so much taxation. The politicians in power inevitably turn to the expedient of monetary inflation, and through manipulation of the Federal Reserve System pay for their extravagance.

Here is where the chain reaction of government interventions and dislocations really begins to play havoc, for one cannot inflate the money supply through the Federal Reserve without eventually causing higher prices. If government then tries to prevent prices from rising through price controls, it eliminates profits, slows produc-

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tion, and causes shortages. The lower supply of goods, combined with monetary expansion, tends to raise prices still further. What was intended to stop rising prices, price controls, causes prices to rise. If price controls remain in effect, the results will be more severe shortages, malinvestment, black markets, and corruption. If government then attempts to control all the means of production and distribution in an effort to eliminate the chaos and corruption its actions have caused, it must also control consumer choices and personal ambitions, for they determine what goods are to be produced. Government cannot control consumer choices and personal ambitions without attempting to control the human mind through education, the press, movies, and books. The logical consequence of government intervention is totalitarianism.

The Keynesian Revolution

The rationale for government intervention stems from many sources, one of the most important being the Keynesian revolution of the 1930s and its emphasis on “macro” rather than “micro” economic theory. This revolution shifted concern from the actions of individuals to the interplay of aggregates or collectives.

In practice this meant the subordination of the rights of the individual to allegedly higher “goods,” e.g., the good of the economy, the expansion of the GNP, and the building of a Great Society.

Because their emphasis is on groups and aggregates, welfare state (or macro) economists think in terms of expanding the *economy's* supply of money, dispensing the *public's* revenues, revamping the *nation's* priorities, and using the *nation's* resources. Groups, cities, minorities, society—rather than individuals—are the important entities. Because of the profound influence that Keynes had, macro-economists now seek to coordinate the nation's aggregates by manipulating its money supply, taxation, wage levels, business profits, and savings from Washington.

Here lies the major flaw of the interventionist program: To think in terms of manipulating profits, consumption, savings, and investments of a society presupposes thinking in terms of *manipulating human beings*. You can't control money, wages, price levels, and ratios of private

consumption to public expenditures without also controlling people themselves. These phenomena are all merely *effects*; people and their thoughts, ambitions, and actions are the *causes*.

Since it does no good to attempt to alter or plan effects without also controlling causes, our planners in Washington, who wish to control and regulate our nation's economic productivity in an efficient manner, must ultimately try to control and regulate the causes of that productivity—which are the thoughts, ambitions and actions of the men and women who create it. This will require some form of authoritarian political system.

Welfare state theoreticians are now concerned mostly with relatively haphazard controls over human actions (through economic regulations), and over human thoughts and ambitions (through educational controls). But the laws of human action will mandate further evolution of control.

A Model for the West?

Despite the fact that individual freedom shrivels to minimal levels under Swedish-style welfarism, America's “liberal” academic leaders subtly applaud such a system, considering it to be a model for the West. As *The Los Angeles Times* recently reported in reference to the “Swedish Model”: “Concerned Swedish economists are questioning whether the welfare benefits are still worth what they say is the cost: the overwhelming taxes, economic slowdown, high inflation, falling productivity, lowering worker morale, and rising unemployment that seem now to characterize this nation of 8.6 million people.”¹

Several writers in the past two decades have exposed the nightmarish cost of Sweden's state welfarism, Roland Huntford's *The New Totalitarians* being the most celebrated. Under the benevolent guardianship of an all-powerful, centralized state, the Swedes relinquished their independence for the numbing existence of the hive, where soul-crushing bureaucracies stretch their tentacles into every nook and cranny of life. Taxes exceed 90 percent of income, children become wards of the state, names become numbers, obsequiousness is admired, alcoholism and drug addiction are rampant, and anxiety is everyone's constant companion.

Naturally, statist intellectuals here in America

solicitously denounce such a development, maintaining that they want only to intervene a little bit, and just “redirect resources,” “smooth out disparities,” “create a perpetual prosperity.” They don’t intend to regiment all of life. They don’t intend to build a monster bureaucracy. But, eventually they must, if they intend to control things from Washington.

In his monumental study of 20th-century bureaucratism, *The Myth of the Welfare State*, Jack D. Douglas analyzes this self-reinforcing nature of statist growth, and why interventionist governments tend to evolve into more and more dictatorial governments: “The megastate ratchets up slowly, always in the guise of ‘serving the common welfare’ and generally in the pretense of meeting a crisis. Once the bureaucratic regimentation of everyday life has become pervasive, it begins to trigger” acute socio-economic crises (inflation, recessions, shortages, monopolies, corruption, etc.), which create “alienation and outrage” throughout the country. “These crises triggered by the higher levels of statist bureaucratization then become the enabling crises of further ratchets-up in statist powers—it becomes a vital necessity for ‘the common welfare’ to ‘solve’ the problems being caused by the drift into statist collectivization by increasing the bureaucratic regulations, which in turn produce new crises that must be solved by further ratchets-up.

“The drift into statist regimentation of life is, thus, an *autocatalytic process*—it reinforces itself, or feeds upon itself. The drift upward into greater regimentation accelerates because the new statist attempts at solutions to problems destroy the old ways of dealing with them, and build ratchets under the dependencies on the new statist ‘solutions’ as people restructure their life commitments in expectation of continuing those statist dependencies. At the extreme, statist bureaucracies first breed a generalized dependency in individual personalities and then in whole subcultures, whose members transmit this dependency to new generations.”²

Thus all welfare states, utilizing a mixture of economic freedom and government intervention, tend to establish pervasive controls over most of the political, economic, and educational activities of their people. It might take many, many decades for a nation to work itself into the position whereby its regimentation is widespread and insuffer-

able, but that day will come when there is such socio-economic chaos and stultification resulting from all the “ratchets-up” and “crisis solutions,” that the government will finally give up on even the pretense of freedom, and suspend the basic rights of the people.

Special Privileges to Factions

The second reason why the welfare state cannot sustain freedom is that *government welfarism destroys a limited and objective framework of law by extending special privileges to certain segments of society at the expense of other segments.*

For example, it conveys welfare services to the less productive at the expense of the more productive, protective legislation to various corporations at the expense of consumers and other businesses, job preferences to some at the expense of better qualified applicants, and labor laws passed to favor unions at the expense of employers and workers. To put it more bluntly, the welfare state destroys the philosophy of “equal rights for all” in favor of “special privileges for factions.” It is a doctrine of *legalized favoritism*, that must by its very nature lead to dissension, corruption, and tyranny.

Our intellectual leaders should consider the following: What possible hope for peace and good will can there be when some men and women (by joining forces with a large enough group) are allowed to use government coercion and intervention to gain their desires? What possible kind of life can people live when the degree of their freedom is determined, not *equally* by the law of the Constitution, but *unequally* by the variable whims of bureaucrats and voters? What kind of social climate develops when people are penalized for their ability and self-reliance, and rewarded for throwing tantrums en masse? What kind of individual freedom and economic stability can we have when men and women are subjected to such injustice? What type of country will evolve from such nonsensical and arbitrary rule?

The last three decades of political-economic turmoil in America have shown us what type of country we can expect—a chaotic assemblage of special interest groups (such as labor unions, ethnic minorities, welfare recipients, and activists working to promulgate the “rights” of women, homosexuals, and others) all demanding special privileges, controls, and handouts from the feder-

al government. None of them is willing to contemplate the destruction of individual freedom they are perpetrating in the process. In fact, many feel they are enhancing freedom.

It is here in the nature of welfarism and its evolution that we get a glimpse of one of the most important issues of political philosophy: Governments can be organized under one of two types of law: limited and objective, or open-ended and arbitrary. Which type we choose determines our way of life. The first leads to individualism and freedom; the second to collectivism and tyranny.

Limited and objective law means that the statutes enacted by the governing power are predetermined to do only certain things for the people, and they are equally applicable to all citizens. In other words, there are no special privileges conveyed to some citizens, e.g., entitlements, subsidies, controls, tariffs, and monopolies. The laws passed do not favor any individual or group over another. They do not help or hinder one in relation to another. Whatever they do, they do for everyone.

Open-ended and arbitrary law means that the statutes enacted by the governing power are haphazard and unequally applicable to the citizens of a country. They are up-for-grabs, so to speak, concerned with dispensing preferential treatment to powerful interest groups. They are not predetermined, but flexible, and their meaning and application are based upon the whim of the rulers (whether the rulers are one man, a council of men, or a plurality of the voters). There are either no limits, or poorly defined limits, placed upon the application of such laws.

Throughout history all governments have been organized, to some degree or another, upon an *open-ended and arbitrary* basis. There has never been a country with a truly *limited and objective* system of law. America came close in 1787, but even she allowed "special privileges" to be enacted into law. Naturally there are gradations of arbitrariness. Some systems are more arbitrary than others in their exercise of governmental power, and thus more despotic than others.

The welfare state vision is based totally upon open-ended and arbitrary law (i.e., the conveyance of special privileges according to the whims of the rulers and the pressures of factions, with poorly defined limitations). The fact that it is democratic does not change the arbitrary nature and poorly

defined limits of its statutes, nor does such a fact convey legitimacy to the arbitrariness and openness of its power, nor does it justify the vast array of privileges that its factions and majorities vote for themselves. Tyranny is still tyranny, whether it is one man, ten men, or millions of men usurping the rights of the individual. Welfarism, despite its democratic implementation, is just another form of despotism, and will, unchecked, evolve into a more despotic form.

A Moral-Philosophical Shift

The third reason why the welfare state cannot sustain freedom is rooted in the *moral-philosophical shift this country has made since the turn of the century*.

Prior to 1913, America was predominantly a laissez-faire society, and definitely a much freer society. I say *predominantly* here, for America of course has never been a completely laissez-faire society. Even from the start in 1787, the government arbitrarily exercised its power to dispense special privileges to various sectors of society (it passed protective tariffs, subsidized canals and railways, sanctioned various public-works bills, and until 1865 allowed the limited practice of slavery). But such interventionist favoritism was minimal throughout the 19th century, with the determination of most human action left up to the people themselves, according to their own desires.

Thus what is important is that the great bulk of what was achieved by individuals during this period had to be done with their own peaceful effort and *voluntary* trade among themselves. The law of the land was simple and just. No man could force another man to give him the basic economic necessities of life, either directly through robbery or indirectly through the government's power to tax. This was the beauty and strength of America—the key to her freedom. Young people were raised to expect protection, never provision, from their government. And thus they grew up as individuals in search of *achievement*, not as protesters in search of *guaranteed incomes*.

The ratification of the 16th Amendment and the enactment of the Federal Reserve Act in 1913 changed all this. They established the Federal income tax and a central bank, which led to a surge of government intervention into the

economy, which led to the Great Depression and the New Deal. The New Dealers opened wide the floodgates of government coercion in men's lives, by establishing the right of the government to take the wealth of some and give it to others. In this way, they altered the entire conception of what government's role in life should be. America was formed and built upon the idea of government being an *objective preserver of the peace*. The New Dealers made government an *arbitrary manipulator of the people*.

President Franklin Roosevelt and the statists of the 1930s rose to power by establishing what they termed an "Economic Bill of Rights," which stated that all men have certain economic needs (housing, food, medicine, income, security); and if they won't provide themselves with those needs, it is the duty of the government to step in and do it for them through higher taxation and the political redistribution of property.

This in essence established morally and philosophically that whatever a person "needs" he has a "right" to. As a result, a whole new generation of Americans has come to believe that their government is not just their *protector* but also their *provider*. Thus they think nothing of now demanding more government favors and handouts every year as a "right."

And why shouldn't they? The prevailing morality of our society has told them that all men deserve not just the right to *produce*, but now the right to *confiscate* the economic "necessities" of life, the right to define those "needs" by majority vote, and the right to use the power of the state in the confiscation process.

From Self-Reliance to Dependency

The endless protest movements, wars on poverty, ever higher taxes, inflation, regulation, and special interest legislation that have come to be such prominent factors in our lives in America today are the long-range results of the moral-philosophical shift we made at the turn of the century—from a country built upon self-reliance and individual freedom, to a people dependent upon government handouts and state control.

Government growth requires a moral rationale. If we were never to furnish such a rationale, we would be immune to state dictatorships. We have

provided that rationale, though, by teaching the younger generation that their "needs" are "rights," and that the redistribution of private wealth is a legitimate policy.

Once such a redistributionist philosophy is accepted, all factions' demands for more welfare, better housing, guaranteed incomes, special subsidies, loans, and favors provoke more demands and an ever growing deluge of taxes, bureaucracy, deficit spending, and inflation.

Collectivists will approve of it by vote. "It's the least disastrous of our alternatives," they will cry, not bothering to contemplate that it was their government controls in the first place that brought on the very chaos that they will then use to justify all-pervasive government control. But collectivist mentalities are not concerned with getting at the actual causes of our problems. They are concerned only with increasing the power of the government to feed their delusions.

These then are three of the more important reasons why the welfare state philosophy will ultimately lead to tyranny: (1) government interventions lead to more and more intervention; (2) dispensing special privileges leads to arbitrary law; and (3) freedom's moral base is subverted with redistributionist tax policies.

The alternative to this insidious drift of our welfare state system is the one course our intellectual and political leaders refuse to face—restoration of a true capitalist economy, where no special privileges are dispensed by government to anybody, where men and women are taxed equally, where government is strictly controlled by the Constitution, and where productive peaceful people are left alone to build their lives to whatever level they are capable, while helping those who can't through the many voluntary charitable organizations that spring from the American people's abundant compassion and goodwill. Such a system worked splendidly for 125 years here in America, and only began to fizzle as the government began to intervene.

This is not a plea to return to the simplicity of the horse and buggy age. This is an exhortation to restore the principles of a free market and a strictly limited constitutional government, for these are the only proper principles, and the only system of social organization that will provide enduring freedom, prosperity, and dignity.

The lessons of history are clear. If a country will

not respect the concept of private property, allow freedom in the marketplace, and refrain from dispensing favors and subsidies to special interest groups, then it is on its way to economic deterioration, mob rule, and an arrogant, overweening form of government.

The countries of most of the rest of the world have already dropped over the philosophical precipice to collectivism, and are gradually evolving into various forms of "benevolent authoritari-

anism." America remains as a bastion of individual freedom, but even she is under severe attack, and faltering. America still has a chance because she still has a choice. But her people must identify the nature of the ideological struggle and make the right choice. □

1. "The Swedish Model Doesn't Seem Quite So Lovely These Days," *The Los Angeles Times*, June 18, 1991.

2. Jack D. Douglas, *The Myth of The Welfare State* (New Brunswick, New Jersey: Transaction Publishers, 1989), p. 24.

Freeman Editor Awarded Prize

The Foundation for Economic Education is delighted and proud to announce that Edmund A. Opitz, a member of the Foundation's Senior Staff since 1955 and a contributing editor of *The Freeman*, has been awarded a \$5,000 prize in the Amy Foundation Writing Awards for 1991.

Mr. Opitz's award-winning essay, "Biblical Roots of American Liberty," appeared in *The Freeman* in July 1991. Its thesis is that "Nations of the West were founded on biblical principles of



justice, freedom, and a work ethic." Mr. Opitz is an ordained Congregational minister, the founder and coordinator of The Remnant, a fellowship of conservative and libertarian ministers, and a founder and secretary of The Nockian Society.

He has published more than one hundred fifty articles and reviews in a score of publications. He has written two books, *The Powers That Be* and *Religion and Capitalism: Allies, Not Enemies* and co-authored a third, *The Kingdom Without God*. Mr. Opitz has lectured widely and participated in more than two hundred FEE seminars.

Men Versus Machines

by J. Gresham Machen

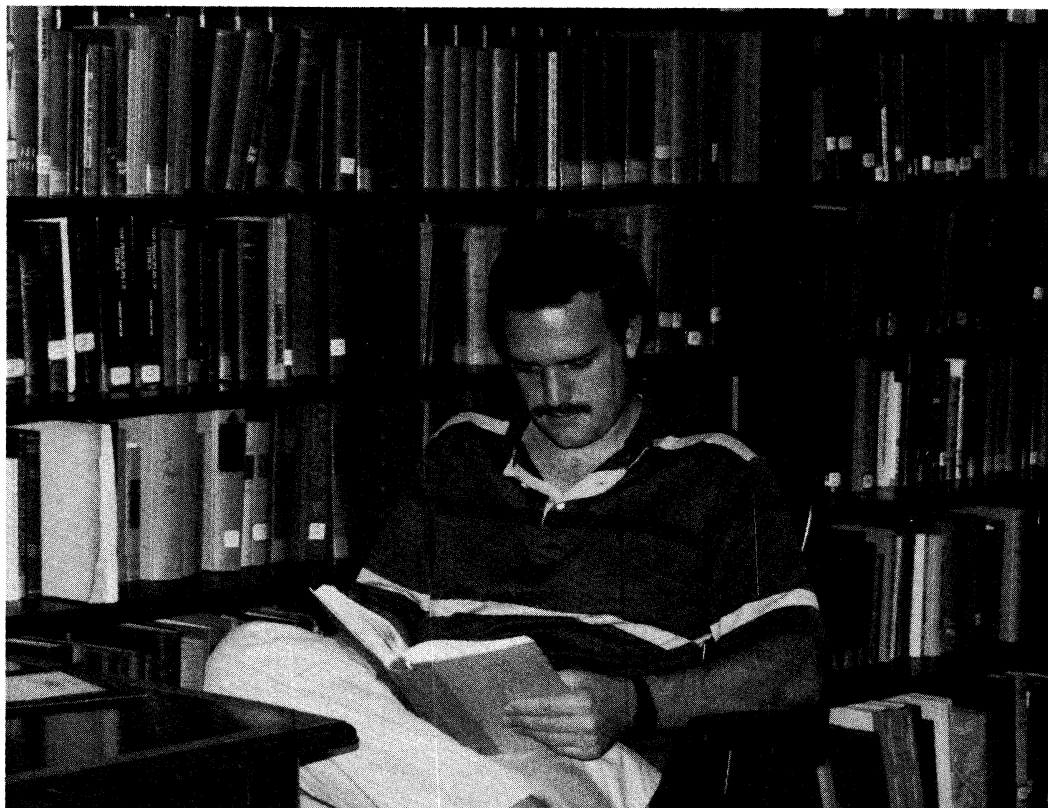
What is the purpose of education? One view which has been widely held is that the purpose of education is to enable a man or a woman to earn more money after graduation from school or college. That is the so-called vocational view of education. Advocates of it can adduce statistics, I believe, to show that graduates of high schools or colleges get better positions than those who are not graduates. With regard to this vocational view it can be said for one thing that it is enormously over-done. It is training up so many people in the hope of their earning large salaries that there are not enough large salaries to go around. That was true even before the depression came upon us. Moreover, this view is hopelessly narrow and inflexible. It seeks to make men efficient machines, but unfortunately a machine can do only one thing, and when that thing no longer needs to be done the machine has to be scrapped. But the deeper objection to the exclusively vocational view of education is that a man never was meant to be a machine at all. If you make a machine of him, you are doing the direct opposite of what true education ought to do.

A better view of education is that education ought to broaden a man, ought to keep him from getting into the narrow rut of any one aptitude or activity. I remember that Dr. R. J. G. McKnight, President of the Reformed Presbyterian Seminary in Pittsburgh, in an address which he delivered recently at Westminster Seminary, said that

he had made a visit a short time before to an automobile factory. He had admired very much, he said, the wonderful skill developed by operatives in the factory. Particularly had he observed the speed and accuracy with which a man in the assembling plant put on the rear fenders of the cars as they came down the endless line. That man, he said, might not be able to do a lot of other things; but one thing certainly could be said for him—he was certainly the world's best Ford-car-left-rear-fender-putter-on. Well, I think perhaps there is some hope even for that putter-on of left rear fenders. With shorter hours and consequently increased leisure given to operatives in factories, it is quite possible that that Ford-car-left-rear-fender-putter-on may learn to love his Tennyson and his Horace in his leisure time.

But whatever may be said of him, it is a poor view of education to hold that it condemns men to remain mere Ford-car-left-rear-fender-putters-on all their lives. I think the man who above all others should be pitied is the man who has never learned how to amuse himself without mechanical assistance when he is alone. Even babies are sometimes taught to amuse themselves. I remember when I was at Princeton I used to watch the baby of one of the professors on the Seminary campus. That self-reliant little mite of humanity would spend the entire morning in the middle of that great green expanse, all by himself, and yet in the most complete contentment and in the most perfect safety. He was early learning the great lesson how to use his leisure time. He did not need to have anybody else rattle his rattle for him. Thank you, if he needed a rattle at all he could rattle his own rattle for himself. He was get-

J. Gresham Machen (1881-1937) was Professor of New Testament at Princeton Seminary and author of many books including Education, Christianity and the State, from which this article is adapted.



BETTINA BIEN GREAVES

ting a good preparation for life. A person who can rattle his own rattle when he is a baby is very apt to be able to paddle his own canoe when he becomes a man.

The average American, however, remains a baby all his life. He is unable even to rattle his own rattle. He has to have somebody else amuse him all the time. Leave him alone for five minutes, and he has to turn on his radio. It seems to make very little difference to him what the radio gives forth. All he wants is that some kind of physical impact shall be made on his eardrums—and incidentally on everybody else's eardrums—just to keep him from having one moment to himself. Turn off his radio even for a moment and the appalling emptiness of his life is at once revealed.

What is the explanation of this emptiness of American life? The explanation is that the average American is not educated. An uneducated man shrinks from quiet. An educated man longs for it. Leave an educated man alone, and he has, for one thing, the never-failing resource of reading. He has that resource in his home; he may even carry it around in his pocket. Mr. Loeb has

done more for the cause of true education with his pocket editions of the classics than have the founders of many universities.* Even more truly educated is the man who does not need even the prop of pocket editions, but can draw at any moment, in meditation, upon the resources of a well-stocked mind.

But what shall be done for the great hosts of Americans who have never learned how to read with enjoyment, and to whom meditation has become a lost art? What shall be done about the increasing problem of leisure time?

Intrusions of Government

Well, I can tell you one thing that ought not to be done about it. Whatever may be done about it, government certainly ought not to do anything about it. People talk about this great national problem of leisure time. Since it is a national problem, they say, Congress ought to take it up; or rather, Congress ought to perform its up-to-date function of being a rubber stamp by turning

*James Loeb (1867-1933), American banker and philanthropist, who founded and endowed the Loeb Classical Library.

the problem over to some government bureau. So we shall have government directing even our holiday activities for us; government will be telling us not only how we shall work, and how much we shall work, and how much we shall get for our work, but also how we shall play.

I remember the first school I attended. It was a private school, which, I suppose, might be called a kindergarten. There were various tasks to be performed in the various periods of the school's session. But to me the most irksome period was one in which we were all required to stand up under the eye of the teacher and play games with a lot of little girls. I thought it was the toughest duty of the entire school day. Some time later, years later I think, I discovered that it was supposed to be the recess hour! What I had held to be work was regarded by the teachers as play. I am inclined to think still that I rather than the teachers was right. Play that is prescribed and supervised by the powers that be is often the most irksome kind of work.

That is true of the grandiose recreation schemes into which the Federal government is now entering. A great system of National Parks has been built up. It might have been a beneficent thing if it meant that the natural beauty of the regions now embraced in the National Parks were to be preserved. But as a matter of fact it means nothing of the kind. During a period of over 30 years I used to go in the summers, with some interruptions, to Mt. Desert Island, Maine. When I first went there it was about the sweetest and most beautiful lake and mountain region that could possibly be imagined. It really seemed as though no human being would have the heart to destroy the delicate charm of those woods. But

then came Mr. John D. Rockefeller, Jr., and the Lafayette (later Acadia), National Park, and all was changed. Huge roads now scar practically every mountainside and skirt the shores of practically every lake. The woods near the roads have been ruthlessly "cleaned up." The natural beauty of the region has been systematically destroyed. When I go into that National Park, with its dreary regularity and its officialdom, I almost feel as though I were in some kind of penal institution. I feel somewhat as I do when I am in Los Angeles or any of the other over-regulated cities of the West, where pedestrians meekly wait around on the street corners for non-existent traffic and cross the streets only at the sound of the prison gong. Certain it is at any rate that the best way to destroy true recreation is for government to go into the business of promoting it.

The far more serious thing, however, is that this odious governmental activity in the destruction of the natural beauty of the woods is only a symbol of what is going on today in the sphere of human life. As the government bureaus are out to destroy every sweet and free and delicate thing in the woods and streams, so they are also out to destroy every sweet and free and delicate thing in the lives of the citizens. The ideal plainly is that we shall be under government tutelage from the cradle to the grave. In the cradle a maternity bureau will have us in its clutches; in the period of our school life we shall be in government schools, which will direct our recreation as well as our studies; after we get through school we shall be subjected to adult education under government control and shall be questioned as to our use of our leisure time. From this dreary goose-step there will be no escape. □

"A Thinking Reed"

Man is but a reed, the most feeble thing in nature; but he is a thinking reed. It is not necessary that the universe arm itself to crush him. A vapor, a drop of water suffices to kill him. But if the universe were to crush him, man would still be more noble than that which killed him, because he knows that he dies and the advantage that the universe has over him; the universe knows nothing of this. Thus all our dignity consists in thought.

—BLAISE PASCAL

IDEAS
ON
LIBERTY



Smoking on Airplanes

by Robert T. Smith

Some time ago, the Federal Aviation Administration, in its infinite wisdom, banned smoking on domestic airline flights. One of the reasons given was that passive smoke is harmful, and that non-smoking persons in the close confines of an airplane cabin would suffer deleterious effects from this passive smoke. One editorial in favor of the Federal regulation to ban smoking went so far as to compare an airliner cabin to a "smoke-filled bar room."

Smoking is bad for you. Not only does the nicotine cause heart problems, but smoke in the lungs causes lesions which can result in cancer, and each cigarette depletes your body of about 25 mg of vitamin C, which, according to Dr. Linus Pauling, has been demonstrated to play a part in the prevention of cancer. So, even those of us who smoke will agree that it is dangerous, and a bad, smelly habit. And expensive. But that is not the issue here.

The issue is, should the government ban smoking on airplanes? Or in hotels? Restaurants? Any privately owned building, even your home, as some have suggested? Specifically, does the danger warrant a Federal regulation to prohibit smoking on airplanes and thus subject an innocent citizen who unwittingly lights up to criminal prosecution?

Most American homes have a closed-circuit heating and air-conditioning system. Except for leaks around doors and windows, no outside air gets into the house. If there is a smoker in the house the passive smoke stays in the house, or at least a large percentage of it does. The same situa-

tion exists in many office buildings. So the air in homes and office buildings where most of us live and work is not changed on a regular basis. But the air in an airplane cabin is. The engines suck in air and a portion of this air is bled off the compressor section of the engine and sent to the cabin heating and air-conditioning system. This clean, fresh air from the outside is not contaminated by anything. It is pumped into the cabin to pressurize the cabin, and in the process it is heated or cooled to provide a comfortable temperature in the cabin even though the outside air may be as low as seventy degrees below zero or as hot as a hundred and ten. The engines pump this air into the airplane's pressurization/heating/air-conditioning system on a continuous basis. Even though the airliner may be flying at an altitude of 35,000 feet or higher, the engines have the capacity to pump enough air into the cabin so that the atmosphere in the cabin is generally somewhere between 5,000 and 8,000 feet, but never above 10,000 feet.

How long does it take for all of the stale air in the cabin to escape and be replaced by clean, fresh air? To answer that question, I went to the source, Boeing Airplane Company in Seattle, Washington. Prior to World War II, Boeing built the first pressurized airliner, the Boeing 307 "Stratoliner"; later the first pressurized bomber, the B-29; and in the 1950s America's first commercial, pressurized jet airliner, the Boeing 707.

Boeing spent hours digging in their engineering files to come up with definite positive data. Thus I can report that on a Boeing 727 cruising at 35,000 feet the air in the cabin is completely exchanged for new, fresh air about every two-to-four minutes. That kind of massive air exchange does not occur in your home or in any office building that I know of.

Did the FAA not know about the air-exchange rate on airliners when they made their no smoking regulation? Did they care? The issue boils down to this: Is a Federally regulated no smoking ban on airliners justified on the basis of the hazard of passive smoke, based on what we know about the rate of exchange of air on a typical modern jet airliner? The data available suggest that it is not.

True, we face a danger from smoking. But we face a far greater and more long-term danger from a Federal bureaucracy that promulgates regulations based on the presumption of government knows best. □

Mr. Smith, a commercial pilot and retired FAA operations inspector, is a free-lance writer based in Smyrna, Georgia.

Letter to a Congressman

Dear Congressman:

I am writing to you to add some of my thoughts on the Federal budget beyond the answers I gave on your multiple choice survey. You will notice that I have checked the box indicating a desire to cut spending in each category listed. These responses are not given lightly; I considered each item listed before giving my response.

In a number of cases I would have much preferred to check a box in favor of eliminating the program rather than simply cutting its budget; in this category I would include college financial aid, mass transit, energy conservation, research and development, space programs, assistance to state and local law enforcement agencies, war on drugs, arts and humanities, and farm programs. These are all activities which should be funded privately, if at all. That is, those with an interest in funding such things should do so voluntarily, rather than through taxation or by incurring debt for future generations.

Much of the problem with the Federal budget has arisen out of the mistaken concept of a "right" to basic goods and services, and I am disturbed by your promotion of this concept in the headline from your newsletter: "Health Care: An American Right." This idea has all but destroyed an understanding among the public of the true concept of rights as expressed in the Declaration of Independence and the Bill of Rights, where rights refer to areas where governments are proscribed from interfering with the individual, not to things which individuals can feel justified in having the government provide by stealing from others.

Dr. Dow, an Alabama resident, shared this letter with the staff of FEE. We thought it deserved wider distribution.

In this regard I would ask you to ponder the following words of Davy Crockett, spoken to the U.S. House of Representatives in regard to a bill to appropriate money for a "worthy cause" when he was a Congressman from Tennessee:

... we must not permit our respect for the dead or our sympathy for a part of the living to lead us into an act of injustice to the balance of the living. I will not go into an argument to prove that Congress has no power to appropriate this money as an act of charity. Every member upon this floor knows it. We have the right, as individuals, to give away as much of our own money as we please in charity; but as members of Congress we have no right so to appropriate a dollar of public money. . . .

... I am the poorest man on this floor. I cannot vote for this bill, but I will give one week's pay to the object, and if every member of Congress will do the same, it will amount to more than the bill asks.

The bill failed. Of course today it would be impossible for Congressmen to fund any but the tiniest of the programs they debate out of their own pockets, and it is extremely rare for a Congressman to consider the question of whether it is in his delegated authority under the Constitution to make budgetary commitments to all of today's massive programs.

We have seen great progress in this country since Davy Crockett's day, progress that has come by and large through the hard work and private enterprise of individuals seeking to better their lives. The destruction of the principle of limited government is a great threat to that progress and to our future.

Congressman, you have attained a position where you can help alleviate this threat if you can find the courage to place yourself above the constant cries from all of those pleading for more favors, appropriations, and regulations. I would ask you to climb to higher ground and consider not just what certain of your constituents would like from the government, but what right you have to dole those things out from funds taken by force from current taxpayers or borrowed against credit based on government's ability to extract money by force from our children.

Sincerely,

Stephen J. Dow

BOOKS

GIVE WAR A CHANCE: EYEWITNESS ACCOUNTS OF MANKIND'S STRUGGLE AGAINST TYRANNY, INJUSTICE AND ALCOHOL-FREE BEER

By P. J. O'Rourke

The Atlantic Monthly Press, 19 Union Square West, New York, NY 10003 • 1992 • 255 pages • \$20.95 cloth

Reviewed by William H. Peterson

Give War a Chance is, baldly, "about evil—evil ends, evil means, evil effects and causes." Ordinarily, evil is so commonplace that on its face P. J. O'Rourke admits it's no big deal to play it up. After all, every day the front page of most any newspaper reports evil, evil, evil. Evil sells newspapers. It also sells novels, movies, magazines, and television shows. We are all Adam and Eve—fascinated, if not beguiled and seduced, by the serpent in a thousand guises, tendering forbidden fruit.

But in re-reading this collection of previously published articles, what surprises political satirist O'Rourke is his own discovery of how much rampant evil is authored or abetted by one group: those ubiquitous starry-eyed people—the progressives, closet collectivists, bleeding hearts, mushy moral relativists everywhere, i.e., the *liberals*.

In O'Rourke's words, liberals "... are people I had been accustomed to thinking of as daffy, not villainous. Getting their toes caught in sandal straps, bumping their heads on wind chimes—how much trouble could they cause, even in a full-blown cultural-diversity frenzy? (I mean if Europeans didn't discover North America, how'd we all get here?)"

P. J. O'Rourke then goes on to charge that every iniquity reported in his book—and by my random count there's an average of eight iniquities per page or more than 2,000 in the book—is traceable to bad thinking or bad government, to intellectualism unhinged—to modern liberalism.

Liberals, he points out, are the gang of brainwashers in the media, pulpits, classrooms, courtrooms, legislatures, and elsewhere, those bad boys

and naughty girls in our midst who are busily making trouble by doing good for everybody including, ironically, themselves. They frequently make trouble by doing good under the rubric of "freedom" or "democracy," by which they secretly mean bullying, arm-twisting, state coercion. And they do so ever so angel-like, so sanctimoniously (sanctimoniousness is half their creed), that they get away with murder.

To quote the author: "Liberals want the freedom to put anything into their mouths, to say bad words and to expose their private parts in art museums. That liberals aren't enamored of real freedom may have something to do with responsibility—that cumbersome backpack which all free men have to lug on life's aerobic nature hike. The second item in the liberal creed, after self-righteousness, is unaccountability. Liberals have invented whole college majors—psychology, sociology, women's studies—to prove that nothing is anybody's fault."

Liberals, further holds the author, have an infantile view of the world. He writes: "At the core of liberalism is the spoiled child—miserable, as all spoiled children are, unsatisfied, demanding, ill-disciplined, despotic and useless. Liberalism is a philosophy of sniveling brats."

Yes, P. J. O'Rourke is himself sometimes nasty, raunchy, and given to four-letter words, but at least he's no hypocrite, no two-faced Janus. He's simply without pretension, without dissembling. At times he gets emotional at the tumbling-down of the Berlin Wall or at the liberation of Kuwait City. But he is funny. He's out to save neither the world nor fools from their own foolishness. He's calling a spade a spade, skewering liberals on their own hook, and having a lot of fun doing it.

Take his treatment of President Jimmy Carter and his wife Rosalynn. (He also treats, among others, Dr. Ruth, Lee Iacocca, and the Kennedys). Not long ago the Carters wrote a book, *Everything to Gain*, a book of incredible blandness and do-gooding naivete, a book nonetheless glorified in *The New York Times Book Review* as an "autobiography that is part confession, part pep talk and part handbook for activism... an inspiring account of the creation of a meaningful life."

Meaningful? I wonder. P. J. O'Rourke reports this guileless Rosalynn quotation in *Everything to Gain* that gives the reader a double take: "I have worked with the problems of the mentally afflicted

for years, ever since I first became aware of the needs while campaigning for Jimmy for Governor."

Or this one:

"When I was young and in high school, during World War II, I thought Hirohito was the cruelest man in the world next to Hitler. I blamed the whole Pacific conflict on him. Years later . . . we went to Tokyo and called on a sweet little elderly man, who raised flowers in his hothouse at the palace . . . This was Emperor Hirohito—as far removed from my conception of him as he possibly could be."

So the Carters ramble on in what P. J. O'Rourke tags "puerile and ignorant prose," into which he occasionally interjects his two cents.

Can P. J. O'Rourke be victimizing the Carters, liberals par excellence? He points out that liberals are fond of victims and seek them everywhere. Victimology is their *raison d'être*. Minorities are their happy hunting ground. (Women, in the majority, are somehow declared to be a minority. Neat trick.) And the more victimized the better—the best victims being too ignorant, rattled or addled to challenge their liberal benefactors, who proceed to victimize their victims further (not unlike that hit-and-run driver who sees his victim stagger to his feet and backs up to hit him again). □

Dr. Peterson, an adjunct scholar at the Heritage Foundation and the Ludwig von Mises Institute, is the Lundy Professor of Business Philosophy at Campbell University, Buies Creek, North Carolina.

THE VIRTUE OF PRUDENCE

by Douglas J. Den Uyl

Peter Lang Publisher, New York • 1991 • 340 pages • \$64.00.

Reviewed by Tibor R. Machan

If there is one personal moral virtue that gives support not only to our commercial activities and the profession of business, but also to the economic system of capitalism, it is the virtue of prudence. As we ordinarily think of it, prudence means caring about one's well-being, but there is a lot more to it than that.

For one thing, in the history of human reflection about ethics and morality an interesting development has been the decline of prudence as a morally significant item. In the works of modern ethicists, being prudent is usually *contrasted* with being

moral or ethical. For the Greeks, prudence was an important element of the moral life; whereas for moderns, it is virtually irrelevant to morality.

One result is that almost no important ethicist in our time believes that commerce, business, and capitalism are morally defensible. At most, these parts of human community life provide us with material wealth, so perhaps, as the early defenders of capitalism believed, it is a matter of "private vice, public benefit." That is, we tolerate acting prudently simply so as to gain overall prosperity for our societies.

Professor Den Uyl's book is a brilliant, unparalleled exploration of the details of the story I have barely hinted at. He traces its numerous intellectual elements; he analyzes all of them carefully; he then shows how mistaken moral and political philosophers have been to abandon concern for prudence. Finally, he develops the case for the reality and vital necessity of this virtue in modern life.

In his concluding sections, Professor Den Uyl shows us that not only the virtue of prudence but all the moral virtues require, for their exercise in human community life, the protection of the rights to life, liberty and property. He gives us a brief but very powerful outline of the argument advanced by some other philosophers of the free society, namely, that it is only in the fully free society that the moral or ethical nature of human living is fully honored. □

Tibor Machan is a visiting professor at the United States Military Academy, West Point. His most recent book is Capitalism and Individualism: Reframing the Argument for the Free Society (St. Martin's Press, 1990).

FREEDOM: FREEDOM IN THE MAKING OF WESTERN CULTURE

by Orlando Patterson

Basic Books, 10 East 53rd Street, New York, NY 10022
1991 • 487 pages • \$29.95 cloth

Reviewed by Doug Bandow

Freedom "is the one value that many people seem prepared to die for," writes sociologist Orlando Patterson, author of *Freedom: Freedom in the Making of Western Culture*. "It is the catchword of every politician, the secular gospel of our economic, 'free enterprise' system,

and the foundation of all our cultural activities.”

With the collapse of the Soviet Union, we are seeing most of the former Communist nations moving toward both economic and political liberty. Many of the same trends are evident in a number of newly industrializing countries, such as South Korea and Taiwan, as well as in impoverished Third World nations. Even though an authoritarian gerontocracy has been able to hang on to power in Beijing, the Chinese people's yearning for freedom is evident. “There is now hardly a country whose leaders, however dubiously, do not claim that they are pursuing the ideal,” observes Patterson. Yet, oddly, the U.S. seems to be moving in the opposite direction, with an ever-expanding state.

What makes these divergent trends so ironic is that the most important contribution of Western culture has probably been its emphasis on liberty. Observes Patterson, “No one would deny that today freedom stands as the supreme value of the Western world.” However, this is not, at least until recently, the case in Africa and the East. In these nations, writes Patterson, “other values were, or are, of far greater importance to them—values such as the pursuit of glory, honor, and power for oneself or one's family . . . the list is endless. But almost never, outside the context of Western culture and its influence, has it included freedom.”

Freedom, the first of two planned volumes, is Patterson's attempt to explain why one culture valued liberty while so many others did not. His effort is of particular interest today, as freedom—with the concomitant protection of democratic electoral processes, economic opportunity, and human rights—is finally advancing in Africa, Asia, and the one-time Soviet empire. Why has it taken so much longer in these areas?

Patterson seeks to answer this question, but his argument and ample research are undermined by his curious three-part definition of freedom. One variant is most clearly identified with the Anglo, and American, political tradition: “personal freedom” from coercion by the state. It is “at its most elementary,” writes Patterson, “the sense that one, on the one hand, is not being coerced or restrained by another person in doing something desired and, on the other hand, the conviction that one can do as one pleases within the limits of other persons' desire to do the same.”

Quite different is Patterson's second form of freedom: “sovereignal,” that is, “the power to act as one pleases, regardless of the wishes of others.” This form of liberty is really authoritarianism—the right of a slaveholder or political leader, for instance, to operate without restraint. Finally, Patterson treats separately “civic freedom,” which he defines as “the capacity of adult members of a community to participate in its life and governance.” Although civic freedom implies some democratic guarantees, it may be matched with economic and personal tyranny.

Patterson argues that these often contradictory concepts “are the three constitutive elements of the uniquely Western chord of freedom.” His basic thesis is that all three developed in response to the institution of slavery. “Freedom began its career as a social value in the desperate yearning of the slave to negate what, for him or her, and for nonslaves, was a peculiarly inhuman condition,” he contends. Although others have made this argument before, Patterson says that they underestimated the long-term importance of freedom's genesis in slavery, since more than a simple change in technical legal status was at stake: “the idea of freedom has never been divorced from this, its primordial, servile source.”

His argument is obviously controversial and provocative. In brief, Patterson contends that the fear of slavery first created a real love of personal freedom among women, who were most at risk of enslavement and who could yearn for emancipation because their honor would not have been destroyed by a period of enslavement. Gradually the demand for male slaves increased, leading to “a slow masculation” of slavery, but men's desire for glory and honor long left no room for “any masculation of the expression of freedom.”

Men were, however, more interested in the other strands of freedom. Civic freedom, for instance, developed in Greece as part of what Patterson calls “the struggle between the free small farmers and the landowning elite.” Slavery played a decisive role in this battle, in Patterson's view, because small producers envied the larger slaveholders and demanded civic equality, which, in Patterson's lexicon, equals liberty. He writes: “men, for the first time, began to take freedom seriously. In doing so, however, they transferred it from the individual-personal domain of language to the public realm.”

Lastly, “sovereignal” freedom naturally reflect-

ed the rights of the slave owner. This philosophy later grew in its larger sense—"the Homeric notion of the free community"—particularly in response to the Persian and Peloponnesian Wars. Free came to mean cultural imperialism, the superiority of Greeks as a collective unit, for instance.

Alas, Patterson's conclusions exceed his evidence. The most serious problem is his decision to lump together personal freedom, political equality ("civic freedom"), and state imperialism ("sovereign freedom") in discussing the evolution of "freedom." In fact, what we see is not the grand march of triune liberty, as Patterson treats it, but rather, a bitter and confusing struggle between individual and state that continues to this day.

Moreover, while the existence of such a dramatic counterpoint to liberty as slavery undoubtedly helped foster an appreciation of what it means to be free, a multitude of other factors were also obviously at work—and presumably account for why other slave societies never developed a similar appreciation of freedom. Indeed, Patterson himself acknowledges that slavery was a universal institution. But the apparent discrepancy, he says, can be explained: "while the idea of freedom was certainly engendered wherever slavery existed, it never came to term. People everywhere, except in the ancient West, resisted its gestation and institutionalization." He goes on to argue that some of the cultural aspects surrounding slavery developed differently in non-Western parts of the world; for instance, owners in Africa would promise some participation in the community, rather than release from bondage, as a reward for good service. Yet this raises more questions than it answers. For instance, if slavery was such a determining factor, why did both masters and slaves in different lands react so differently to the same institution?

Patterson goes on to track his three variants of liberty through Roman times (in which he finds slavery having a different, but still important, impact), the early Christian era, and Medieval Europe. One of his more important points is how

the Christian concept of spiritual equality undermined the institution of slavery, creating "a major crisis for the entire system" as early as A.D. 700.

However, he unsatisfactorily tries to force Christian doctrine, as expounded by the Apostle Paul, into his framework, arguing that there is "a shift in emphasis from personal freedom in Galatians to sovereign freedom in Romans." Here again, Patterson seems to be subsuming very different philosophical and theological concepts under the single heading of "freedom," a particularly dangerous undertaking since much of Christian doctrine is concerned with spiritual liberty, a concept with no secular equivalent.

But Patterson's most important argument remains the relationship of slavery to liberty. The history of slavery as "the handmaiden" of freedom, writes Patterson, "has bruited in the open what we cannot stand to hear, that inhering in the good which we defend with our lives is often the very evil we most abhor." Interestingly, Patterson seems profoundly ambivalent about this most fundamental of Western values, on which he has written a 487-page book. "At its best, the valorization of personal liberty is the noblest achievement of Western civilization," he says. But personal freedom, in his view, can be "evil and socially corrosive, inducing selfishness, alienation, the celebration of greed, and the dehumanizing disregard for the 'losers.'"

Freedom is a valuable work, packed with information and thoughtful analysis. Some of Patterson's insights about the historical development of liberty are truly profound. Yet his overemphasis on the role of slavery and his muddling of the definition of freedom make the volume frustrating to read. One wishes that he had better understood what liberty really meant before he wrote the book. □

Doug Bandow is a Senior Fellow at the Cato Institute and the author of The Politics of Plunder: Misgovernment in Washington.

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The Education of a Politician

For 24 years George McGovern was in political office as a U.S. Congressman and Senator, and was also an unsuccessful Democratic candidate for President. Then in the hopes of realizing "a long-time dream" he invested in "a combination hotel, restaurant and public conference facility—complete with an experienced manager and staff," only to have his hopes dashed when the hotel went bankrupt.

McGovern and his business associates found that they had to live with Federal, state, and local rules, "all passed with the objective of helping employees, protecting the environment, raising tax dollars for schools, protecting [their] customers from fire hazards, etc." All noble goals, to be sure. But McGovern now realizes that what "most often eludes legislators is: 'Can we make consumers pay the higher prices for the increased operating costs that accompany public regulation and government reporting requirements with reams of red tape?'"

McGovern's hotel "went bankrupt for a variety of reasons, the general economy in the Northeast being a significant cause. But that reason masks the variety of other challenges . . . that drive operating costs and financing charges beyond what a small business can handle." And beyond what consumers can and will pay.

Faced with higher prices, consumers can make other choices, spend less, go elsewhere, vacation in their backyards, stay fewer nights in hotels, eat out less, and forgo various services such as car washes and shoeshines. "Every such decision eventually results in job losses for someone," McGovern laments. "And often these are the people without the skills to help themselves—the people I've spent a lifetime trying to help."

Thus experience taught one former politician an important economic lesson: Government controls and regulations end up hurting the very persons they are designed to help.

—BETTINA BIEN GREAVES

The Munchies

Communism has a lot going for it—a totalitarian political doctrine, a utilitarian ethical code and a brutalitarian leadership. There was even some-

thing called, as in the title of Edward Luttwak's book, *The Grand Strategy of the Soviet Union*. Surely, nothing could stand against a country and a movement which was blessed with a "grand strategy."

Nothing, that is, except the munchies. Over the centuries men, women and children got hooked on eating food. Then, they started dressing in non-burlap shirts and wearing shoes instead of wrapped rags. This nascent consumerism served human beings well, while doing the dirty on feudalism and, more recently, on Communism.

In the United States, the munchies struck citizens at movies and at celebrations following office softball games. Joe Six-Pack and, for that matter, everyone else shooed them away at Miller Time with saturated fats, starches, and other good things. Americans lived, loved, fattened, and expired from seizures. The German economist Werner Sombart hit it just right. "Socialism," he wrote when explaining the failure of the doctrine in the United States, "has always foundered on the shores of roast beef and apple pie."

—LARRY PARR,
writing in the July-September 1990 issue of
Glasnost

Early Warning

All the books which recommend the establishment of a planned economy in a civilian society paint an entrancing vision of what a benevolent despotism could do. They ask—never very clearly, to be sure—that somehow the people should surrender the planning of their existence to "engineers," "experts," and "technologists," to leaders, saviors, heroes. This is the political premise of the whole collectivist philosophy: that the dictators will be patriotic or class-conscious, whichever term seems the more eulogistic to the orator. It is the premise, too, of the whole philosophy of regulation by the state, currently regarded as progressivism. Though it is disguised by the illusion that a bureaucracy accountable to a majority of voters, and susceptible to the pressure of organized minorities, is

not exercising compulsion, it is evident that the more varied and comprehensive the regulation becomes, the more the state becomes a despotic power as against the individual. For the fragment of control over the government that one man exercises through his vote is in no effective sense proportionate to the authority exercised over him by the government.

Benevolent despots might indeed be found. On the other hand, they might not be. They may appear at one time; they may not appear at another. The people, unless they choose to face the machine guns on the barricades, can take no steps to see to it that benevolent despots are selected and the malevolent cashiered. They cannot select their despots. The despots must select themselves, and, no matter whether they are good or bad, they will continue in office so long as they can suppress rebellion and escape assassination.

Thus, by a kind of tragic irony, the search for security and a rational society, if it seeks salvation through political authority, ends in the most irrational form of government imaginable—in the dictatorship of casual oligarchs, who have no hereditary title, no constitutional origin or responsibility, and who cannot be replaced except by violence.

—WALTER LIPPMANN, writing in
The Atlantic Monthly, 1937

The Long Run

It is true, many people believe that economic policy should not bother at all about long-run consequences. They quote a dictum of Lord Keynes: "In the long run we are all dead." I do not question the truth of this statement; I even consider it as the only correct declaration of the neo-British Cambridge school. But the conclusions drawn from this truism are entirely fallacious. The exact diagnosis of the economic evils of our age is: we have outlived the short-run and are suffering from the long-run consequences of policies which did not take them into consideration.

—LUDWIG VON MISES, *Planning for Freedom*

Never To Be Put Up For Vote

by Nelson Hultberg

We have given you a Republic, Madam, if you can keep it.

—BENJAMIN FRANKLIN

It is the view of most Americans today that as long as legislation is established by a majority vote of the people, then those people are politically free, and justice reigns. This modern view would be considered grievously naive by the Founding Fathers, who in their perusal of history had acquired a thorough grasp of the follies of ancient Greek democracies. In their minds, it would be ludicrous to determine freedom and justice merely by democratic approval of laws.

This is an enormously important point for Americans to understand, for the fact that it is not being taught in our schools and clarified in voters' minds is one of the main reasons why statism has spread throughout the world.

If we consider freedom to be most prevalent where there is a minimum of coercion, it should be clear to any man with a jot of common sense that we are no longer completely free in this country, that there is, and has been for some time now, in the words of Robert Nisbet, a "new despotism" creeping over us.

If we were to ask an ordinary American if he considers himself free and his government just (and if he were articulate), he would undoubtedly

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recite a long list of policies forced upon him by Washington and his own local city hall, ranging from ever increasing taxes and welfare to the incredible absurdities of mandatory co-ed gym classes, the banning of father and son picnics, and state-mandated hiring of drug addicts and drunks.

If we were to ask one of America's industrious small businessmen today if he considers himself free and his government just, he would (if he were politically aware) promptly reply, "Are you kidding? I'm unfairly taxed, regulated, and controlled beyond belief by mindless government bureaucrats. The forms to fill out for one year's operation alone are enough to swamp an army of secretaries and the most sophisticated computer I can afford to buy."

If we were to ask one of America's more money wise pensioners today if he considers himself free and his government just, we would be informed somewhat testily, "Certainly not. My savings are being systematically destroyed, a little bit more every year, by the 'paper aristocracy' and government-induced inflation. Federal Reserve flim-flammers are robbing me as surely as if they were to come into my local bank and steal a certain percentage of my savings account."

How are we to account for such reactions? America doesn't have a visible dictator and is not like the Chinese, South Asian or Middle East tyrannies. How then can there be such widespread

disenchantment with the amount of freedom and justice we have in this country? The answer of course is that America does have a dictator, an invisible dictator. It is difficult for many to recognize, for the dictator is not the President, or the Congress, or the Supreme Court. It is *popular will*.

What is the difference whether a government's dictates emanate from a single autocrat like Hitler, or from oligarchs like the Party in China, or from an electoral plurality as in America? If they are absolute dictates, arbitrarily arrived at, widespread and cannot be disobeyed by the individual, then freedom no longer prevails.

Today's high school civics classes laud the idea of "democracy" with pages of hosannas attesting to its charm. But our children would be better served with an introduction to H. L. Mencken's *Notes on Democracy*: "The aim of democracy is to break all . . . free spirits to the common harness. It tries to iron them out, to pump them dry of self-respect, to make docile John Does of them. The measure of its success is the extent to which such men are brought down, and made common. The measure of civilization is the extent to which they resist and survive. Thus the only sort of liberty that is real under democracy is the liberty of the have-nots to destroy the liberty of the haves."¹

"[M]en of unusual intelligence and enterprise, men who regard their constitutional liberties seriously and are willing to go to some risk and expense to defend them . . . are inevitably unpopular under democracy, for their qualities are qualities that the mob wholly lacks, and is uneasily conscious of lacking."²

"Why should democracy rise against bribery? It is itself a form of wholesale bribery. In place of a government with a fixed purpose and a visible goal, it sets up a government that is a mere function of the mob's vagaries, and that maintains itself by constantly bargaining with those vagaries. Its security depends wholly upon providing satisfactory bribes for the prehensile minorities that constitute the mob, or that have managed to deceive and inflame the mob."³

"The democrat, leaping into the air to flap his wings and praise God, is forever coming down with a thump. The seeds of his disaster . . . lie in his own stupidity: he can never get rid of the naive delusion . . . that happiness is something to begot

by taking it away from the other fellow."⁴ What then are we to make of this ruinous, "legalized plunder" that we call participatory democracy and extol as some sort of political Nirvana?

A Constitutional Republic

What we are to make of it is that America was never meant to be a pure democracy. She was meant to be a strictly limited Constitutional Republic, governed by elected level-headed, high-minded men whose chief function is to preserve our rights rather than render them non-existent.

In other words, the Founding Fathers recognized that all men possess rights that were *never to be put up for vote*. One of the most important of these was a man's right to his property (which meant also his wages and his profits). This is the fundamental cornerstone of our economic system, and precisely where it differs from the tumult of a democracy. The majority will is supposed to be strictly limited and have no power to redistribute a man's earnings. America's Founding Fathers knew their history well, and had seen the ultimate result of democracies—that they vote themselves into tyrannies, marked by constant unrest and sedition.

James Madison gave us sage advice when he warned that "democracies have ever been spectacles of turbulence and contention; have always been found incompatible with personal security or the rights of property; and have in general been as short in their lives as they have been violent in their deaths."⁵

John Adams advised his fellow countrymen: "There never was a democracy yet that did not commit suicide."⁶

Thomas Jefferson, writing in relation to the Virginia legislature, stated, "one hundred and seventy-three despots" are "as oppressive as one," and that "an elective despotism was not the government we fought for."⁷

Even the intellectuals of ancient Rome recognized that their empire's greatness and freedom were directly related to their republican form of government. In the words of historian Will Durant, Cicero believed that "[w]ithout checks and balances . . . democracy becomes mob rule, chaos, and dictatorship." Cicero went on to say that the man usually chosen as leader in a democracy is "someone bold and unscrupulous . . . who

curries favor with the people by giving them other men's property."⁸

Are we in modern America any different? Are not our political leaders "bold and unscrupulous"? Do they not attempt to "curry our favor" by advocating the redistribution of more and more personal wealth for social services? Is this not the same as giving the people "other men's property"? Have not all our modern era administrations been possessed of the same dictatorial inclinations? Have they not all advocated that the productive people of the nation give up progressively more of their earnings every year for those who do not wish to be productive?

Here then is the evil of a democracy: It allows dictatorial control and confiscation of property simply because the electorate desires such control and confiscation. The concept of individual rights is thus destroyed, a dangerous cloud of confusion develops in the area of social ethics, and the *might of numbers* becomes our only guide as to what is right and wrong.

Few businessmen would ever think it right to rob the corner grocery store at the point of a gun to obtain money to help their faltering dry goods business. Yet most Americans today do not think it wrong to force the owner of that grocery store (under the threat of a prison sentence) to give up a substantial portion of his money (in the form of higher taxes) to subsidize corporations that are unprofitable, to support able-bodied men and women until they decide to go back to work, to reward pretentious mediocrities through the National Endowment for the Arts, and to pay farmers not to grow crops. What is the ethical difference between the two acts? Both are violations of the individual store owner's right to the product of his labor. The democratic method is so indirect that the responsibility for the act is diffused, and thus not so obvious to the perpetrators. But is it somehow right because a plurality of the electorate is supporting it? The philosophical democrat would answer yes. But both acts, the gun-point robbery by an individual and the government taxing, are acts of coercion and infringe the individual store owner's rights. In both cases, the owner is forced against his will to give up money that he has earned to be used for a purpose that he neither approves of, nor cares about, nor is necessary to preserve a free society.

Philosophical democrats should ask themselves

the following: What if a plurality of the people were bigots and voted a curfew for blacks? What if a plurality of the people were secular humanists and decided that the free exercise of religion was a detriment to the public interest? Or overwhelmed with the envy that lurks in the heart of every man decided to impose a 100 percent tax on incomes over \$30,000 per year? Would such unbridled bigotry and envy be right because the majority will had voted so? Certainly not. A majority has the same capacity to destroy a man's freedom and a nation's justice as any graft-swilling despot in any Third World dictatorship.

By their very nature, an individual's rights are not to be abrogated by vote. They are not to be subject to open assault by frenzied voters in search of covetous gratification. Madison, Jefferson, Hamilton, Henry, and Adams would be inflamed with outrage at the constitutional violations taking place in America today—violations that strike at the heart of the existence of the Republic.

Power Brings About Corruption

As Constitutional scholar Gottfried Dietze points out, the Founders of this nation believed that "popular government, being as human as any other form of government, . . . was not immune from the corruption that tends to come with power. An expansion of popular power . . . could bring about despotism as much as had the expansion of monarchical power In a word, the growth of democracy could conceivably reduce the protection of the individual. It could pervert free government into a sheer majority rule which considered democracy an end in itself.

"It testifies to the wisdom of the Founding Fathers that they recognized this danger. The oppressive acts of Parliament and of some state legislatures had brought home to them a democratic dilemma which was expressed by Elbridge Gerry's remark in the Federal Convention: 'The evils we experience flow from the excess of democracy.' The recognition that American government had to be democratic was accompanied by the realization that democracy could degenerate into a majoritarian despotism. To prevent this, democracy was bridled. While men were deemed worthy of self-government, they were not considered so perfect as to be trusted absolutely. They were not given free reign."⁹

Our primary fault today then is that we have misconstrued what the democratic process is really for by giving men the right to vote themselves special privileges and riches at the expense of their neighbors. We now think the voting process can be used to determine what the entire role of government should be.

In other words, whatever a plurality of voters wish of their government, they have the right to have, which in baldest terms is *mobocracy*, and leads to what Alexis de Tocqueville warned it would—the tyranny of the majority—in which the power of government “covers the whole of social life with a network of petty, complicated rules that are both minute and uniform through which even men of the greatest originality and the most vigorous temperament cannot force their heads above the crowd. It does not break men’s will, but softens, bends, and guides it; it seldom enjoins but often inhibits action; it does not destroy anything, but prevents much being born; it is not at all tyrannical, but it hinders, restrains, enervates, stifles, and stultifies so much that in the end each nation is no more than a flock of timid and hardworking animals with the government as its shepherd.”¹⁰ This is modern democracy. If men such as Tocqueville, Acton, Burckhardt, Mill, Spencer, Belloc, and Mencken were alive today, they would surely be amused at our calamitous efforts to govern ourselves by counting noses to decide truth and political legitimacy.

This is not what America’s *republican* form of democracy was meant to be. The democratic process, in its republican form, was meant to be mainly the ability to remove politicians from office peacefully. It was meant to be a method to transfer power, not a method to define the scope and size of government. Such a task as that had already been accomplished through the Constitution. Thus the powers of government were already defined, with its functions prescribed for it in a written Constitution. The laws and services that citizens were to be allowed to vote for were strictly limited, and were almost always to be provided on the local or state level. Only in a few clearly designated areas were the people to be allowed to vote for the Federal government to provide them with laws and services. If it became necessary to alter this procedure, there was an amendment process provided that would require the electorate to operate deliberately and pru-

dently. This was America’s *republican* form of limited democracy.

Democracy’s proper task is to allow people to determine which citizens of their communities are sufficiently possessed of the necessary integrity, brains, and skills to go to the seats of political power and implement government’s *pre-defined constitutional* functions. It is basically a tool to avoid violence and coups d’état in the transfer of power, to assure a peaceful and orderly succession. But the role of government cannot be left up to the vote of the majority in the open-ended, arbitrary manner that presently prevails. As the history of every ancient Greek democracy demonstrates, such a system will destroy the edifice of liberty, order, and prosperity.

Many pundits, when confronted with the majority-will dilemma, reply that such concern over the tyranny of the electorate is paranoid; that the country has endured till now, and that it will continue to do so; that the erosion of rights spoken of here could never happen. But it already has happened, continuously throughout the past 80 years, and to a lesser degree throughout the 19th century.

The progressive income tax amendment ratified in 1913, which basically permitted the destruction of the right to the product of one’s labor and also equal rights under the law, was justified by the fact that the “majority of Americans” approved of it. In this case, three-fourths of the state governments eliminated the constitutional ban on direct taxation, and a plurality of our Congressmen made it steeply progressive over the years.

The fact that it takes three-fourths of the state governments to alter the Constitution does not effectively check a covetous majority from infringing the rights of the individual. Fifty-one percent of each single state’s legislators present and voting is all that is required for that state to ratify a fundamental change in the Constitution, and those legislators are put in office by a plurality vote of the people of that state.

Thus if a plurality percent of the voters of 38 states can take away a man’s fundamental rights, we really do not have an iron-clad guarantee against tyranny. In this way, it takes *even less* than 51 percent of the nation’s voters to alter the structure of the Constitution itself and abrogate all the freedoms we possess. Thus even our “deliberate process” of amending the Constitution is susceptible to exploitation at the hands of ill-informed people.

There are numerous other examples of freedoms lost to majority passions during this past century. For example: The rash of labor legislation enacted during the twenties, thirties and forties (the Clayton, Wagner, and LaGuardia Acts), which destroyed the rights of workers and owners to trade freely, was justified by the fact that the "majority of Americans" approved it. The government's present obsession with implementing racial and sexual quotas in business and education, which violate men's rights to associate freely, are being justified by the fact that the "majority of Americans" approve of them.

Polls show that the "majority" approves of federal legislation restricting free trade. Yet the rights to trade openly and to associate freely are supposed to be clear-cut rights guaranteed to us as Americans. How long will they remain predominantly so? The Federal government is so imperious now that it doesn't even bother to cajole the necessary majorities of the required 38 states into amending the Constitution, to give it the power it wants. It merely grants itself sufficient bureaucratic power every few years to chip away at the right of citizens to dispose of their property, to trade and to associate.

If the Federal government can take away our right to our property (i.e., our income), our right to trade openly, and our right to associate freely because of "majority approval," then it can also at some later date take away our right to worship freely, our right to speak and write freely, our right to *habeas corpus*, or any other right we now possess. Yet are any of these usurpations proper because the majority wills them? Or even three-fourths of the people? The answer is automatic to stalwart men of honor and principle: Might does not make right. The power of the majority will must always be *limited*. And this is the reason why the Constitution should be interpreted literally, protecting rights that transcend the electoral process.

This was the vision of America's revolutionaries in 1787. They gave us a *republic*, not a *democracy*.

And though they fell short of achieving a perfect document, they at least gave the world a spectacular start toward understanding the value of a written Constitution. They recognized that all humans have rights that are essential for the living of life—the chief of those being freedom of thought, association, and trade, and the control and disposal of one's property—rights that were not to be taken away by the one or the many.

In the end, personally committing an evil act most clearly shows its evil, such as the individual robbing a store. But the indirection of that same evil act (such as takes place through political means, when a plurality of voters approve legislators and laws to confiscate private property through taxes) clouds the concepts of right and wrong and allows the evil to become entrenched. In such a covetous climate, tyranny is not far away.

Few authorities are willing to discuss it, but here is a principal impediment to freedom and justice in America today: our blind worshiping of the majority will. We are making slaves out of those who are productive, and rulers out of special interests. We are allowing the destruction of individual rights to be justified by the might of numbers. The democratic majority swathed in envy is stepping all over the individual, and we have lost the clarity of mind to recognize such a crime for what it is. □

1. H. L. Mencken, *Notes on Democracy* (New York: Alfred A. Knopf, 1926), p. 151.

2. *Ibid.*, p. 160.

3. *Ibid.*, p. 180.

4. *Ibid.*, p. 208.

5. Essay No. 10, *The Federalist Papers*, Roy P. Fairfield, ed. (New York: Doubleday & Co., 1961), p. 20.

6. *The Selected Writings of John and John Quincy Adams*, Koch and Peden, editors (New York: Alfred A. Knopf, 1946), p. xxxii.

7. Quoted in Gottfried Dietze, *The Federalist: A Classic on Federalism and Free Government* (Baltimore: The John Hopkins Press, 1960), p. 61.

8. Will Durant, *The Story of Civilization, Part III: Caesar and Christ* (New York: Simon and Schuster, 1944), p. 165.

9. Gottfried Dietze, *America's Political Dilemma: From Limited to Unlimited Democracy* (Baltimore: The John Hopkins Press, 1968), p. 14.

10. Alexis de Tocqueville, *Democracy In America*, J. P. Mayer, editor (New York: Anchor Books, 1969), p. 692.

The Marketplace Relies Upon Commercial Free Speech

by Jonathan H. Adler

While flipping through the pages of one's favorite magazine, one is likely to come across an advertisement for a popular brand of cigarettes—Marlboro, Salem, or perhaps the irrepressible Camel. By law, each of these advertisements must carry a warning to the effect that smoking is hazardous to one's health. Should Senator Strom Thurmond have his way, the same labels may be found in advertisements for alcohol. Not content with the labels that are currently affixed to each and every bottle of spirits, many Senators wish to see these warnings placed on billboards and television spots as well: "WARNING: It's against the law to purchase alcohol for persons under age 21"; "WARNING: Drinking alcohol may become addictive"; and several others authored by the federal government.

The Regulation of Speech

While Senator Thurmond maintains that "warnings represent one important step in educating the consumer on the potential hazards of alcohol consumption," polls demonstrate conclusively that the vast majority—consistently over 95 percent—of consumers of alcoholic products are fully aware of the potential dangers of alcohol. In fact, were it not for many of alcohol's effects, the popularity of its consumption would be greatly diminished. From champagne at New Year's to an ice cold beer at the ball game, the regular consumption of alcohol is a staple of American life. For myriad reasons, millions of Americans feel that

the risks posed by alcohol consumption are outweighed by the immediate pleasures it provides.

Nonetheless, the Senate is moving to force new warnings upon alcohol producers, and the Surgeon General has begun to wage war against those alcohol advertisements officially deemed unacceptable for viewing by the general public. Such was the case with "Powermaster," a malt liquor which was pulled from the shelves because of a federal prohibition against the advertising of an alcoholic beverage's potency. That its name was truthful was not enough; it had to be "commercially correct" by government standards as well. A similar regulation prevents the sellers of many products—from alcohol to aspirin—from advertising that moderate consumption of their goods can result in improved health.

Another recent victim of the government's assault on the advertising of alcohol is "Black Death," a brand of vodka that is imported from Belgium. This time the charge, leveled by the Bureau of Alcohol, Tobacco, and Firearms (BATF), is that its name and label—which pictures a smiling, top-hat-wearing skull—was somehow misleading. Concluded BATF, "The impression created . . . is that the product is inherently unsafe for human consumption at any level." Because this is not the case, Federal bureaucrats decided that "the brand name is misleading and is in violation." Now the vodka will be marketed under the name "Black Hat" with the same packaging and logo. Presumably this will pass muster with BATF.

Behind all of these government efforts to regulate the display and advertising of alcohol lies the presumption, generally accepted in many legal cir-

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AP/WIDE WORLD

U.S. Surgeon General Antonia Novello has been a leader in the continuing assault on alcohol industry advertisements.

cles, that there is a valid distinction between commercial and other forms of speech. This distinction, it is presumed, permits governmental regulation of commercial speech that could not be contemplated in other areas.

The First Amendment

Yet to limit the communication of commercial information not only raises serious constitutional concerns, but actually serves to restrict the information upon which consumers in the marketplace typically rely. Even mandated labels act to restrict information by compelling the use of the limited space available for communicating government-preferred information. Lite Beer may have to devote five or ten seconds of a paid 30-second ad to the government-mandated warning. This proposed policy is not an attempt to educate an ignorant public on the dangers of alcohol, "but an attempt to conscript advertisers' private property as 'mobile billboards' for an already widely known message deemed useful by the state," notes New

York University Law Professor Burt Neuborne.

Ironically, alcohol labels would be required to carry warnings, yet they are prohibited from advertising their potency. Even accepting current Supreme Court precedents on compelled commercial speech, such actions are legally valid only if used to prevent deception. The American people are not being deceived about alcohol; they merely are unconcerned with its risks.

"If the majority can manipulate the market by interfering with the free flow of economic information, consumer capitalism is threatened," notes Neuborne. The marketplace, whether of products or ideas, is predicated upon the distribution of information. Limiting speech, even through the use of compulsory labels, challenges the flow of that information, and is therefore a threat to the free exchange upon which the market relies. In the words of John Adams, to protect the political and economic institutions upon which a free society is based, "let every sluice of knowledge be opened and set a-flowing." Then we may all choose to take a drink. □

Human “Imperfection” As A Market Strength

by Steven R. Cunningham

At a roundtable discussion among economists and officials from the United States and republics of the former Soviet Union, I was surprised to hear that there is a single discipline that is central to the ability of a market economy to generate its obvious benefits. Moreover, this discipline, and with it the value of the market system, is diminished when human imperfections are taken into account. Market economics, you see, is one of those many things that “works pretty well in theory, but suffers when the realities of life are factored in.” Of course, nothing could be further from the truth.

Faced with the reluctance of some republics’ representatives to make the full leap to market-based systems, some members of the panel offered a perverted “insight.” They suggested that capitalism generates its enormous social benefits neither through its guarantees of private property, nor by its cultivation of personal initiative in response to personal incentives, nor by capital flowing freely to seek its highest return based upon market and social valuation. Capitalism’s strength, they argued, is that it places enterprises on a profit-and-loss basis. Inefficient enterprises are unprofitable, and therefore cannot sustain themselves over the long run, go bankrupt, and are replaced by firms that are efficient. *This* is the market discipline. Even some Western market economists who should know better were nodding yes to this concept. People, they argued, can interfere with the efficiency of the theoretical market system by being slow to respond to market

changes because they may misinterpret, misunderstand, or develop habits or loyalties that may make them slow to respond to product changes and allow inefficient firms to survive longer than they should. People always do seem to be a problem for social theories.

By focusing on profit and loss, the republics could maintain some of the “comfortable” elements of the old system. State ownership of the major enterprises would allow “us” to “protect” society from unfair income distribution and unbridled profit-seeking behavior. Placing the state-run enterprises on a profit-and-loss basis would mean that the state would not subsidize enterprises that could not sustain themselves by generating sufficient revenues to prevent losses and replace spent capital.

The Market and Human Nature

Such socialist rhetoric is seductive, but unconvincing. There is so much wrong with these arguments that one hardly knows where to begin in refuting them. The central fallacy is likely the regard of human beings and human nature as *negatives* in society and economy. The power of the market system is that it makes human diversity, human “imperfection,” and human nature the central engines for personal freedom, individual progress, and the highest possible standard of living. Under capitalism the society is not corrupted or complicated by individuals, but rather *is* the individuals. It is not possible for individual differences to be an obstacle to the efficient operation of a market system; a market system demands and

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thrives on individuality. Human tendencies to form social bonds, to show reluctance to change, and to be vocal about changes in the economic world are not imperfections but rather strengths in a market system. It is not a weakness to show loyalty, to be considerate in making change, or to provide information to the social process.

In his 1970 book, *Exit, Voice, and Loyalty* (Harvard University Press), Albert O. Hirschman provides the basis for a powerful argument for the efficiency benefits that accrue to the society that encourages loyalties to producers and products, and voice in the face of change. Anyone who has ever worked with American customers in a retail setting, as a salesclerk at the local Sears or J. C. Penney Company, for example, can readily grasp Hirschman's insight. If product quality slips, or the product is not what the customer expected it to be, American customers do not silently switch brands. American customers take the product back, pound their fists on the counter, and demand satisfaction. They say things like, "I have been a customer of this firm for over 20 years and I expect better from you. Get your act together!" The fact that the customer comes back and continues to buy (at least for a while) after his or her disappointment—Hirschman calls *loyalty*. The customer's expressed outrage, he calls *voice*. To be sure, if the firm does not "get its act together" in short order, then the firm will experience the customer's *exit*—the customer will take his or her business to another firm.

Market Efficiency

The *loyalty-voice-exit* process is much more efficient than the simple *exit* process. Firms in the real world do not go into and out of business costlessly, and the collapse of a firm almost always involves personal tragedies. People suffer the psychological trauma of unemployment and the search costs of looking for a new job, and the standard of living declines for all. Loyalty and voice, human "imper-

fections" as they are, provide time and information to the market process. Loyalty and voice are the whips that crack over firms in a market economy.

The human "imperfection" of self-interest makes people, private property, unrestricted capital flows, and free exchange into a formula for economic efficiency, the highest possible standard of living, consumer sovereignty, and freedom for the members of a society.

Self-interest can only be sustained when the gains from production and trade fall to those who produced and traded. People are either allowed to enjoy the rewards of their achievements or they are not. If they are, then self-interest is served, and incentives are created. If they are not, then nothing drives the engine of the economy but the rule of the state. Only socialists find fault with individuality and so-called "imperfections" because humanity eventually, inexorably, opposes the centrally planned state.

Without people exchanging property in markets, you cannot have a market economy. You cannot trade what you do not own; without private property, individual self-interest has no vehicle for its expression. If property is not privately owned, then no one has an incentive to try to achieve the highest return by putting it to use in the way that society values most. Society provides this valuation constantly and with great *voice* through markets. It is a sham to claim that a nation is pursuing market economics when it prohibits private property. Capital, the means of production, is a kind of property. If individuals cannot own property, then the state owns the means of production, and it is a socialist state.

Somehow, most of the members of our roundtable discussion had forgotten these early lessons. Markets are not constructed, they arise spontaneously because of human needs and wants, as well as differences in talents, abilities, and perceptions. Markets are blind to the "imperfections" in people because markets, like societies, *are* those individuals. □

National Health Insurance: A Medical Disaster

by Jarret B. Wollstein

Affordable health care has become one of the most important social issues of our time. Every news broadcast seems to have a special report on "America's health care crisis" or a politician demanding "universal health insurance." Evidence cited for the need for immediate and drastic government action includes:

High medical costs. The United States reportedly has the highest per capita medical expenditures of any country in the world. According to *Insight* magazine, U.S. citizens spent an average of \$2,051 on health care in 1990, compared to \$1,483 for Canadians and \$1,093 for West Germans.

Rapid increase in medical expenditures. The average American now spends 11.1 percent of his income on medical care. If current trends continue, health care will consume over 17 percent of the Gross Domestic Product within 15 years.

High administrative costs. In the U.S., administrative costs consume nearly 12 percent of health dollars compared to one percent under Canada's socialized system. More than 1,100 different insurance forms are now in use in the United States.

Americans without insurance coverage. At any given time, over 13 percent of Americans have incomes that are too high to qualify for Medicare or Medicaid, but are too low to pay for medical insurance themselves.¹

The free market in health care, we are told, has failed. The solution offered by a growing chorus of commentators and candidates is *universal, mandatory, national health insurance*; in other

words, *socialized medicine*. Is socialized medicine the answer, or will it only make things worse?

How Well Has Socialized Medicine Worked Elsewhere?

Most of the developed countries of the world presently have some form of socialized medicine. How well has it worked?

Great Britain. Great Britain adopted socialized medicine in 1948, with the creation of the National Health Service (NHS). The political rhetoric in Britain exhorting the adoption of nationalized health insurance is similar to what we are hearing in the U.S. today. In 1942, Prime Minister Winston Churchill declared:

The discoveries of healing science must be the inheritance of all. . . . Disease must be attacked whether it occurs in the poorest or the richest man or woman, simply on the ground that it is the enemy. . . . Our policy is to create a national health service, in order to secure that everybody in the country, irrespective of means, age, sex, or occupation, shall have equal opportunities to benefit from the best and most up-to-date medical and allied services available.²

With the adoption of national health insurance, Labour Minister Dr. David Owen predicted, "We were going to finance everything, cure the nation and then spending would drop."³ Unfortunately things didn't work out exactly as planned.

The first problem with Britain's National Health Service was skyrocketing demand. With health

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care paid for entirely by the government, there was no reason not to go to a doctor. Why take aspirin or wait out a cold, when professional medical care is free? As Michael Foot observed, within months "the demand [for health care] was exceeding anything [its creators] had dreamt of."⁴ First-year operating costs of NHS were 52 million pounds higher than original estimates.⁵

NHS soon found itself in direct competition for funds with national defense, pensions, and all other governmental functions. Budget cuts for NHS quickly followed. British economists John and Sylvia Jewkes estimated that between 1950 and 1959 the United States spent six times more per capita on hospital construction than England.⁶ As a result, there was a steady deterioration in the quality of British medical care.

By 1977, British general practitioners rarely had any medical instruments except for stethoscopes and blood-pressure meters. They had to send their patients to hospitals even for such routine procedures as X-rays and blood tests. The waiting time for routine, non-emergency surgery had increased to years.⁷ By the mid-1970s, more than 700,000 English men, women, and children were on hospital waiting lists at any given time.⁸ The average British doctor now has over 3,000 patients, compared to 500-600 for the average American doctor. NHS doctors spend an average of less than five minutes with their patients, who usually wait hours to see them.⁹

In 1975 Bernard Dixon, then editor of the British magazine *New Scientist*, provided this summary of the state of National Health Insurance:

The plight of Britain's Health Service conflicts desperately with the avowedly utopian ideals of its founders. For most of us, it is only when we join a year-long hospital waiting list, or have to take an injured child to a hospital casualty department, that we realize just how threadbare and starved financially the service really is. Not only is there an acute shortage of resources, but the expertise and facilities that are available are all too often dispensed via a conveyor-belt system which can at times be positively inhuman.¹⁰

As a result of widespread public dissatisfaction, in 1989 the British government began dismantling its National Health Service, and reintroduced market-based health care competition.¹¹

Canada. What of the Canadian National Health System, which many U.S. politicians are now championing as a less expensive and more efficient alternative to our supposed free market system?

Canada has had socialized medicine for 20 years, and the same pattern of deteriorating facilities, overburdened doctors, and long hospital waiting lists is clear. A quarter of a million Canadians (out of a population of only 26 million) are now on waiting lists for surgery.¹² The average waiting period for elective surgery is four years. Women wait up to five months for Pap smears and eight months for mammograms.¹³ Since 1987, the entire country spent less money on hospital improvements than the city of Washington, D.C., which has a population of only 618,000.¹⁴ As a result, sophisticated diagnostic equipment is scarce in Canada and growing scarcer. There are more MRIs (magnetic resonance imagers) in Washington State, which has a population of 4.6 million, than in all of Canada, which has a population of 26 million.¹⁵

In Canada, as in Britain under socialized medicine, patients are denied care, forced to cope with increasingly antiquated hospitals and equipment, and can die while waiting for treatment. Canada controls health care costs the same way Britain and Russia do: by denying modern treatment to the sick and letting the severely ill and old die.¹⁶

Despite standards far below those of the United States, when variables such as America's higher crime and teenage pregnancy rates are factored out, and when concealed government overhead costs are factored in, Canada spends as high a percentage of its GNP on health care as the United States.¹⁷ Today a growing chorus of Canadians, including many former champions of socialized medicine, are calling for return to a market-based system.

The Worldwide Failure of Socialized Medicine

Throughout the world the story is the same: socialized medicine results in skyrocketing demand for nominally "free" health care, doctors are overburdened, medical services steadily deteriorate, and there are endless waiting lists for health care. In the Soviet Union before the collapse of Communism, anesthetics, painkillers, and most drugs were rationed; 57 percent of hospitals had no hot running water; and it was standard practice to clean needles with steel wool and reuse them.¹⁸ In New

Zealand, which has a population of just 3 million, there is a waiting list of 50,000 for surgery.¹⁹

Socialized medicine doesn't even fulfill its promise of equal access to treatment regardless of ability to pay. For example, in Canada "a small child with a skin rash is 22 times more likely to see a dermatologist if the child is living in Vancouver [a major city] than in the East Kootenay district [a remote rural area]." In Brazil, "residents of urban areas experience nine times more medical visits, 15 times more related services, 2.7 times more dental visits and 4.5 times more hospitalizations," than do rural dwellers.²⁰

Throughout the world, there are more and more refugees from socialized medicine. Middle-class Canadians flock across the U.S. border to avoid waiting months or years for routine procedures. In England a system of private, quasi-legal clinics has developed to care for patients who can no longer tolerate the abysmal medical services provided by national health insurance. In Russia, desperate patients bribe doctors and secretly visit them after hours to get decent treatment and scarce drugs.

Socialized medicine, like all forms of socialism, has been a world-wide failure. As people throughout the world from the Soviet Union to South America are learning, socialism cannot work. Socialism is fundamentally incompatible with human nature.

Socialism fails because it denies and degrades our essential humanity by treating us as objects. Socialized medicine takes away our control over our own health and body, and gives that power to the state. Under a socialized medical system, the government, not you or your doctor, decides what treatments, doctors, and drugs you get. If you don't like the service the government gives you, your only alternative is to flee to another country or to break the law and bribe a doctor. Under socialized medicine, the exercise of free choice becomes a crime.

Even after it destroys quality health care and individual liberty, socialized medicine still cannot achieve equal treatment for all. When planners try to make all people equal, they confront the inescapable paradox of equality: Abolishing inequality requires massive government power. But power by its nature is unequal: there are those that have it and those that do not. Giving government the power to make everyone equal necessarily creates the worst form of inequality: that of master and subject. In practice under socialized

medicine, those with more money and friends in the government get vastly better health care than those without power and connections.

Socialized medicine will not work any better in the United States than it has in England, Canada, Russia or elsewhere. Consider just the economics of socialized medicine in the U.S. Medicare and Medicaid costs are already skyrocketing out of control. State governments cannot afford the 20 percent of their budgets that Medicare and Medicaid now consume. Where will government get hundreds of billions of dollars more for national health insurance? A complete Canadian-style national health insurance system for the U.S. would initially cost over \$339 billion and require that payroll taxes be nearly doubled, or require a new, national 10 percent business tax.²¹

Socialized medicine does not work, but has the free market failed as well? If freedom works, why is American health care now in crisis?

Government Intervention and Health Care Costs

The answer is that America does not have a free market in health care, and in fact has not had one for 50 years. What we have had is a half century of mounting government encroachment upon medical freedom, leading to more and more health care problems.

Over 42 percent of funds spent on American medical care are now controlled by government. Over 700 state laws, some hundreds of pages long, govern all health care providers and institutions.²² According to some estimates, for every man-hour of health services provided by doctors, two hours are spent by clerks filling out government paperwork. Dr. Francis A. Davis estimated in the March 1991 issue of *Private Practice* that government regulations have already increased the cost of medical care by up to 50 percent!

Government regulations and controls now intrude upon virtually every area of health care in America. These regulations increase tremendously the cost of health care. Here are some examples:

The War on Drugs. U.S. federal drug certification requirements are the most burdensome in the world. It presently can cost \$231 million and takes 12 years to develop, test, and certify a single new drug in the U.S.²³ The introduction of many drugs,

which have been thoroughly studied and used safely in Europe, has been delayed for years or even decades in the U.S. by the Food and Drug Administration. FDA delays in the introduction of just one drug, the beta-blocker propranolol, used to treat angina and hypertension, caused at least 30,000 avoidable deaths in the U.S.²⁴

Literally hundreds of thousands of Americans have died in the last two decades, and millions have suffered needless pain and expense, as a result of government drug regulations.²⁵ Further, the prohibition of marijuana, heroin, and cocaine has created a growing public health crisis in America.

Consider the medical implications of the government's ban on marijuana. On September 6, 1988, Drug Enforcement Administration (DEA) Administrative Law Judge Francis L. Young stated: "The evidence in this record clearly shows that marijuana has been accepted as capable of relieving the distress of great numbers of very ill people, and doing so with safety under medical supervision. It would be unreasonable, arbitrary and capricious for DEA to continue to stand between those sufferers and the benefits of this substance in light of the evidence in this record."²⁶

Judge Young concluded that many classes of patients could potentially benefit from medicinal use of marijuana, including sufferers from glaucoma, chemotherapy, multiple-sclerosis, spasticity, and hyperparathyroidism.²⁷ Glaucoma sufferers alone currently number over two million Americans. Despite this finding by the DEA's own administrative judge, marijuana continues to be totally banned for all uses, including medical applications. Indeed, penalties for possession and use of marijuana have steadily increased over the last 20 years.

Medicare, Medicaid, and Tax Policy. A growing chorus of politicians and social activists decry the "high cost" of medical care in the United States and the increasing percentage of our Gross Domestic Product that it consumes. What is seldom mentioned is that mounting health care spending and prices are largely a result of escalating demand, public policies, government health care entitlements, and tax policies.

Medicare and Medicaid, our major health care entitlements, were enacted in 1965. Closely allied with the Social Security system, Medicare provides health insurance for approximately 30 million Americans, primarily the elderly. Medicaid pro-

vides health care for tens of millions more of the disabled and indigent, and is administered by the states. In the last 25 years Medicare and Medicaid expenditures have soared: from less than \$5 billion in 1967, to \$79 billion in 1984, to over \$160 billion in 1990.²⁸

Prior to 1983, Medicaid used a "cost-plus" system for reimbursing medical providers. Doctors were allowed to base their billings upon the cost of the services they provided. Thus the higher a doctor's costs, the more a doctor would make. The cost-plus system made it in a doctor's self-interest to make his costs as high as possible, contributing to a rapid growth in health care costs.

Overall, the effect of Medicare, Medicaid, and other rapidly expanding government health care spending has been greatly to increase the demand for medical services and facilities of all types, which has led to rising health care prices.

Government tax policies are another major factor in escalating demand for and prices of medical services. When health insurance is provided as an employee benefit it is fully tax-deductible; in other words, it is paid for with pre-tax dollars. But when health care is paid for by employees directly, it is paid for with very expensive after-tax dollars, and is not fully tax-deductible. Hence there is an incentive for health care to be provided by employers in the form of insurance, rather than for employees to pay for health care directly out of their own pockets. Largely as a result of U.S. tax policies, "The share of health care spending paid by business increased from 17 percent in 1965 to 28 percent in 1987, while the share paid directly by individuals fell from almost 90 percent in 1930 to just 25 percent in 1987."²⁹

The growing reliance of Americans upon insurers (public and private) to pay their medical bills has destroyed virtually all incentive for health care consumers to monitor and control costs. As Louise B. Russell noted in her 1977 Brookings Institution study:

This incentive structure means that at the point at which decisions are made about the use of resources, the people who make those decisions are able to act as if the resources are free. Rationally they can and do make decisions that bring little or no benefit to the patient, since the resource costs of the decisions—to the people making them—are also little or nothing. . . . [T]here are virtually no economic constraints

left to prevent decisionmakers in medical care from doing everything they can think of, no matter how small the benefits nor to whom they accrue.³⁰

Medical Licensing. U.S. doctors are among the most regulated in the world. State medical boards, monopolized by American Medical Association members, license doctors, hospitals, and medical schools. The declared purpose of medical licensing is to assure quality health care. The actual effect has been to limit the number of doctors, increase the cost of health care, and promote medical practices favored by the AMA at the expense of less costly alternatives. Many alternative practitioners—such as osteopaths and chiropractors—were almost run out of business by AMA-dominated medical boards.

The AMA has opposed prevention and treatment alternatives that would greatly reduce medical costs, such as midwives, nurse-practitioners, and nutritional therapy. There is mounting scientific evidence that many suppressed alternative forms of treatment are not only less expensive, but are more effective than government-approved medicine. Alternative practitioners are often much more compassionate as well.

The AMA has used its monopoly to exclude women, blacks, and alternative practitioners from the medical profession. Artificially restricting the number of doctors makes health care much more expensive for everyone. As Dr. Mary Ruwart reports in *Healing Our World*:

By the early 1900s, every state had agreed to the aggression of physician licensing. . . . One half of the existing medical schools were approved, so most of the others had to close their doors by 1920. By 1932, almost half the medical school applicants had to be turned away. . . .

Licensing of physicians was largely a result of lobbying by the AMA. . . . Not surprisingly, the established practitioners suggest giving licenses to those already in practice, setting high standards for new entrants, and denying approval to practitioners who use different techniques from theirs. . . . In 1910, there were seven medical schools specializing in training black physicians. By 1944, only two had survived. Women were excluded from the medical profession in the same manner.

In 1938, students of homeopathic, osteopath-

ic, and chiropractic medical schools could no longer qualify for licensing as medical doctors. Hospitals or medical schools that dared to employ them risked losing their approved status. . . . Alternative practitioners were frequently denied other privileges as well. So blatant were these discriminatory practices that in 1987 the American Medical Association was found guilty under the antitrust laws of having "conspired to destroy the profession of chiropractic in the United States" by using the political power afforded them by licensing laws.³¹

Another tragic effect of medical licensing has been the disappearance of competent medical services from most poor communities, particularly rural ones. Thanks to government regulations and the litigation explosion, many rural communities and small towns now have no doctors at all.

Insurance Regulations. Insurance underwriters, like doctors and hospitals, are subject to hundreds of government-issued mandates. As a result they seldom pay for drugs or treatments which the government has not approved. Again, the effect is to make many safe and inexpensive forms of treatment unavailable to American citizens, while raising health care costs for everyone.

Other Factors. Government regulation is not the only factor in escalating U.S. health care costs. Other major factors include mounting social violence, which is overloading urban emergency rooms. Many hospitals are closing their ERs to avoid bankruptcy. The explosion of litigation against doctors and the willingness of juries to give multi-million dollar punitive damage awards have made \$100,000-a-year malpractice premiums commonplace, and litigation is causing many doctors to abandon high-risk specialties such as pediatrics and obstetrics. Finally, the expense of coping with the AIDS epidemic and the medical needs of an aging populace have increased the demand for medical services and hence their cost. Some of these factors have been greatly aggravated by government policies. Others have little or nothing to do with government regulations. In either case, socialized medicine will do nothing to alleviate these problems.

Health Care Alternatives

Fortunately, socialism and inaction are not our only two options. We can make health care more

affordable and more available while preserving quality and freedom of choice. Here are some positive steps we can take now:

Privatize Health Care. Medicare and Medicaid are imposing horrendous costs upon American taxpayers. There is no free lunch. When health care is “free” (i.e., indirectly financed by taxation), there is little incentive for either patients or doctors to minimize costs. Government-guaranteed medical services raise prices and costs, result in massive waste, and create a bureaucracy in a futile attempt to control costs.

Government should get out of the medical insurance business. We will get far better value for our health care dollars if we spend them directly ourselves.

Free Insurance Companies from Government Regulations. Government insurance mandates—specifying how insurance policies must be written, what illnesses may be covered, and what fees can be charged—put a straitjacket on health insurance providers and cost the U.S. economy over \$60 billion a year. There are now over 700 mandates enforced by state governments. These mandates prohibit inexpensive policies with limited coverage—leaving 8.5 million Americans uninsured.³²

Using medical insurance to pay for small claims is also highly inefficient. As Joseph Bast points out in *Why We Spend Too Much on Health Care*, “it costs as much as \$50 to process a \$50 claim,” adding billions to medical costs.³³

Insurance companies should be free to innovate and introduce new policies which meet the diverse needs of the American people. Relieved of the governmental regulations currently imposed on them, health care insurers could become leaders in cutting costs and creating inexpensive coverage for currently uninsured Americans. The single reform of ending all mandates would reduce health care insurance costs in the U.S. by 30 percent!³⁴

Deregulate Medical Research and Marketing. Burdensome government testing and certification requirements have added years of delay and billions of dollars in cost to the development and marketing of new drugs. Government has made it economically impossible for small pharmaceutical manufacturers to survive, or for any manufacturer to develop drugs for diseases that affect small population groups. Hundreds of thousands of lives have been needlessly lost as a result of delays and

added costs imposed by government regulations. Drugs which could alleviate the suffering of millions are kept from the market because they don’t meet the government’s arbitrary standards.³⁵

The decision whether or not to take a drug should be made by the patient and his doctor. In a deregulated market, misleading or dangerous claims would be minimized by natural market forces, including the threat of legal action by consumers. Unlike government regulatory agencies which are protected from lawsuits for their mistakes by sovereign immunity, non-governmental businesses are always subject to legal action.

Deregulating medical research and marketing would save tens of thousands of lives a year, make it economical to develop many new drugs, and drastically cut the cost of drugs for everyone.

End Medical Monopolies. The American Medical Association is a coercive monopoly which makes it difficult or impossible for alternative health care providers—such as nurse-practitioners, midwives, osteopaths, chiropractors, and nutritionists—to market their services. State medical licensing boards are composed virtually entirely of AMA-certified physicians and have created “medical standards” which make it impossible for medical schools to survive unless they adopt curricula approved by the AMA.

AMA-dominated, politicized state medical licensing ought to be abolished and replaced by independent certification of doctors. Consumers, not politicians or powerful groups of doctors, should decide which health care practitioners we can patronize.

End Drug Prohibition. Drug prohibition is a contributing factor to America’s health care crisis. Legalizing drugs would eliminate many deaths from adulterated substances, permit addicts to seek treatment without fear of arrest, enable those suffering from glaucoma and cancer to use marijuana and cocaine therapeutically, and permit patients and doctors to use drugs now legally available in other countries. Ending the war on drugs would reduce health care expenditures in the United States.

A Warning

If you want to know how national health insurance would work in America, we have a model.

For more than 60 years the Veterans Administration has been charged with handling the health needs of millions of disabled and discharged servicemen and women. With a fiscal 1990 budget of \$30 billion, the VA runs America's largest health care system, including 172 hospitals, 233 outpatient clinics, and 122 nursing homes.³⁶

Investigations of the VA have found abominable conditions: long waiting periods for surgery, filthy hospitals, severe shortages of staff and drugs, antiquated equipment, incompetent staff, indifferent and hostile administrators.³⁷ Here is just one example:

On January 15, 1992, CBS News reported that Walter Reed Army/Navy Medical Hospital had been refusing to provide amputees coming back from the Gulf War with artificial limbs. Other veterans were given shoddy prosthetics using antiquated technology. Compounding the tragedy, Walter Reed refused to accept donations of modern prosthetics offered by sympathetic Americans.

Commenting on why soliders were denied modern artificial limbs, a Medical Services colonel retorted, "I am not going to spend the taxpayers' money if you will just be sitting at home. Why should I spend \$5,000 for something that you will just look on?" Commenting on the refusal of Walter Reed hospital to accept donations of modern limbs for veterans, the colonel stated, "We disapprove it because we are the primary health-care providers and we believe that we provide the best total care to the patient. And the patients belong to us."³⁸

The most callous Soviet bureaucrat could hardly have been more arrogant. This incident gives us a glimpse of the future of health care in America—if national health insurance is enacted. □

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Two Kinds of Slums

by Gary North

Back in 1980 I was invited to lecture to a group of people on a cruise ship tour of the Caribbean. I got a free trip on The Love Bloat. Food, food, food!

I even got food for thought. Part of the trip involved a brief visit to Caracas, Venezuela. The ship had docked about an hour north of the city, and tour buses carried us to the capital.

On the outskirts of Caracas, along the side of a hill, there was a slum like no other I had ever seen before, or have ever seen since. As we sped past, we could see it in the distance, but a pair of binoculars brought it much closer. It was nothing but a mass of corrugated steel shacks crammed together.

Later, I read about these mountainside "towns." They have no plumbing. They are crowded with people who somehow get rides into the teeming and booming city miles away and far below. Serious diseases frequently spread through these little communities. I cannot imagine having to live in such conditions.

Someone on the bus said to no one in particular, "How incredibly ugly!" I thought about that statement for the rest of the drive into the city. I have thought about it from time to time ever since. Yes, that conglomeration of shacks was ugly. Aesthetically, it was an affront to our sensibilities.

Yet such ugliness is cause for rejoicing. It is the mark of freedom. When such ugly slums spring up, without any master plan, and without any government money, we know that free men are doing

their best to find a better place to live, a better way to live. Most of all, we can be sure that they are making plans to get out.

Freedom Has Its Ugly Side

The well fed visitor from the United States thinks to himself, "What a terrible place to live." He can see how bad it is. He shudders at what he sees. But what about the places he cannot see? What about "the places back home" that every slum-dweller left, shaking the dust off his or her feet? The rustic, dirt-floor huts in some isolated village where there is no promise of a better life and no memory of one, either. The charming village graveyards that have so many graves for children under the age of five. The lovely streams in which there are insufficient fish to feed a growing population. The village square in which there are no newspapers reporting on urban blight because there is neither literacy nor electricity to print a newspaper.

People leave these quaint, rustic settings with all of their picture-postcard beauty, and they head for the city. They have been doing this in the West since about the 11th century. This flood of immigrants has increased exponentially since the late 18th century. They come without capital, urban skills, or education. They could go home, but few do. They prefer to live in corrugated steel shacks on the sides of mountains. Why?

To them, the ugliness of the slum is the beauty of freedom. The slum is suffused with hope. It is a

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AP/WIDE WORLD

place of temporary refuge. A better world lies ahead, down that mountain. Residents of a mountainside slum can see a better world, literally. And seeing it, they can begin to make plans for getting off the mountain forever.

The mountainside slum will remain, but most of its present residents will eventually move out. There are two ways to move out: forward or backward. They can move closer to the city or back to the village. Their continuing presence in the slum announces to the world: better to stay in a slum with their dreams than to return to a village defeated. Because freedom's slum offers people real hope of moving forward, they do not move back.

Housing in a slum is all that these newcomers can afford. The government could of course send the army up every mountainside to run the slum-dwellers out. The troops could destroy every shack. In America, this is called "urban renewal." In a place like Venezuela, it might be called "ecological renewal." The result is the same: homelessness. For the residents of the slums, slum-clearance could be called "hope removal."

Housing Without Hope

The government could build public housing for a few people. Not for everyone, but a few. We have seen the fate of such housing projects in the richest

nation in history, the United States. Can most of us imagine living in the South Bronx in a housing project?

Housing without hope: this is the ultimate slum. It may (for a time) be freshly painted. It may (for a time) be clean. It may (for a time) be safe. But if it offers no way to get out, or worse, if it offers a government check to stay put, it offers no hope. And then the paint peels, the filth builds up, and the muggers arrive like locusts.

In New York City, you can see from the turnpikes the empty, burned-out housing projects as you drive by at high speed. (Careful: the next pothole may snap an axle.) Are those slums any less ugly than the mountainside slums of nations too poor to build public housing? More to the point, are they as useful for providing shelter to poor people?

In Venezuela, slum-dwelling families live in terrible conditions. But no one forces them to live there. No government subsidizes them to live there. They do not intend to live there forever. They make plans to get out; they test plans to get out; and eventually, most of them get out.

There are two kinds of slums. I don't want to live in either kind. But this I know: one kind is worse than another. The one to avoid is the one with the invisible sign over its entrance: "All hope abandon, ye who enter here." □

Electability

by Donald G. Smith

I would like to be known as a former President who minded his own business.

—CALVIN COOLIDGE

My favorite President is Rutherford B. Hayes. Almost unknown by the American public, Hayes served one term (1877-1881) in which there were no wars, no scandals, no depressions or recessions, and no international crises. After that, he had the good grace to retire and go home. Hayes offered his country only one thing: competence. He was an unspectacular man who knew what he was doing and ran the country accordingly.

One need not dwell upon the fact that Hayes could not be elected today. It is such an obvious reality that there is no need to elaborate. Keeping Hayes in mind, however, we can deal with the popular notion that an officeholder has to *do* something; and to be elected he has to promise to *do* something. This is how we interpret leadership.

The "leader" we seek is a vigorous crusader who has a *program*, who wants to get the country, state, city, or precinct "moving" and exhorts us all to march with him/her into some nebulous brighter day where the sun always shines and we all feast on milk and honey.

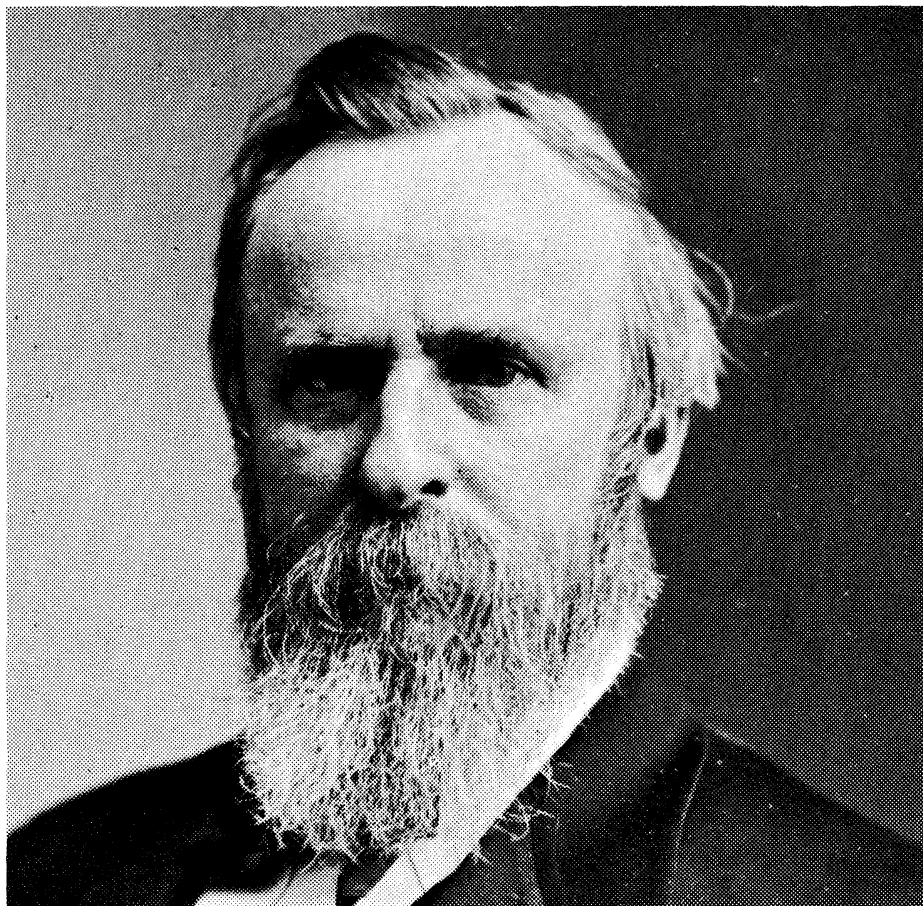
Unfortunately this leaves us with a most perplexing paradox, which is the constant uncompromising battle between politics and economics. We live with an economic system that

works best when left alone. It is a self-generating, energy-producing system that resists tampering and brings instant rewards when it is allowed to run free. In a socialistic system politics and economics are part of the same package and it is expected that every economic decision will be political as well. In the capitalistic system, the two are distant relatives, and the more distant they are, the better the economy works.

Yet a politician is expected to *do* something and this invariably means injecting himself into the system. Whether it be a Federal program to force employers to provide medical insurance or a local ordinance forbidding smoking in restaurants, the politician has to meddle in order to create and/or maintain the image of vigor and far-sightedness that is so essential to election. In order to be elected, a politician has to offer a *program*, which is a course of action that will in some way impede the system and make it harder for both employers and employees to do their jobs. This is why we have hiring quotas, rent controls, seat belt laws, environmental impact reports, and restrictions on the sale of private property. It is why we have "Warning" labels on everything from cigarettes to suntan lotion and why, in some states, alcoholic beverages can only be served to people who are seated.

We live constantly with a conflict between politics and economics. The office seeker who might have the good sense to leave the system alone cannot say this to the electorate because he won't be perceived as a man with a *program*. There is no

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Rutherford B. Hayes

glamor, no pizzazz, in a campaign that is based upon administering the laws of the city, state, or federal government as efficiently as possible and letting the economic system run itself. This is obviously someone without a *vision*, someone who doesn't *care*, someone who might just run things with maximum efficiency and then quietly bow out. Who wants to put up with that kind of nonsense?

So we will continue, forever it seems, with the paradox involving electability and reality; what we are going to get and what we need. We will once more go to the polls and elect a small army of meddlers who want to "get things moving," when it is they, and others like them, who are the very reason that "things" aren't moving now. It is like pouring gasoline on a fire. With the capitalistic system, one

does not "get it moving"; rather, one backs off and lets it move because this is what it wants to do anyway. It doesn't need a *program* and it doesn't need an egomaniac with a manicure and a \$20 haircut to set it in motion. All that it asks is someone with the good sense to leave it alone and let it do what it does best.

Unfortunately there is no market for simple, unadorned competence in public life. This is why a latter day Rutherford B. Hayes could not be elected today, and why the original is all but forgotten. In today's political scene, ability is a hard sell at best, which leaves us with a paradox. The people whom we put in office to protect the economic system are those who will inflict the most damage on it. I just don't understand it. I don't think that President Hayes would have either. □

Redlight for Greenways

by Jo Ann Frobouck

In the wake of a new environmental awareness, Americans are having a love affair with greenways—those long, skinny parks along roads, rivers, and trails, through urban and rural areas, which connect other park areas to form a continuous system with protected status and oftentimes, public access.

Greenways are generally perceived as a benign attempt to make the world a better, greener place. To greenway users, they provide an escape from hustle-bustle lifestyles. However, since greenways sometimes traverse private lands, to property owners concerned about their privacy and property rights, they are a threat. Hence, greenways can be controversial, particularly in rural areas.

Public land is appropriated for greenways fairly easily; private property is another matter. When greenway planners and reluctant landowners collide, the government invariably wins. Since unwilling participants cause “breaks” in the greenway line, the enabling legislation for National Scenic Trails authorizes the federal government to use the power of eminent domain to complete the trail corridor. The right of eminent domain—taking private property for public use—is a power of government. Although it is debatable whether greenways constitute a legitimate “public” use, given that a small segment of the population will probably use them, eminent domain proceedings must provide “due process of law” and “just compensation” when property rights are taken away.

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When property is appropriated for “public use” (whether for public access or buffer zones to preserve views), landowners are forced to sell their land to the government at “fair market value,” not for a highway or a utility, but for a hiking trail. In cases where a property owner is allowed to stay, the government can force public access via a public right-of-way easement or impose regulatory sanctions to eliminate uses seen as “incompatible” with scenic resources.

The Chesapeake and Ohio Canal National Historic Park, a man-made greenway that runs along the Potomac River from Washington, D.C., to Cumberland in western Maryland, has a long history of condemnation of private property. National Park Service acquisition records show that during the 1960s, '70s and '80s, the federal government invoked condemnation proceedings to acquire over 100 parcels of private land, scenic easements or public rights-of-way along the canal's corridor.

America's First National Scenic Trail

In 1968, Congress recognized the Appalachian Trail, a natural greenway that runs 2,140 miles from Maine to Georgia, as America's first National Scenic Trail and authorized Federal and state land acquisition to provide a permanent trail corridor.

Two years later, Clara Brown of Frederick, Maryland, received alarming news. Her neighbors along the Appalachian Trail were informed by reg-

istered letter that their property was targeted for public takeover. It became apparent that the government, whose function is to protect the property rights of landowners, was instead intruding on those rights, forcing residents to assume the burden of protecting their property.

Mrs. Brown has been fighting for over 20 years against what she sees as the strong-arm tactics of Federal and state agencies trampling ownership rights so that urban hikers could have a "wilderness experience." Recognizing that a single owner has no chance of winning the battle against the government and preservationists, she organized landowners in Frederick County and nearby Washington County (also affected by the trail) to write protest letters to their Congressmen and attend public hearings to express their views. Despite their efforts, however, many residents lost their land to the trail.

David N. Startzell, executive director of the Appalachian Trail Conference, a private trail support group in Harpers Ferry, West Virginia, says that the "protection program" to implement "the realization of a great vision" involves more than 3,400 tracts of land, and condemnation has been used in "only five percent of the cases," and then usually "to establish the price to be paid." His figures, however, do not reflect the years of imposition and hardship on families who do not want to leave their homes, or on owners who are forced to accept public access easements allowing strangers to enter upon their "private" property.

In 1978 Congress saw fit to expand the Appalachian Trail's "remarkable and fragile environments" by authorizing a 1000-foot buffer of public jurisdiction along the trail to protect features adjacent to the trail and the viewshed (areas visible from the trail). Along the swath, the National Park Service and state natural resource departments are acquiring more private land in an attempt to eliminate "incompatible" evidences of civilization, such as homes and powerlines that "detract from the visitor experience."

Mrs. Brown has watched what began as a foot-path grow into a project that has removed homeowners who are, she says, as native to the area as the flora and fauna around them. Now, two decades later, Mrs. Brown concludes, "We have managed to exercise some control [over government plans] by group action and constant vigi-

lance." She feels that if the landowners hadn't fought back, many more would be gone.

Last year, Maryland's Department of Natural Resources released a plan to relocate a mile stretch of the Appalachian Trail some 1,000 feet farther east to an area of fewer homes and other visual "intrusions." (Other portions of the trail in other states are being re-routed as well.) That plan has raised the ire of local residents along the proposed route who say a relocated trail would affect *their* sense of isolation. They do not want the hikers to disturb their peace and tranquility, the reason why they chose to live there. The exact corridor of the re-routed trail has not yet been determined, but when it is, more landowners could lose their homes and land through eminent domain.

Lauri and Danny Yonker own three acres in Smithsburg, Maryland, a portion of which lies in the new trail's projected corridor. Mr. Yonker runs his business at home where he welds and fabricates tools and dairy systems. According to the preliminary design for the re-routed trail, the Yonkers would lose half of their land. They worry that county officials might shut the business down because the reduced acreage would violate existing zoning standards.

The dilemma that the Yonkers are experiencing is typical of the abuses of greenway projects. Government officials hassle landowners by requiring bureaucratic permission for such activities as landscaping or erecting a new outbuilding, sometimes even to the extent of approving what color one may paint his house. Such tedious demands can result in a landowner begging to be bought out, at which point the government merely has to name its price.

Lauri Yonker says their conservation zoning won't allow them to develop their land any more than it already is and feels that the state just wants to make it difficult for them to stay. She is also concerned that officials have begun to refer to their area, which is surrounded by four different state parks, as the "South Mountain State Park," when there is no such park. She fears there are plans afoot to combine the state parks (that have been temporarily closed due to budget shortages) into one vast area so the state can get control over the small pockets of land still in private ownership.

Trail Access Debates

Debates over public access to trail, can get bitter. In *The Washington Post*, Eric Seaborg, a member of the Discovery Trail mapping team, related an unpleasant encounter with a local farmer in southern Illinois while trekking cross-country with his two teammates to lay out the trail corridor.

Following a lonely dirt road, shown on a U.S. Forest Service map to have a public right-of-way, Seaborg and another team member came to a point where the road was closed. They suddenly found themselves, with night coming on, separated from the third team member and confronted by a pack of unfriendly, barking dogs. The farmer, brought out of the house by all the commotion, found the two strangers in his barn. He was concerned that the U.S. Forest Service had told them they could use his road, which he claimed had no right-of-way easement. After making it clear he wanted no part of the trail project, he asked them to leave.

As the farmer headed back to put up the dogs, he warned the intruders: "This is rattlesnake country—there've been two killed already this year" on the same road the two had to take back to the trailhead. The farmer drove away without offering them a ride out.

The U.S. Forest Service claims it owns a public right-of-way through the farmer's land. The farmer, who disputes the right-of-way, has closed off the road. Meanwhile, the U.S. Forest Service continues to show the road (with public access) on its map, but claims it does not have the financial means to back up its contention with legal action. If Congress authorizes an American Discovery Trail (a proposed 5,500-mile hiking trail running east-west from Delaware to California), the farmer will be forced to defend his property against the government's claim—or give in.

Greenways Tend to "Grow"

The perennial problem with government supported greenways is that they tend to "grow." Like the Appalachian Trail, what starts as a simple foot-

path soon invades private property, "needs" Federal protection, and then a buffer to protect the features adjacent to the trail. These features can include watersheds, woodlands, wildlife habitats, historic sites, and a host of other natural and cultural resources.

The trail's conceptual beginning was an omen to rural property owners of the real agenda of trail planners. In 1921, before the trail was established, conservationist Benton McKaye wrote an essay for the American Institute of Architects entitled *An Appalachian Trail, an Experiment in Regional Planning*. McKaye's writings showed a comprehensive plan where the trail would serve as a starting point for wider land use planning efforts aimed at controlling rural growth and development.

Viewed in this light, it is apparent that the trail is not the simple footpath greenway planners would have us believe. Clearly, its protective covenants, ostensibly to provide a "wilderness experience" for recreationists, also serve to control "unwanted" growth in the outlying countryside to the detriment of the rights of private property owners along the route.

The unsettling part for rural landowners is the planned national network of greenways. In a July 1991 letter to her colleagues to enlist support for the Discovery Trail, Representative Beverly Byron reiterated the commitment that emerged from President Reagan's Commission on American Outdoors: "The American Discovery Trail will become the backbone of a growing national trails system, a system with the long-term goal of putting every American within 15 minutes of a trail." Considering that 80 percent of the population lives in urban areas with no resource connection, trail advocates should have little problem finding political support for greenways.

Lookout, rural America, greenways are more than a recreational footpath. They are a way to disenfranchise landowners and to control human activity politically to preserve aesthetic landscapes. Greenways quietly attack not only our property rights, but also our privacy and our political freedom—the values Americans hold most dear. □

Can Private Schools Survive “Privatization”?

by Saralee Rhoads

Long years of abuse have eroded the foundations of free enterprise so long cherished as the American experience, and *America 2000: An Education Strategy*, a report released last year by the U.S. Department of Education, bodes ill for an already weakened private sector. Most tragic of all has been the diminishing understanding of the free enterprise system by a citizenry once attuned to its pulse and dedicated to its health.

Nowhere is this fact more obvious than in the field of education. Studies purport to show that literacy in colonial America, at least on the Eastern seaboard, was nearly total. Educated at home and in private schools, many a farmer read Greek, and frontiersmen recited the poetry of Ovid and Donne. Thomas Paine’s *Common Sense* “sold 600,000 copies to a population of 2,500,000, twenty percent of which was slave and another fifty percent indentured.”¹ Most important of all, everyone read the Bible. Two hundred years later 19 million adults are labeled functionally illiterate.²

The national Committee on Excellence in Education’s 1983 report, *A Nation at Risk*, included this assessment of American government education: “If an unfriendly foreign power had attempted to impose on America the mediocre educational performance that exists today, we might well have viewed it as an act of war. As it stands, we have allowed this to happen to ourselves.”³ Since 1983 the response to this report has been so muddled by emotion, illogical rhetoric, and a confusion

of terms that many conservatives and clerics—mainstays of private education—are now improbable allies with the providers of government schooling in a whole new debate on “choice” in education.

An Historical Perspective

Dialogue is dependent upon communication. Everyone is talking, yet the free flow of ideas has been curtailed by doublespeak. “Privatization” and “choice” take on whole new meanings from one context to another. The resultant confusion divides the proponents of private education, setting the nation adrift in uncharted waters.

To appreciate the current dilemma we must look at word origins and their meanings. “*Free enterprise* means that the government leaves individuals *free* to own businesses and make a living dependent on their own *enterprise* (initiative).”⁴ Such a succinct definition deserves amplification. *Private enterprise* is privately owned, privately administered, privately regulated. With the introduction of public funds (ownership), publicly certified workers (administration), and governmental rules (regulation), private enterprise ceases to be private. “Privatization” of “public” education is, by definition, the coupling of two mutually exclusive terms. The best example of loss of private control through governmental infusion of public funds is in education.

Government schools are but one facet of the largest bureaucracy in the nation today. The government is the largest provider of education in the country. It sets the standards for certification of

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teachers, regulates teacher education, its think tanks and programs and agencies influence textbook production, and each generation graduates as creatures of public educational philosophy.

The process is accelerated by the influence of the National Education Association in politicizing teachers and maintaining a national legislative agenda. At first the NEA exerted influence, but now the policy-setting potential opens a whole new realm of control.

Horace Greeley and later James Coleman established a direct correlation between the results obtained when the educational services were *privately* provided as opposed to public education. Reduced class size, intensive emphasis on values, and "bright flight" notwithstanding, all private school students outscored their public school counterparts on standard achievement tests.⁵ In contrast, as Federal outlays for elementary, secondary, and vocational education increased by \$20 billion from 1966-1975, SAT scores dropped approximately 70 points.⁶ In 1959-60 public education consumed \$375 per pupil: in 1967 it consumed \$3,977.⁷

Despite extensive efforts to improve public education and rapidly increasing expenditures, the downward trend continues. A *Washington Post* editorialist indicted experts, parents, and students alike when 1989 SATs dropped yet again: "What jolted me about the scores is the dismal fact that they are averages. It's bracing to bear in mind that many of the kids scored higher than 476 or 424, but it's stupefying to realize that many scored lower—down in the semiliterate 300s."⁸ Each year brings notice of a further decline. Indeed, 1990 SAT scores averaged fifty points below scores of college-bound seniors twenty years earlier. President Bush, in speaking to students and faculty at the Lewiston Comprehensive High School on September 3, 1991, remarked, "Every day brings new evidence of crisis. Last week, we learned that SAT scores have fallen again. Scores on the verbal SAT have tumbled to the lowest level ever. And these numbers tell us: our schools are in trouble."⁹

Understanding America 2000

The President's comprehensive package to remedy our nation's educational woes includes six vital points:

"1. All children in America will start school ready to learn.

"2. The high school graduation rate will increase to at least 90 percent.

"3. American students will leave grades four, eight, and twelve having demonstrated competency in challenging subject matter . . .

"4. U.S. students will be first in the world in science and mathematics achievement.

"5. Every adult American will be literate and will possess the knowledge and skills necessary to compete in a global economy . . .

"6. Every school in America will be free of drugs and violence and will offer a disciplined environment conducive to learning."

Federal involvement will include a 15-point accountability package, Congressional scholarships, state and local incentives to programs of "choice," Federal seed money for establishment of Governors' Academies for School Leaders and Teachers, and grants for development of alternative teacher certification programs. Development of a new (voluntary) nationwide examination system in conjunction with the National Education Goals Panel, with incentives to encourage colleges and employers to consider test results in accepting applicants is one large part of the overall package. More than 535 schools are targeted for lavish outlays of Federal grants and electronic networks to coordinate programs nationally. Some may be schools designated for change within a particular district, others may be private schools applying for Federal seed money, already qualifying for Federal assistance through maintenance of current regulatory standards. As of March 1992, almost 700 teams nationwide have applied for existing funds, representing school districts, businesses, associations, colleges, and think tanks.¹⁰ Initial projections estimated costs of \$690 million, not counting programs administered under the departments of Labor, Health and Human Services, and Housing and Urban Development.¹¹ The President's Fiscal Year 1993 budget request includes an additional half billion dollars for grants to states and communities developing "opportunity scholarships." Disturbingly absent from the discussion is the concept of equity, as outlays of Federal funds are channeled into a small number of model schools, leaving extensive portions of the population with no substantial help at all. How much money will actually be funneled into education? No one knows.



The injection of more Federal monies into government schools is widely accepted, but none of these costly programs, even with private money injected, will make public schools private. The same red tape, the same teachers, the same school boards still control outcomes. Each will still be a public school.

Less widely accepted has been the concept of publicizing the private sector, though now it is presented more attractively by calling it "privatizing the public sector." Yet the result is the same. Instead of making public schools private, all private schools become public. Lamar Alexander, Secretary of Education, asserted, "The definition of 'public school' should be broadened to include any school that serves the public and is held accountable by a public authority."¹² Public education may be minimally improved through innovative programs, but private education will be drastically downgraded to equalize opportunities. A broad range of proposals is being suggested to remedy the disparity between public and private education, but basic to each type of funding is the direct or indirect infusion of government money into private education, with the result of making all schools public schools.

Efforts to ameliorate the dismal state of public education have created a loose coalition of strange bedfellows. Proponents of change call it "privatization of public education" or "choice in education." The multiplicity of proposals and terms employed, however, blur distinctions between public education and private enterprise.

Four types of options exist. Two "choice" programs target government schools only, but critics advocating social change predict their impact alone insufficient to produce any real improvement.¹³ The other two types of programs serve to "publicize" the private sector. A description of all four illustrates the difference between restructuring public schools versus publicizing the private sector.

Intra-district options introduced in Massachusetts, Idaho, and Michigan allowed open enrollments among public schools within a single district. These represent public school "choice" programs.

Inter-district options have proliferated in metropolitan areas across the nation. Typical are magnet programs in which youngsters from various districts have the option of transferring to a specialty school in another district, the shift of

funding handled through the administrative shuffle of paperwork. Broader in scope, this is the second type of public school "choice" program.

Voucher options seem clear cut, but in 1991 27 different voucher proposals were introduced in 14 states. In Milwaukee the plan excluded religious schools, offering \$2,500 to the private non-sectarian school chosen by parents with a low-income status. In Pennsylvania, on the other hand, \$900 vouchers were available to religious schools as well. With vouchers, taxes are directly funneled to the schools.

Negative tax credits were instituted in Epson, New Hampshire, where parents paid for a child's tuition at the school of choice, and then received tax credit for sending the child to a school outside his residential district.

Each instance of government funds supporting private education illustrates a clear case of political intrusion into the free enterprise system. Ownership transfers out of private hands into the government's broad grasp. No matter how broadly or narrowly conceived the program, whether government money extends into sectarian or non-sectarian schools, whether home schools are included or not, each opens the door to governmental control of the private sector. Initial provisions may safeguard curriculum, school administration, and specify governmental non-interference, yet Federal anti-discrimination requirements resulting in civil rights litigation and First Amendment challenges illustrate the fallacy of misplaced trust—there are no guarantees, no safeguards.¹⁴ Statutory requirements for providing transportation, establishing racial balance, providing school-performance data and audit data led one author to conclude: "An education system organized as a public utility might better serve all these interests."¹⁵ Well-intentioned efforts to introduce competition and open doors of choice spell the demise of free enterprise in private education with the introduction of government ownership, and thus the inevitable control of the private sector.

Controlling the Purse Strings

The Department of Education (employing 4,737 workers) currently comprises four main agencies, eight offices with assistant secretaries and ten regional offices (staffed by an additional

4,655).¹⁶ It requires the oversight of nine Congressional committees and is audited by the GAO.¹⁷ The additional numbers employed in administering programs and grants nationwide are unknown.

Its budgetary allocations are enmeshed in a web of inter-related categories administered through the Department of Education, the Department of Housing and Urban Development, and the Federal Emergency Management Agency, Disaster Relief Account. Analysis of the many accounts resembles a juggling routine as slotted funds are sprinkled into the various sub-categories. For example, \$632 million is allocated for the establishment of drug-free schools. The School Improvement Program is but one of 14 sub-headings under elementary and secondary education. It specifically lists drug-free schools, yet its line-item expenditures account for only one one-thousandth of that total. More than \$631 million remains unspecified in other programs or summary budgets, therefore without accountability.¹⁸

Elementary and secondary education is targeted for various other program allotments: the proposed Educational Excellence Act, \$690 million; Certificate Support Fund, \$200 million; Compensatory Education, \$6.2 billion; Educational Block Grants, \$449 million; Math and Science State Grants, \$242 million; Drug Free Schools, \$632 million; Disabilities, \$2.7 billion; and Vocational Education, \$1 billion. Additional Federal capital outlays for education and training total \$35.1 billion.¹⁹ Bearing in mind that current Federal funding for education represents only seven percent of all education expenditures,²⁰ one can only surmise the extent to which this chain of bureaucratic employment could expand if the broad-reaching reforms proposed are actually realized and placed within the purview of Federal regulation. As funds trickle down to state and local programs, what percentage actually benefits the individual child, even indirectly?

By virtue of the fact that all government funding is regulated, its recipients accountable to 435 representatives, 100 senators, and millions of taxpayers, private, autonomous control of government subsidies is a misnomer. Not only is all public money subject to intense scrutiny, its expenditure is subject to the whim of men and women who reside on Capitol Hill, who have interests in satisfying constituents and special interests (not the least of which is the NEA), each crying for expanded ser-

vices. Control of the purse strings limits freedom. The very underpinnings of successful private education are incompatible with the required accountability (control) of government funding.

The Death Knell of All Education

Four steps, in relatively short order, will make all education—public and private—extinct once government funding becomes a widespread reality. First, private schools will become dependent on this new source of money, and in time, unable to exist without it. Expanded services, payments for renovations and building additions, accommodation to government regulations, and the free flow of cash makes it inevitable. Second, private schools electing to safeguard their freedoms, not taking advantage of "free" government money, will not be able to compete. Higher rates of tuition will ultimately close their doors. Third, when the only schools left are government schools, is there any assurance that the quality of public schooling will not precipitously decline as it has before? The resultant government monopoly will preclude any form of competitive standards. Finally, costs will skyrocket as offices are set up nationwide to monitor the expenditure of government funds, protect students from exploitation, and expand services as further "needs" arise. Eventually the aim will be the maintenance of programs, not the education of children. Compliance with government policy and maintenance of the status quo will assume greater and greater importance as more workers become dependent on government-subsidized salaries.

Nowhere will this be felt more deeply than in the private sector. Mollified consumers of public education will know no difference. Their watered down education has satisfied them for years; but

there will be a remnant, perhaps educated in private institutions or home schools themselves, who will faintly remember a time when education meant a search for truth. A remnant will find dusty books packed in the attic, brush off the cobwebs, and rediscover the principles of private enterprise upon which our nation was established. Then will begin the second American revolution, as our children's children again fight for the freedom we once held dear. □

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Educational Vouchers: The Double Tax

THOSE WHO truly want independent schools and are willing to pay for them must not seek after vouchers, for vouchers are the very seal of doom for the independent school system. Pseudo-market schemes generally lead to anti-market results.

—GARY NORTH

IDEAS
ON
LIBERTY



BOOKS

THE RIGHTS RETAINED BY THE PEOPLE: THE HISTORY AND MEANING OF THE NINTH AMENDMENT

edited by Randy E. Barnett

George Mason University Press, Fairfax, Virginia • 416 pages • \$39.95 cloth, \$16.95 paper

Reviewed by James A. Woehlke

This book should open the door to a serious, intellectually sound approach to the Constitutional protection of human rights—including property rights. The book contains historical background and analysis by legal scholars concerning the Ninth Amendment to the Constitution.

The advancement of human rights in the legal arena has been inconsistent under the U.S. Constitution. Political rights fare well. Other rights listed—or enumerated—in the Constitution also are relatively well protected. With the notable exception of the right to privacy, however, courts have proven less interested in unenumerated human rights. These include economic rights such as the right to work for a wage less than the statutory minimum, the right to work if younger than a certain minimum age, and property rights.

The Rights Retained by the People helps us better understand why and how this disparity in the protection of human rights has occurred. It also provides an underpinning to reform Constitutional interpretation and better protect *all* human rights by giving proper emphasis to the Constitution's Ninth Amendment.

The Ninth Amendment states: "The enumeration in the Constitution of certain rights shall not be construed to deny or disparage others retained by the people." During the first 175 years of its history, this Amendment was cited in a total of nine court cases. Some Constitutional scholars began to call it the "Forgotten Amendment."

Then in 1965 the U.S. Supreme Court decided *Griswold v. Connecticut*. This case declared unconstitutional a Connecticut statute which made it a crime both for a married couple to use contraceptives and a physician to counsel their use. The

concurring opinion of Justice Goldberg in *Griswold* cited the Ninth Amendment as support to declare the statute unconstitutional. Since 1965, the Ninth Amendment has been cited in over a thousand cases.

The Amendment's origin is fascinating history. James Madison proposed the Amendment to counter the Federalist arguments that a bill of rights was unnecessary or even unwise. The Federalists argued that the government created by the Constitution was permitted to exercise only those powers specifically granted to it in the Constitution. The governmental structure itself with its checks and balances would be the best protection for individual rights. Besides, the Federalist argument continued, a bill of rights might even be dangerous because a list of some protected rights might be interpreted to mean that all unlisted—or unenumerated—rights were unprotected.

Despite the Federalists' arguments, several state ratifying conventions were so distrustful of centralized power that they made their ratification of the Constitution contingent on the approval of a bill of rights. As one of its earliest achievements, the first Congress approved twelve amendments to satisfy the contingencies set up by the state conventions. Only ten of the twelve survived the ratification process. (An eleventh, pertaining to the ability of Congress to give itself raises just recently received the necessary number of state ratifications and has become our Twenty-Seventh Amendment.)

The Ninth Amendment is an open-ended provision. The Constitution contains other open-ended provisions such as the "necessary and proper" clause in Article 1, Section 8 and the "due process" clauses in the Fifth and Fourteenth Amendments. Typically, courts have been skittish when called upon to use open-ended provisions to overturn the acts of the Federal and state legislatures.

Because interpretation of the Ninth Amendment proved very difficult, it was largely ignored. Courts were generally concerned that using the Ninth Amendment to strike down statutes would be tantamount to usurpation of the legislature's role.

Professor Barnett has brought together in this volume the most important literature on the Ninth Amendment and in the process added significantly to the interpretive theories with his own well-reasoned contribution. The collection is a valuable

primer on the Ninth Amendment that should be essential reading for lawyers, constitutional history buffs, and students of liberty.

Randy Barnett's introduction begins by exploring two legal philosophies of Constitutional rights: the rights-powers conception—the currently dominant approach—and the power-constraint conception. Using the rights-powers conception, rights are found to exist only where the appropriate powers of government leave off. The power-constraint conception, on the other hand, views rights as one of the two methods used in the Constitution to limit the powers of government, the other method being the document's structural safeguards.

After explaining the error in the rights-powers conception, Professor Barnett explores three practical approaches to the Ninth Amendment and rights theory to fulfill the role they were given by the Founding Fathers.

The crucial question faced by each of the authors in this volume is: Precisely which rights are retained by the people and merit protection by the Federal courts? The answers vary. Bennett Patterson would allow Ninth Amendment interpretation to be an extremely dynamic force in protecting individual rights. Patterson believes our perception of rights to be constantly evolving. Accordingly, the rights retained by the people are forever being refined and distilled. The Ninth Amendment is necessary protection for these newly evolved rights. The Founders had no way to describe rights which they were incapable of recognizing but which they somehow instinctively knew existed.

Berger is greatly concerned with the effect of a dynamic Ninth Amendment on the separation of powers. As a result, his analysis is largely pragmatic. If courts could use the Ninth Amendment to enforce anything that suited their current whim, they would be usurping the role of the legislature and violate the Constitutional separation of powers.

Several other authors would answer this argument by formalizing in some fashion the process of judicial interpretation. If the courts stayed within the formalized interpretative framework, they would be constrained from usurping the proper role of the legislature.

Russell Caplan would impose a severe restraint on courts interpreting the Amendment. Caplan

would allow the courts to use the Ninth Amendment to protect only those rights which were recognized by the various states at the time of ratification. This interpretation would keep the Amendment from being a dynamic element of constitutional interpretation such as the other open-ended provisions included in the Constitution. Caplan's argument is based on his historical study of the Amendment.

Mindful of Berger's concerns, Calvin Massey would impose a four-part test on the courts before a right could be enforced to overturn legislation. First, the court must find some textual foundation in the Constitution "however implicit or attenuated." Second, the right should have some historical roots in the laws of the nation, the states, colonies, or the common law. Third, the right should be consistent with theories of natural law. Finally, the right should be broadly recognized by contemporary society as "inextricably connected with the inherent dignity of the individual." Massey's four-part interpretative analysis would result in a dynamic Ninth Amendment.

The Rights Retained by the People is in certain parts not an easy book to read. It is, however, a fascinating read for the history it contains, the lively debate it charts, and the important conclusions some of its authors reach. □

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HEAD TO HEAD: THE COMING ECONOMIC BATTLE AMONG JAPAN, EUROPE AND AMERICA

by Lester Thurow

William Morrow and Company, Inc., 1350 Avenue of the Americas, New York, NY 10019 • 1992 • 336 pages • \$25.00 cloth

Reviewed by William H. Peterson

1 980, 1984, 1988, 1992. Right on schedule, industrial policy arises from the grave as a specter haunting the election. In April, for example, *The New York Times Magazine* published "Facing Up To Industrial Policy" by liberal syndicated economist Robert Kuttner.

Mr. Kuttner takes the Reagan and Bush Admin-

istrations to task for supposedly avoiding industrial policy and relying on free markets. (Would that were the case!) With a swipe at Adam Smith, he writes that in the 1980s and early '90s Smith's "invisible hand acted more like a sleight of hand, and major American industries began to crumble under an onslaught of cheap, high-quality imports." He quotes, approvingly, the statement by onetime presidential candidate Paul Tsongas that Adam Smith is woefully out-of-date: "Adam Smith was a marvelous man, but he wouldn't know a superconductor or memory chip if he tripped over one."

Now comes Lester Thurow with yet another plug for industrial policy and still one more swipe at Adam Smith. Commenting on America during the Reagan and Bush administrations in his latest and well-written, scholarly looking work teeming with 487 citations, Dr. Thurow, Dean of MIT's Sloan School of Management and author of such previous plugs for industrial policy as *The Zero-Sum Solution*, writes: "Too often, Adam Smith's 'invisible hand' became the hand of a pickpocket. Free unfettered markets had a habit of discovering very profitable but nonproductive activities."

To buttress his case against laissez faire policies, so clearly predatory in nature, Dean Thurow holds that unfettered capitalism betrays its tendency to drift into either monopoly or financial instability. For proof he points to the Dutch tulip mania, the South Sea Bubble, numerous nineteenth-century financial panics, the "robber barons" of yesteryear (neatly done in by the farsighted Sherman Antitrust Act of 1890), the 1929 stock market crash and ensuing Great Depression (brilliantly fixed up by the New Deal!).

No proof is provided for all these bald assertions and misperceptions. Monopoly is confused with bigness and fewness and is unrelated to freedom of entry. No allowance is made for the burden of heavy American government overhead including regulatory costs and the cost of defending Japan and Germany for almost five decades. Austrian or public choice business cycle theory and central bank proclivities toward credit expansion and debt monetization are ignored. Indeed, the entire counterproductive boomerang effect of government interventionism, such as government bank deposit insurance leading straight to the S & L crisis, gets short shrift. This

is Lester Thurow's article of faith: The state is our planner; we shall not want.

Thurow warns us: Our choice today is between producer economics (good) and consumer economics (bad), between communitarian capitalism (good) and individualistic capitalism (bad), between Germany's "Das Volk" and Japan's "Japan Inc." (good) and the narrow-minded "I" of America (doubly bad). As humorist Dave Barry would say, I'm not making this up.

All this raises the question: Just what is industrial policy? It is of course today's euphemism for government planning, i.e., more precisely, for what the French call indicative planning or *dirigisme*, for what I call soft socialism. Dean Thurow argues we must mount "an aggressive American effort" to counter Japanese and German national strategies "with American strategies" [read *planning*]. By design these strategies, while ill-defined here and subject to administrative change, would arm government bureaucrats with coercive powers and subvert shareholder and entrepreneurial rights. So goodbye to entrepreneurial insights and breakthroughs. Thurow, mesmerized by supposed Japanese and German planning proficiency, believes that Americans must fight fire with fire!

Instead of seeing government as the cause of our economic ills today, Dean Thurow blithely jettisons supposedly planless entrepreneurial capitalism, our great comparative advantage in international competition, and pleads for still greater government intervention in the economy. He excoriates takeover battles and corporate raiders, the "financial Vikings." He would have shareholders hold their stock for five years before they qualify for full voting rights. Government and selected industrialists or their minions, fortified with joint government and corporate funding, would pick—i.e., subsidize—the "winners" in the global competition of tomorrow.

He thereby fails to see the fallacy of plan versus no plan, to see what Mises and Hayek long ago pointed out. Free markets mean decentralized planning by many persons—private uncoerced planning that, thanks to the price system and economic calculation, works for economic growth and human betterment the world over, wherever it is tried.

Despite vaunted German proficiency, *The New York Times* of May 26, 1992, reports that West

German manufacturers are increasingly setting up new production plants abroad and that their location of choice is the United States. German executives complain about being saddled with "some uniquely national disadvantages, such as the world's highest rate of corporate taxation and the highest industrial labor costs." Thus does South Carolina land a new BMW assembly plant.

This lesson, the lessons of the demise of Eurocommunism, of what made America great in the first place, is lost on Lester Thurow. He forgets that subsidies and state planning deplete savings and tax capital markets; that as planners distort our free market system in myriad ways, government-administered prices don't clear the market and economies stall. His scheme, moreover, undermines individual liberty. Commenting on the Thatcher and Reagan administrations, he proclaims: "Empirical experimentation revealed that a return to ancient Anglo-Saxon virtues is not the answer."

Head to Head is at once bad politics and sorry economics. □

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CAPITAL FOR PROFIT: THE TRIUMPH OF RICARDIAN POLITICAL ECONOMY OVER MARX AND THE NEOCLASSICAL

by Paul Fabra

Rowman & Littlefield Publishers, Inc., 8705 Bollman Place, Savage, MD 20763 • 1991 • 345 pages • \$47.50 cloth

Reviewed by Raymond J. Keating

Paul Fabra, an economics columnist for the French newspaper *Le Monde*, has written an interesting, recently translated book addressing the various shortcomings of both Marxist and neoclassical economics. His advocacy of classical economics in its Ricardian manifestation as the answer to these problems is even more intriguing. One might correctly refer to Mr. Fabra as a "serious" supply-side economist.

Fabra deals with fundamental economic issues in *Capital for Profit*. He manages to redress various errors about David Ricardo's economic theories which have been perpetuated by both Marxist

and neoclassical economists. Fabra advocates supplanting subjective value theory with an objective, labor-based theory which focuses primarily on production costs rather than wants or desires. He also clarifies the definition of capital, and, most importantly, argues that profit must be at the center of economic theory, rather than merely treated as a residual. In addition, the author attempts to explore the boundaries of the marketplace.

In fact, there is much to agree and disagree with in *Capital for Profit*. Perhaps that reflects the book's strongest point, i.e., that Fabra requires the reader to reassess many long held economic doctrines. And whether in the end one accepts or rejects the many arguments articulated by Fabra, the reader will come away with a richer understanding of how the economy works.

A few of Fabra's thought-provoking statements are worth noting in this review, with the caveat, however, that his entire thesis be read in order to be fully appreciated:

Fabra rebuffs the so-called Ricardian "iron law of wages," which states that "wages will always be brought down to the subsistence level," by citing Ricardo's own work, and concludes that "nothing could be more alien to Ricardian thought than the idea that the worker is condemned to a subsistence wage."

On the definition of capital, Fabra clearly sees merit in the classical view: "The most significant definition is again to be found in Ricardo: 'Capital is that part of the wealth of a country which is employed in production, and consists of food, clothing, tools, raw materials, machinery, etc. necessary to give effect to labour.'" The author later addresses the "conflict" between labor and capital: "On the one hand, [the classical system of thought] too recognizes that the introduction of machinery (fixed capital) must necessarily put an end to certain jobs. On the other, the general definition it gives of capital—all commodities employed in production and necessary to give effect to labor—induces it to assert that the more capital grows, the more the demand for labor will increase."

In reference to neoclassical theory, Fabra wonders: "The very fact that profit can be alternatively included or excluded [i.e., from marginal product] shows how vague the theory is on a point that is, after all, fundamental."

The pre-eminence of supply over demand, contrary to Leon Walras' views, is asserted by Fabra:

"The mere fact that it is possible to state that in a market you cannot demand if you cannot supply shows that supply and demand in that market are not equivalent: Logically, supply comes first and demand second." Fabra also comments on the differences between demand- and supply-driven systems: "In a society founded on primacy of demand, the spirit of competition that is so vaunted brings about a leveling of minds and tastes. This is because of the continued stimulation of 'consumption.' In a society closer to the classical model, the spirit of competition would motivate each producer to supply what he is best able to supply (goods or services). His incentive would be to perfect his own capabilities, not to imitate others. In other words, the system would induce every supplier to offer a product of labor that would tend to become 'individual.'"

Fabra's long-term view yields some interesting thoughts on the relation between consumption and capital: "It is often said that consumption is the motor of growth (whence the emphasis placed on demand), but this is a superficial view of things that only proves true in the short term But if things are considered over a longer period, they appear in a completely different light. The more the work force consumes, the greater the share of productive effort devoted to replacing the capital employed in production. If, conversely, consumption were lower, there is no *prima facie* reason to suppose that total production—measured in terms of gross product—would be any less [A] part of the new production, previously devoted to replacing capital, would be available for fresh investment at home and abroad. In other words, the growth rate would be quickened, not slowed down." He concludes therefore, "The combination of lower personal consumption (in relative terms) and a high proportion of saving leads not to a fall but to a rise in employment."

Fabra also criticizes the theory of perfect competition: "It is because competition is imperfect that profits are unequal, and it is this inequality that enables [classical] theory to bring out the salient feature of the exchange economy, the one that makes it technically superior, in our civilization, to all other systems: the great mobility (which it makes possible) of all factors of production. Because the enterprise is constantly being encouraged by the hope of higher profit, it can contribute to progress."

Capital for Profit attempts to resurrect many ideas about economics that perhaps should not have been fully discarded in the first place, especially in light of the current dismal state of the science. In some instances the author succeeds, and in others he falls short. However, the endeavor to reconsider the propositions of Ricardian economics is worthwhile. *Capital for Profit* not only undermines the foundations of Marxist economics, while also severing Marx's thinking from Ricardo's, but also offers an articulate challenge to mainstream economic theory. □

Raymond Keating is Director of New York Citizens for a Sound Economy.

WHY WE SPEND TOO MUCH ON HEALTH CARE

by Joseph L. Bast, Richard C. Rule,
and Stuart A. Wesbury, Jr.

The Heartland Institute, 634 South Wabash, Second Floor,
Chicago, IL 60606 • 130 pages • \$8.95 paper

TWENTY MYTHS ABOUT NATIONAL HEALTH INSURANCE

by John C. Goodman and Gerald L. Musgrave

National Center for Policy Analysis, 12655 North Central
Expressway, Suite 720, Dallas, TX 75243 • 88 pages • \$10.00
paper

Reviewed by Jarret B. Wollstein

The political voices in America calling for mandatory, universal, government-financed national health insurance are growing ever louder. We are told that health care costs too much, provides too little, and cares for too few. More and more Americans have no health insurance or inadequate coverage, and despite health insurance, long-term medical care can still be ruinously expensive.

Our free market in health care, we are told, has clearly failed. Don't the American people deserve a humane and economical system, like that of Canada or Britain, where everyone who needs it gets health care, and administrative costs are a fraction of what they are in the United States?

Why We Spend Too Much on Health Care and *Twenty Myths About National Health Insurance* have been published just in time to help put an end to such myths. They are devastating critiques of

the claimed failures of the free market and the "benefits" of socialized medicine. *Why We Spend Too Much on Health Care* focuses on refuting the myth that high health care costs in the U.S. prove that a free market in health care has failed. *Twenty Myths about National Health Insurance* debunks the claimed superior humanity and efficiency of socialized medicine. Together they provide overwhelming intellectual ammunition for advocates of liberty and the free market.

The thoroughly documented thesis of *Why We Spend Too Much on Health Care* is that claims that health care costs are too high in the U.S. because of the failure of the free market are, depending upon context, either arbitrary or just plain wrong.

The authors don't deny that Americans *spend* much more per capita on health care than the citizens of other industrialized nations: 11.9 percent of Gross Domestic Product (GDP) in the United States versus 8.7 percent of GDP in Canada in 1987. But, the authors argue, this in no way means that Americans bear higher *costs* for health care than the citizens of other countries.

First there is a tremendous difference between spending and costs. In addition to dollars spent on national health insurance in other countries, there are also the social costs of "pain, lost productivity, and sometimes . . . premature death of . . . people in waiting lines to receive medical treatment each year. Nine thousand Britons, for example, die each year because they are denied access to kidney dialysis" (p. 6).

A host of Federal and state government policies also compound health care costs in the United States, including some 700 state government mandates which "have been estimated to increase the cost of health insurance by 30 percent"; "Certificate of Need" requirements for new hospital construction; occupational licensing laws that prevent nurses and other health practitioners from performing many routine health functions; and restrictions on managed care agreements (p. 14).

The authors also show the fallacy of international comparisons based upon spending. After all, the United States has far more injuries and deaths from violent crime and far more teen pregnancies than do Canada or England. In addition we have a rapidly aging population, a growing AIDS epidemic, and many other social forces pushing health care demand above what it is in other countries. Without taking such factors into considera-

tion, international cost comparisons become meaningless. Thus the authors argue, "using their own numbers, we can show critics of the U.S. health care system that the U.S. has a *better* record of controlling spending than several developed countries that have adopted the nationalization model" (p. 19).

In addition to considering costs in judging health care systems, we also have to consider services and benefits. Americans are much more affluent than Canadians or Britons, and throughout the world as people become richer, they spend a lower percentage of their income on necessities (like food and clothing) and higher proportion of their income on discretionary goods and services, like health care. If Americans are spending more but getting more they are not necessarily spending "too much" on health care. That is precisely what the authors argue: "Compared to Americans, British patients are half as likely to have surgery of any kind and one-sixth as likely to undergo coronary bypass surgery. British doctors prescribe fewer drugs, perform half the number of X-rays as U.S. doctors, and use half as much film per X-ray. Pap smears and blood tests are recommended only once every five years. Do the critics of U.S. health care believe we should adopt five-year intervals for Pap smears and blood tests? Of course not. *But they compare U.S. spending to that of nations that have adopted such policies*" (p. 31). After this devastating critique of the idea that international comparisons "prove" that Americans spend too much on health care, the authors go on to expose the real culprits in high health care costs: government spending, tax policies, and regulations. Far from having a free market in health care, we already have a semi-socialized market, increasingly dominated by government.

Government spending on health care has increased from \$25 billion a year in 1970 to \$280 billion in 1990. The authors report: "The health care industry expanded dramatically in the 1970s and 1980s to accommodate the influx of government spending. The number of doctors rose from 151 per 100,000 of population in 1970 to 246 by 1986. The number of other hospital personnel increased from 2.53 million in 1970 to 3.46 million in 1986" (p. 52).

This huge increase in government spending has bid up the cost of medical services for everyone: "With its huge market share, changes in the

federal government's reimbursement policy are immediately felt by other players in the health care field. The cost-plus payment system under Medicare forced other health care buyers, who bid against Medicare for health services, to pay higher prices. The heavy traffic of consumers for whom health care was nearly or entirely free made it more difficult for those consumers who were still cost-conscious to have any effect on price" (pp. 52-53).

Government tax policies have encouraged payment of health care benefits by parties other than the consumer—particularly employers and insurance companies. If your employer pays for your health care through insurance premiums, costs are generally 100 percent deductible from pre-tax income. But if you pay directly for visiting a doctor or buying medication, your costs are at best partially tax-deductible. The net effect is to encourage third-party payments for health care. Thus "The share of health care spending paid by business increased from 17 percent in 1965 to 28 percent in 1987, while the share paid directly by individuals fell from almost 90 percent in 1930 to just 26 percent in 1987" (p. 55-56).

Third party payment for health care has the effect of destroying consumer accountability and pushing up prices: "Each individual with insurance, consequently, has an incentive to overuse medical services and no incentive to comparison shop" (p. 66).

The authors also briefly discuss how government regulations push up the cost of health care through medical regulation, insurance mandates, price controls, and occupational licensing.

The authors point out that national health insurance would destroy jobs, quality, and freedom of health care choice. For example, "The Partnership on Health Care and Employment estimates that between 630,000 and 3.5 million workers would lose their jobs under a mandatory insurance plan" (p. 81). And "In Britain, the waiting list for surgery is near 800,000 out of a population of 55 million."

Why We Spend Too Much on Health Care concludes with a summary of two plans to lower cost and improve health care in America, without socializing medicine. One plan was developed by a Health Care Task Force of the National Center for Policy Analysis (NCPA) in Dallas. A second, generally complementary plan, comes from the

American Legislative Exchange Council (ALEC)—America's largest voluntary membership organization for state legislators.

Interesting features of the NCPA plan include "allow[ing] insurers to issue no-frills, catastrophic health insurance not subject to state mandated benefits, premium taxes, risk pool assessments, and other costly regulations" (p. 95); "allow[ing] individuals a tax credit for a portion of their health insurance premiums" (p. 95); and "creat[ing] tax credits for deposits to individual Medisave accounts, from which people would use their own money to pay small medical expenses" (p. 97).

Some of the suggestions included in the ALEC plan are "repeal laws that limit the right of insurers to select providers" (p. 101); "make small group health insurance collectively renewable" (p. 101); "cap non-economic medical malpractice damages at \$250,000 or five times actual damages" (p. 103); and "forbid wealthy, elderly individuals from sheltering assets in order to qualify for Medicare benefits" (p. 105).

There is little to criticize in *Why We Spend Too Much on Health Care*. The authors are addressing themselves to sophisticated laymen and some of their policy analyses could benefit from less technical language and expanded discussion. All in all, *Why We Spend Too Much on Health Care* does a fine job of refuting one of the most recent rationalizations for expanding government regulation of our economy and our lives.

Anyone who thinks that national health insurance would improve health care in America should also read *Twenty Myths About National Health Insurance*.

Goodman and Musgrave demolish virtually every conceivable justification for socialized medicine including:

MYTH NO. 1: Countries with national health insurance have been more successful than the U.S. in controlling health care cost.

MYTH NO. 2: Although the United States spends more on health care per capita than countries with national health insurance, Americans do not get better health care.

MYTH NO. 4: Countries with national health insurance hold down costs by operating more efficient health care systems.

MYTH NO. 5: In countries with national health insurance, all people have equal access to health care.

MYTH NO. 6: Countries with national health insurance make health care available on the basis of need rather than the ability to pay.

MYTH NO. 7: Countries with national health insurance maintain a high quality of health care.

The format of *Twenty Myths* makes it both easy to read and particularly valuable as a research tool. Key points are bulleted, there are 27 charts and graphs, and scores of major studies are cited.

Some of the facts you will find in *Twenty Myths* are:

"During the 1980s, the real growth rate for health care spending was higher in 11 of 15 countries than in the U.S." (p. 8).

"General population mortality rates tell us almost nothing about the efficacy of health care systems because, throughout the developed world, there is almost no relationship between health care and general mortality" (p. 9).

In every country with socialized medicine, there are long waiting periods for health care and acute shortages of equipment. For example:

"The United States has seven times as many radiation therapy units [to treat cancer] per person" as Canada (p. 11).

"Because of a shortage of laboratory testing equipment in 1988, women in Newfoundland wait up to five months for a Pap smear and two months for an 'urgent' Pap smear" (p. 11).

"Each year, about 9,000 British kidney patients fail to receive renal dialysis or a kidney transplant—and presumably die as a result" (p. 12).

"In Canada, with a population of about 26 million, the waiting list [for surgery] is more than 250,000" (p. 17). Goodman and Musgrave also debunk the myth that fully socialized medicine is more efficient than the U.S.'s semi-socialized system:

"While one million people wait for surgery in Britain, at any point in time about one in four hospital beds is empty" (p. 20).

"The average hospital stay is 39 percent longer in New Zealand, 42 percent longer in Canada and 61 percent longer in Britain" than in the U.S. (p. 21). Forget about the poor and elderly being better off under national health insurance. As Goodman and Musgrave state, "There is substantial evidence that when health care is rationed the poor are pushed to the rear of the waiting line. In general, low income people in almost every country see physicians less often, spend less time with them,

enter the hospital less often and spend less time there" (p. 25). "Across Europe, 22 percent of the dialysis centers report that they refused to treat patients over 66 years of age in the late 1970s" (p. 40).

You can also forget about national health insurance making health care more equal:

"Among Canadian provinces, the number of people per physician varies from a low of 471 in British Columbia to a high of 1,273 in the Northwest Territories—a difference of almost three to one" (p. 47).

"Although more than half of Brazil's population lives in rural areas, residents of urban areas experience nine times more medical visits, 15 times more related services, 2.7 times more dental visits and 4.5 times more hospitalizations."

Twenty Myths also discusses the ruinous economic costs were national health insurance to be enacted in the United States. Goodman and Musgrave estimate that NHI in the U.S. would *initially* require *at least \$339 billion in new taxes*. This would mean that payroll taxes would have to be doubled or a new 10 percent across-the-board "consumption tax" would have to be enacted. Many industries would be devastated. For example "the cost of health care for auto workers would more than double" (p. 55).

The worldwide failure of national health insurance has led to health care consumers developing a variety of strategies to avoid long waiting periods and to obtain scarce drugs. Thus in Hungary doctors are "tipped" 40 percent of their salaries by customers who want to make sure they get decent care. "In New Zealand, one-third of the population is covered by private health insurance, and private hospitals now perform 26 percent of all surgical procedures" (p. 28). In Ontario, Canada, "A volunteer organization, 'Heartbeat Windsor,' arranges for Ontario heart patients to get treatment in Detroit hospitals" (p. 28).

Goodman and Musgrave also discuss the worldwide movement away from socialized medicine, including re-legalization of private hospitals in Britain in 1989, introduction of a health care voucher system in the Netherlands in 1987, and new financial incentives in Chile for citizens to opt out of national health care.

Despite its worldwide failure, national health insurance continues to be very popular. Thus "the most recent surveys show that only 3 percent of

Canadians and only 12 percent of the British public would trade the U.S. system for their own" (p. 76). Why does national health insurance continue to be popular in countries where objective evidence shows it has failed miserably?

To find an answer, Goodman and Musgrave turned to one of the granddaddys of socialized medicine, Britain's National Health Service, established in 1948. They discovered two major reasons: "(1) the typical British patient has far lower expectations and much less knowledge about medicine than the typical American patient; and (2) most British patients apparently believe that they are 'getting something for nothing'" (p. 76). In particular, "most people in Britain believe that the total tax they pay to finance NHS is about 1/20th of what it actually is!" (p. 77). In addition, politically motivated and pervasive propaganda has deluded the British people into believing that NHS is "free" and the "envy of the world!"

The final lesson we can learn from the experience of national health insurance in other countries is that socialism advances not because it is right or efficient, but because its advocates are vocal and well-organized. National health insurance has destroyed quality health care and freedom of choice in countries throughout the world. To avoid that disaster in America, it is urgent that all lovers of liberty marshal their facts and raise their voices. We need to counter the relentless, socialist propaganda for government takeover of medicine, now filling our schools, media, and public forums.

Twenty Myths about National Health Insurance and *Why We Spend Too Much on Health Care* are major weapons in the battle for health care freedom. □

Jarret Wollstein is a director of the International Society for Individual Liberty and the founder of the national Liberty Speakers Agency.

The Morality of Capitalism

edited by Mark W. Hendrickson

foreword by Hans F. Sennholz

The history of the last thirty years is little more than the register of the dismal economic failure of socialism in all its variations. Yet many Americans continue to give it their support and espouse its cause because they believe it to be morally superior to the private-property order. Arguments about efficiency do little to persuade them; capitalism needs to be defended because it is good and right.

The essays in *The Morality of Capitalism* have been selected from earlier issues of *The Freeman* for their strength of argument, clarity, and readability. The collection includes, among others, articles by Leonard E. Read, Paul L. Poirot, John K. Williams, F. A. Hayek, Ludwig von Mises, Israel Kirzner, Orval Watts, and Edmund Opitz.

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My Brother's Keeper

The first murder in history was a fratricide. In malice and jealousy, the first son of Adam and Eve lured his younger brother into a field and slaughtered him there. The crime was heinous, but Cain's defense has done more lasting damage. When God, knowing the answer quite well, asked Cain, "Where is Abel, your brother?" Cain lied, "I do not know." Then Cain asked a question that has been both misunderstood and misused by religious socialists for centuries: "Am I my brother's keeper?"

Religious socialists believe that every man is his brother's keeper, and that governments are instituted among men to guarantee them living wages, adequate housing, health care, education, recreation, and a comfortable retirement. Furthermore, say the religious socialists, only the moral equivalent of a murderer—the moral equivalent of Cain—would question these axioms.

But the religious socialists have misunderstood both Cain's defense and God's response. After he lied, Cain, not liking the direction in which the conversation was likely to go, tried to forestall further embarrassing questions by steering the conversation away from the matter of Abel's disappearance to Cain's lack of obligation to supervise his adult brother. God asked where Abel was. Cain denied that he knew and implied that he had no obligation to know: "Am I my brother's keeper?" It was not Cain's job to keep track of his adult brother. Cain wanted God to think that he was quite properly minding his own business.

The religious socialists fail to realize the shrewdness of Cain's defense: Cain, like any man accused by a policeman or judge, put forth a defense that he believed the judge would accept. (Defendants do not put forth arguments they believe the judge will reject.) He asked the question, "Am I my brother's keeper?" because he believed God would accept that defense. God, in fact, did not say Cain was Abel's keeper. He does not respond to the impertinent question at all.

But Cain's clever defense, however greatly it has befuddled generations of socialists, was wholly wasted on God. God knew that Cain had not been minding his own business, nor had Cain allowed Abel to mind his. Cain had murdered his brother, and now he sought to defend that murder by ap-

pealing to a principle—minding one's own business—that was both true and irrelevant. Cain was not his brother's keeper; he had no obligation to supervise Abel, but he did have an obligation not to murder him. God accused Cain directly of violating that obligation not to murder, and cursed him.

Cain's deceptive and clever defense has done enormous harm to mankind; its effect on morals and politics has been continuing. Cain was both a murderer and a liar, but his misuse of a true principle in a futile attempt to justify murder has caused millions to err.

—JOHN W. ROBBINS

Readers' Forum

Dear Editor:

In your August 1992 edition of *The Freeman*, James Payne states that *Habitat for Humanity accepts no government funds* and relies on donations.

I have always admired the group for that reason, so you can imagine my disappointment when I found that Habitat for Humanity *does* accept state government funds in Michigan and Community Block grants from the federal government.

Every year I put out a booklet of wasteful spending in the state of Michigan. In 1990-91 the following grants were awarded:

Genesee County Habitat for Humanity/Flint	\$ 4,400
Purchase of property for 2 homes	
Habitat for Humanity of Isabella County/ Mt. Pleasant	11,000
Purchase a lot for construction of a home for low-income family	
Kalamazoo Valley Habitat for Humanity, Inc.	16,000
Purchase and renovate two homes for low-income families	
Habitat for Humanity of Isabella County/Mt. Pleasant	
Purchase a lot to relocate a two-story house	28,000
Habitat for Humanity of Grand Rapids	6,000
Partial funding for construction of six housing units for low-income families	
Lake County Habitat for Humanity	44,000
Construction of 10 homes	
Roscommon County Habitat for Humanity	99,000
Housing acquisition and rehabilitation of five vacant single-family homes to be resold to low- income families at low cost	

South Haven Area Habitat for Humanity	11,000
House demolition/home construction	
Total for 1990-91	\$219,400

I have enclosed my Pork Barrel Awards for 1990-91. I think you will be surprised to find that many "private" charitable groups take *taxpayers' money*.

—MARGARET O'CONNOR

State Representative, 52nd District, Michigan

(*The Freeman* thanks Representative O'Connor for her diligence in researching this issue; we intend to publish a study of the government takeover of the non-profit sector in an upcoming issue of *The Freeman*.—Editor)

James L. Payne replies:

Mrs. O'Connor is to be commended for spotting how the Habitat for Humanity chapters in Michigan have departed from the organization's ideal. Each Habitat chapter signs a "Basic Covenant" with Habitat for Humanity International to become an approved affiliate. Clause #8 of this covenant runs as follows:

Habitat is a Christian ministry that appeals to the stewardship of Christians and others of good will in the sharing of their resources with the economically poor. Government funds will not be used. However, streets, utilities, land, or old houses needing rehabilitation may be acquired from government agencies if no strings are attached that violate Habitat principles.

The chapters therefore seem to have violated their covenants. They certainly have violated the spirit of the covenant, since the money from the Michigan state department of commerce is taken involuntarily and is therefore no reflection of "stewardship."

Another point: The Covenant's clause #2 declares that Habitat is "avowedly Christian, seeking to exalt Jesus Christ as Lord by demonstrating His love to all people." So somebody is engaging in deception. Either Habitat fund-seekers denied their Christian commitment, or Michigan officials are covering up giving taxpayer funds to "avowedly Christian" organizations. It sounds like the lawsuits are just around the corner. Hello, strings!

The Rise of Markets and the Fall of Infectious Disease

by Stephen Gold

My grandmother was deaf, a fact I got used to early in life, but something to which she never fully adjusted. Born with the ability to hear, she lost it in her teens to scarlet fever. The fact that I was unfamiliar with this affliction was of no surprise—most of the serious illnesses my grandmother talked about were foreign to me. The free enterprise system had wiped them out before I was born.

My birth followed my grandmother's by only six decades, a mere blink of an eye in the annals of history. Yet in that brief time civilization had changed more than in all previous centuries combined, mainly through the evolution and expansion of capitalism. Political leaders first recognized the value of free trade and open markets in the 1700s. The concept spread steadily in the 1800s, until by the turn of the century much of the world—most of Europe and North America, as well as the colonies of the far-reaching British Empire—had adopted market economies.

Those countries that opted to remove government controls over the economy and allow private enterprise to flourish saw their citizens grow more affluent. More money meant higher living standards through scientific and technological advances, better nutrition and medicine,

Stephen Gold is policy adviser for Citizens for a Sound Economy.

and better products and services that were more readily available to the public.

More than anything else, increased wealth brought people increased health.

There's no better example of this than the dramatic reduction in deaths from infectious disease in Western society. It's a David and Goliath story, a tale of how one portion of mankind came face to face with its most formidable enemy, and—using newfound knowledge and skills—vanquished its terrifying foe.

And yet, success came so quickly and thoroughly in this battle that most contemporary Americans don't realize how very serious the threat once was. Even with the emergence of AIDS, younger generations of Americans do not fear communicable diseases the way their ancestors did. They take for granted the environmental and health gains we have made this century—and forget how these came about. Sadly, having won the battle so efficiently, we have lost perspective on how America got from *there* to *here* in such a short span of time.

It wasn't too long ago that Americans, like so many others around the world, were caught up in a lifelong struggle with such terrifying but familiar contagions as diphtheria, tuberculosis, and typhoid fever. In fact, infectious disease has long been the scourge of human civilization. These restive viruses, bacteria, and protozoa often travel in contaminated water or droplets of saliva, grow

on spoiled food, or hitch a ride on parasites like fleas and lice. They thrive in crowded living conditions and filth, and can generally be found in poorer societies that cannot afford the luxury of a cleaner, healthier lifestyle. Each year, for example, 900 million people in underdeveloped countries contract diarrheal diseases stemming from contaminated water and inadequate sanitation.¹

Historically, the most devastating communicable diseases were plague, smallpox, and typhus. In the almost 3,000 years from the Trojan War to the First World War, those infectious diseases claimed probably hundreds of millions of lives worldwide. Fortunately for my grandmother, by the time she was born in 1896 most Americans did not have to deal with these afflictions. The U.S. had already made significant advances in health and environmental protection, especially as compared to the impoverished nations of South America, Africa, and Asia. Average life expectancy was about 40 percent longer in America than in those pre-industrial societies, and pandemic outbreaks were virtually unknown here.²

Even so, the United States at the turn of the century—far from being the simple, rustic country envisioned by Americans today—was in fact a nation under siege by infectious diseases. In 1900 over 500 Americans out of every 100,000 died from them, or the often inevitable complications resulting from such illnesses.³ To put this kind of health threat into perspective, cancer, the scourge of modern America, kills about 200 of every 100,000 Americans each year.⁴

Influenza

As the nineteenth century yielded to the twentieth, America's top killer after heart disease was influenza and its companion, pneumonia. Back then prevention and treatment techniques for such illnesses were still in their infancy. As a result, in 1900 over 200 Americans out of every 100,000—more than 150,000 people—died from influenza or a subsequent case of pneumonia.⁵

The medical record got worse before it got better. In 1918, the final year of World War I, a flu epidemic claimed 550,000 lives in America, 30 million worldwide—three times the number that died in combat in four years of war.⁶ Even today, the flu is nothing to sneeze at. About 30 out of

every 100,000 Americans, primarily elderly, die from flu complications annually.⁷ Still, influenza no longer represents the risk that it once did in our society.

How did we conquer such a devastating illness? Unlike most other communicable diseases, influenza is not associated as much with filth and overcrowding as with a lack of good medical care. Of course, modern medicine is as much a part of the free enterprise story as clean water, adequate sanitation, and improved nutrition. True, much of the foundation for our medical achievements may be traced to the work of dedicated scientists and mathematicians in the pre-industrial age. But it took far more than just brilliant minds to produce a healthier population.

In free market societies, a scientific discovery usually results in competition by entrepreneurs, producers, and doctors to make a profit from a marketable item. In such an atmosphere, each new discovery usually leads to an advance in technology, and ultimately to a new product or service for consumers.

In the battle against flu symptoms, this competitive process led to the development of antipyretics to reduce fever and analgesics to reduce aches and pains. Aspirin, developed near the turn of the century, was both, and as such was considered a miracle cure. Had it somehow been invented in the pre-industrial era, only one company would have been licensed to produce it, and only the politically favored rich would have had access to it. But in our market economy, numerous companies competed to get the drug into as many hands as possible. That meant coming up with less expensive ways to manufacture and sell it.

When it turned out aspirin was too acidic for some people's stomachs, researchers turned their attention to developing a more soothing medicine. The result, acetaminophen, is used in hospitals nationwide under the brand name Tylenol. Most recently an even stronger analgesic, ibuprofen, has become popular with consumers.

Man versus Mycobacterium

After influenza, tuberculosis was the next great environmental threat to Americans at the century's turn. The germ *Mycobacterium tuberculosis* is sometimes associated with poor hygiene—a social

stigma for many turn-of-the-century Americans, a fact of life in much of the rest of the world, even today. Back then TB was also known as “consumption,” a telling description of the suffering it caused its victims. Another strain, usually transmitted to children through raw cow’s milk, was in past centuries a cause of severe deformities. In all, TB claimed about 195 out of every 100,000 American lives in 1900.⁸

The only effective treatment for turn-of-the-century Americans (aside from removing the infected lung) was bed rest, sometimes years of it. In fact, “TB farms” used to dot the countryside, isolating the sick from the rest of the population.

Fortunately, the rise of capitalism provided us with an assortment of tools with which to detect and fight *Mycobacterium tuberculosis*.

For starters, Louis Pasteur’s mid-nineteenth century research on bacteria led other researchers to develop a sterilization process for milk which kills the TB germ. But to market such a product, even regionally, would take special equipment that could heat large quantities of milk to 145° Fahrenheit, then rapidly cool it to below 50°. Then the milk would have to be stored at low temperatures, even during transportation. Who would want to invest the capital and manpower in the search for such technology?

The dairy farmers, of course. The fact that they were motivated by profits rather than philanthropy spurred them to action even more. A larger share of the market could be captured if they sold a safer product. There was some risk: Would consumers want to pay higher prices for the extra service? In this case, the answer was clearly yes. Consumers and health officials alike clamored for germ-free milk, and dairies purchased the necessary machinery and started “pasteurizing” their products.

Competition led other dairies to follow suit. The sterilization process was improved upon and made more efficient, making the product even more affordable. Today, of course, pasteurized milk is sold nationwide.

Other medical advancements, such as the development of vaccines, antibiotics, and x-rays, were equally important in the battle against tuberculosis. It took a combination of thorough research, entrepreneurial spirit, easy access to information, and money to develop all of these, conditions readily available through the freedom

and economic incentives of our market economy.

In the decades between 1955 and 1985, tuberculosis declined to insignificance. Unfortunately, the U.S. has since seen a rise in the number of TB cases, mostly in large urban areas and at least partly as a result of the spread of AIDS. Yet to most Americans the threat of tuberculosis is still so remote—fewer than one out of every 100,000 dies from it⁹—that the term “TB farm” would, for today’s youth, more likely conjure up images of a diet facility than a rest home.¹⁰

Conquering Other Health Threats

Diphtheria and typhoid fever, caused by roving bacteria, were also among the greatest public health threats in 1900. Together they claimed 55,000 American lives, more than were killed in car accidents in the U.S. last year.

Diphtheria was contained only through the widespread immunization of infants and children in the last half-century. Once scientists discovered that antitoxins could be introduced into humans to fight such diseases, it was not long before pharmaceutical companies were inexpensively manufacturing these drugs on a large scale. Today, the risk of a fatal case of diphtheria is almost zero.¹¹

Typhoid fever can present just as great a challenge to society: It kills a quarter of all its untreated victims. Typhoid epidemics are generally caused by contaminated water supplies, though the germ can also be spread by infected workers who handle food. That, in fact, is how Mary Mallon—better known as “Typhoid Mary”—caused the memorable outbreak of 1903. A carrier of the disease but never a victim, she worked as a food handler in New York City, and through her daily tasks managed to infect 1,300 people.

The threat of typhoid fever in this country was for the most part eliminated through technological advancements in water and sewage treatment. The use of chlorine in public water supplies was an especially effective step in preventing the spread of the bacteria *Salmonella typhi*.

Chlorine’s value as a purifier was known as early as 1800, but at that time there was no system in place to protect the water supplies of large communities. Only as American cities and towns grew and prospered could they afford such an effort to protect their drinking water. Communities first developed reservoirs, then a process to treat the

water before it was consumed, then a network of pipes to bring the water into people's homes, and finally additional treatment facilities to recapture the water once it had been used.

All this costs money, and only a relatively affluent society can afford it. Even today, as we approach the twenty-first century, a billion people in underdeveloped countries don't have access to clean water.¹²

There were other serious infectious diseases in America 90 years ago, ailments which, by the time I came along, seemed as remote as the horse-and-buggy. Pertussis, or whooping cough, a highly contagious bacterial infection, killed a higher percentage of the population in 1900 than chronic liver disease and cirrhosis do today.¹³ With the development of a vaccine, the threat was reduced to insignificance by 1960. Scarlet fever has virtually been eliminated, as has polio, a crippling disease which used to strike 20,000 Americans each year.¹⁴ Then there were yellow fever, rheumatic fever, encephalitis—the list seems endless.

My own kids, of course, will never hear about most of these deadly threats. In the nine decades between my grandmother's birth and my son's, life expectancies increased 60 percent, from 47 to 75 years, and life got a lot easier for Americans.

Drugs and chemicals were developed to combat not just the micro-organisms that cause diseases, but the parasitic insects that transmit them. Our food supply became safer, with more widespread use of such things as refrigeration, packaging, preservatives, and cleaner industrial processes. In addition, our diets improved, with more access to vitamins, fresh fruits, and vegetables. Our water supply also became safer, as more and more communities modernized their sanitation facilities, along with their garbage treatment and disposal systems. Personal hygiene progressed as indoor plumbing became commonplace, making it far easier to bathe, wash clothes, and clean dishes. Additional advances in hygiene were made possible as new consumer products came on the market, like deodorant soap and household cleaners.

Wealthier and Healthier

All of these were made possible by our free market economy. The wealthier we've grown, the healthier we've grown. In effect, capitalism, operating under a responsive system of government, has enabled us to eliminate threats that have plagued mankind from time immemorial.

Unfortunately, communicable diseases remain one of the greatest threats to people in the developing world. As a result, there is a great deal more pain and suffering, and life expectancies are often still quite low. (Life expectancy, for example, is the same today for people living in Zambia, Laos, and Bhutan as it was for Americans in 1900.)¹⁵

But there is hope. True, capitalism is not a magic wand. As the former Communist countries of Europe are learning, an affluent market economy takes time to develop. Still, if the lesser developed countries of the world can liberate their economies from government control and encourage private enterprise, then future generations of children there will look upon infectious diseases like typhus, cholera, and tuberculosis the way I looked upon scarlet fever—as a relic of bygone, pre-market days. □

1. The World Bank, *World Development Report 1992—Development and the Environment* (New York: Oxford University Press, 1992), p. 5.

2. U.S. Bureau of the Census, *Historical Statistics of the United States—Colonial Times to 1970*, Part 1 (Washington, D.C., 1975), p. 55. Human life expectancy in pre-industrial societies is estimated to have averaged between 30 and 33 years. See, for example, *Expectations of Life* by H.O. Lancaster (New York: Springer-Verlag, 1990), p. 8.

3. *Ibid.*, p. 58.

4. U.S. Bureau of the Census, *Statistical Abstract of the United States: 1991* (Washington, D.C., 1991), p. 79.

5. U.S. Bureau of the Census, *Historical Statistics*, p. 58.

6. K. David Patterson and Gerald F. Pyle, "The Geography and Mortality of the 1918 Influenza Pandemic," *Bulletin of the History of Medicine*, Vol. 65 (Spring 1991), p. 19.

7. U.S. Bureau of the Census, *Statistical Abstract*, p. 79.

8. U.S. Bureau of the Census, *Historical Statistics*, p. 58.

9. U.S. Bureau of the Census, *Statistical Abstract*, p. 79.

10. *Historical Statistics*, p. 58; *Statistical Abstract*, pp. 79, 85.

11. National Center for Health Statistics, *Vital Statistics of the United States*, 1988, Vol. II, Part A (Washington, D.C., 1991), p. 93.

12. World Bank, *op. cit.*, p. 5.

13. U.S. Bureau of the Census, *Historical Statistics*, p. 58; *Statistical Abstract*, p. 79.

14. "Infectious Diseases," *New Cyclopaedia Britannica* (1989), Vol. 21, p. 531.

15. World Bank, *op. cit.*, p. 218.

The Dilemma of Library Censorship

by E. Calvin Beisner

In her 1991 annual report, the librarian of the local public library decried the descent of “book censors” like a “plague” on her library. Yet what she condemns in others she practices herself.

She rightly called the effort by some to exclude certain sexually explicit and pro-homosexual books from the library’s collection, or to shield child patrons from them, censorship. But she also reported her own rejection of Ku Klux Klan literature on the grounds that it was “a revisionist history that attempts to disprove that the Holocaust could have ever happened.”

We can respect her courage in standing firm against the KKK. But her blindness to her own censorship is typical of the inability of many bureaucrats to see their own infringements on others’ liberties.

Webster’s Ninth New Collegiate Dictionary defines a censor as “an official who examines materials (as publications or films) for objectionable matter” and the verb *censor* as “to examine in order to suppress or delete anything considered objectionable.”

The librarian is an official of the library. She examined the material donated by the KKK—how else could she describe it? She determined that it was objectionable. She suppressed or deleted it from the library’s collection. She is a censor.

She imposes her censorship on all who support the library. There is nothing wrong with that. It is

unavoidable. The library has limited funds to purchase, catalogue, and circulate books, limited space in which to display them, and limited personnel to care for them. Selection—receiving some, rejecting others—is unavoidable in the finite world of libraries, just as in every other finite world.

And selection necessarily rests on some standards—however ill defined, and whether adopted only personally by the librarian or officially by the library board. The only alternative is to put all book titles into a lottery and select strictly by chance—which might do nasty things to the library’s budget and its usefulness to patrons. (It would also make much of the librarian’s job unnecessary.)

The librarian’s errors are several. First, she either fails to recognize censorship for what it is, or dishonestly pretends it isn’t what it is. Confusion seems the more likely, granted that in the same report she contradictorily cites the Freedom to Read Statement’s directive to libraries, “It is in the public interest for publishers and librarians to make available the widest diversity of views and expressions, including those which are unorthodox or unpopular with the majority,” and yet reports her rejection of KKK materials.

Second, her blanket condemnation of censorship (except her own, which she doesn’t recognize) implies that censorship is necessarily a bad thing. But like most unavoidable things, censorship may be good or bad. Deciding which in any given case requires careful judgment informed by standards properly applicable to the case.

Calvin Beisner is a visiting lecturer at Covenant College, Lookout Mountain, Georgia.

Third, she mistakes those standards. She insists that those who would like certain books excluded from the library, or given restricted access, threaten the First Amendment to the Constitution. This is patently absurd.

The relevant part of the Amendment states, "Congress shall make no law . . . abridging the freedom of . . . the press." Neither the citizens who opposed placing the sexually explicit books in the library nor the city, its council, or its library board is Congress. The First Amendment does not govern them.

Even if it did, it would not apply to this particular action. The critics have not opposed publication and circulation of the questioned books. They have simply opposed subsidy of their circulation by the taxes that support the library. The courts have ruled repeatedly that while the First Amendment protects expression, it does not entail any right to have expression promoted by any level or branch of government.

Neither, by the way, does the First Amendment prohibit any government official's promoting any expression or idea, which is why the librarian's unbalanced promotion of five liberal books and a Democratic presidential candidate in an April 15 newspaper column, however distasteful, was not unconstitutional.

Finally, she insists that the debate is over people's "right to read." It is not. It is over the standards by which books shall be selected for, or rejected from, the public library. Her opponents believe the selection should closely reflect the values of the citizens who pay for the library.

Therein lies the great difficulty not only of public libraries but also of every venture of government into the promotion of ideas—including public schools. It is difficult for many people to identify their own values, let alone to express them. It is more difficult still to ascertain the values of a majority, or even a plurality, so as to ensure that public policy promotes them. Even if we could do that with reasonable certainty on any single issue, that would not be enough; the values of the minor-

ity would reasonably demand minority representation.

Extending this argument to its logical conclusion prompts the simple but impracticable solution of polling the public on every issue to see what percent embraces each of a potentially unlimited number of options, and then adjusting government action to ensure that it promotes all of the different views in precise proportion to the segments of the public that embrace them. If we think government is slow and unwieldy and its policy is incoherent now, we shall find it infinitely more so if we adopt such a tactic.

But if time and expense prohibit the library's determining all its selections by repeated public polling, some other standard of selection becomes necessary. Aside from this fastidious reflection of public values, only three other standards are possible: the whim of the officials who make the decisions (we call this tyranny, and in most public libraries it is the status quo), dominant public expression in open debate (which rapidly degenerates into the tyranny of special interests, particularly those who have little better to do with their time than to attend public meetings), or some moral criteria.

The two tyrannies are objectionable, but so is the option of resorting to some moral criteria. Whose criteria shall they be? Who shall determine them? In a society committed both to pluralism and to public expenditure to promote learning, thought, and ideas, the dilemma admits no solution.

What shall we do? Consider a radical idea: end government's role in promoting ideas and restore its original role of protecting the freedom to express ideas. Make libraries private, not public, and force no one to pay for books he detests. Private libraries that wish to stock books promoting fornication or homosexuality, or racism, or democracy, or Christianity, or paganism, or tyranny, or liberalism, or conservatism, or any other notion or perversion—may do so. But they may not force anyone to pay the bills for them. □

Does Occupational Licensing Protect Consumers?

by John Hood

It takes more to become an auctioneer in North Carolina than just experience, desire, and above-average verbal dexterity. It also requires a license from the North Carolina Auctioneer Licensing Board. Similarly, while a flashy television ad and a good reputation can give retailers of hearing aids a competitive edge in Missouri, they won't sell a single device without first obtaining a license from the state's board regulating hearing aid dealers.

While many Americans know that their doctors, lawyers, and other specialized professionals are closely regulated by state boards and commissions, most don't know that barbers, plumbers, morticians, "cosmetic artists," and a host of other occupations—1,000 at last count—are regulated, certified, or licensed by states. What consumers don't know is nevertheless supposed to help them. Advocates of government licensing and other occupational regulations contend that unless the state has a hand in guaranteeing quality, consumers will receive shoddy and overpriced services. And professional organizations frequently support government regulations on their members in order to "protect them from fraudulent and unscrupulous competitors" and to maintain the reputation of their profession.

In most cases, professions are licensed by state boards or commissions, established by legisla-

tures, and staffed by gubernatorial or legislative appointment. These panels establish and monitor entrance requirements for new practitioners, handle consumer complaints, and undertake disciplinary actions against professionals who violate state regulations. The average number of occupational licensing and regulatory boards in a state is 17, but the number ranges from 29 in California to five or six in such states as Wyoming, where only professions like doctors, lawyers, and dentists are regulated.

But while the promise of occupational regulation is great, research shows that it is rarely fulfilled. In the United States, at least, these regulations typically raise the price of services without significantly raising service quality—and indeed, in many instances regulation appears to lower the quality of services consumers buy.

How Licensing Limits Competition

One of the most well-known effects of occupational licensing and regulation is reduced competition. The theory is that by excluding some providers of a service from the market, regulations reduce competition and form a kind of "cartel" in which service providers can afford to charge high prices without fear of losing customers. Potential competitors are excluded by state requirements regarding years of education, college degrees, apprenticeships, or licensing examinations. In some states, barbers or hair

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stylists must receive at least an associate (two year) college degree, despite the fact that even the trickiest tasks they perform—dealing with treatments or chemicals, for example—can be mastered through on-the-job training. Similarly, while everyone would like to visit the highest-skilled dentist (if it cost no more to do so), surveys of dental practice find that about 80 percent of the work performed by dentists are routine tasks that can be performed by a high-school graduate with only 20 months of post-secondary-school training.

Experience requirements seem particularly arbitrary, related less to minimum competency than to excluding people from the profession. Until recently, becoming a master plumber in Illinois took longer than becoming a Fellow of the American College of Surgeons. Similarly, an Oregon board regulating cosmetology raised the number of training hours required for entry from 1,500 to 2,500. According to Cato Institute author David Young, pressure for the change came not from disgruntled cosmetology consumers but from beauty schools that were able to charge more tuition and serve more consumers in school training salons. In addition, experience standards frequently govern not just how much experience a potential professional has but also where that experience is gained. In New York City, a “master plumber” must have 20 years of experience as a “journeyman” under a master plumber in *New York City*. Ten years of experience in Philadelphia or Akron do not count.

Some states require U.S. citizenship for licenses, which might make some sense for lawyers trained in French or Islamic law but not for other professions, including doctors, where knowledge of a particular culture is not needed or can be gained on the job. Other states impose residency requirements, with the same apparent irrelevancy to actual job performance.

Licensing examinations frequently reflect their true purpose of excluding competition more than their ostensible purpose of guaranteeing quality. A national exam for landscape architects, required in many states, was studied by consultants to the California Board of Landscape Architects in 1983. They found that fewer than half of exam questions had a direct relationship to public health or safety. On the portion involving history, 40 out of 45 questions were unrelated to the job. In another section, 32 of

98 questions were found to require more advanced knowledge than that normally considered “entry level”—in other words, they expected new landscape architects to mirror experienced architects in knowledge. These kinds of barriers to entry seem to be designed not so much to aid consumers as to aid those already in the professions regulated. After all, if new entrants to their professions are few, established professionals have less competition and thus can afford to charge higher prices without driving their customers into the arms of lower-priced competitors.

The Effects on Consumer Prices

Researchers have found it difficult to estimate the precise impact of licensing and other regulations on price, because of the way these impacts are generated. Not surprisingly, it is difficult to guess at how many people would enter a given profession if regulations were lifted, and how prices would adjust to the enhanced competition. Moreover, licensing boards affect not only the specific occupations they regulate, but also new or innovative occupations that may compete with them by offering to solve a particular problem or provide a service in a whole new way. One example of this effect is the return of midwives as a low cost substitute for obstetricians and hospital-based birthing. According to a 1987 survey, 16 states prohibit the practice of midwifery. Seventeen states have licensing or registration laws governing midwives, and 17 have no law specifically prohibiting midwives from working (because professional regulations are constantly evolving and changing, these figures may understate or overstate the regulation of midwives). Because in-home births assisted by midwives cost significantly less than hospital stays, it is not surprising that medical boards have sought regulation of midwives.

The midwife case demonstrates how risk enters into the professional licensing picture. Though midwives may challenge this assumption, most people believe that in-home childbirth is more risky than birth at the hospital, chiefly because hospitals have equipment and specialists with which to intervene should complications or atypical medical problems develop. Thus, potential parents who choose midwifery over the tradi-

tional approach are apparently taking a risk in exchange for a price break. By disallowing this type of consumer risk, licensing boards may advance their notion of consumer safety—at the expense of lower-price choices for consumers.

Despite the difficulties in gauging price effects, researchers have been able to estimate how far prices might drop if licensing were lifted. In a 1978 study, Lawrence Shepard of the University of California at Davis examined the price differences between dentists in states where out-of-state licenses were honored to those in states where such licenses were not honored. In the latter group of states, dentists moving into the area had to meet new state or local licensing requirements, thus increasing the barriers to entry in those areas. Therefore, recognizing out-of-state licenses is to some extent a less restrictive form of regulation.

Shepard found that the price of dental services and the average income of dentists were 12 to 15 percent higher in the states where out-of-state licenses were not honored. In other words, regulation increases price, and the more restrictive the regulations, the higher the price will be. In the early 1980s, a set of studies by Canadian researchers found that licensing regulations imposed on some 20 professions increased potential earnings of professionals by nearly 27 percent.

The Effect on Quality

Consumers might still think these inflated prices to be a bargain if they resulted in higher quality services. Unfortunately, this is not the case. Several studies have shown that regulations reduce the quality of services and consumer safety. Quality declines because the *quantity* of professionals falls. Even if the professionals remaining in a field after the advent of regulations are more qualified than their pre-regulation predecessors, consumers can still suffer from reduced quantity and availability of services. There are several ways reduced quantity leads to reduced quality.

1. Substitution. When consumers cannot find a professional to provide a service—or if they cannot afford the higher prices charged by professionals with scant competition—they frequently try lower-quality substitutes. Homeowners may try to do their own electrical work, for instance, because

licensed electricians are few and charge high hourly rates.

2. Over-training. Ironically, if high licensing barriers permit only the most skilled professionals into the market, more routine tasks which could be performed by less-qualified entry-level professionals are performed by the highest-qualified ones. This, in effect, wastes their expertise and their time. The minutes or hours a dentist spends on routine maintenance, for instance, leave less time to perform delicate operations.

3. Visit tradeoff. Consumers maintain their health and safety not only because of the skills of the professionals they use but also because of the frequent visits to or by their professionals. Therefore, if regulation boosts the price per visit or reduces the number of professionals, thus reducing the available appointment times for each consumer, consumer health and safety will suffer. Obviously this is especially true in the case of medicine. It may take an incredible amount of skill and resources to treat a serious disease, which in its early stages can be prevented—if detected by regular vigilance. Similarly, regular visits to an accountant to keep financial records and tax plans in good order can be less expensive and more productive in the long run than once-a-year tax-auditions for some consumers.

Researchers Sidney L. Carroll and Robert J. Gaston have studied the various effects of professional quantity on service quality for a number of professions. In general, they found that licensing and other regulations can reduce quality by reducing quantity. Here are a few examples of professions they studied:

- **Electricians.** Carroll and Gaston found that licensing restrictions such as prior experience and oral licensing examinations reduced the number of electricians offering services in a given area. Then they compared the availability of electricians with rates of accidental deaths by electric shock. They found that “restrictions that reduce the density of electricians are significantly associated with a rise in the rate of death from accidental electrocution.” Possible explanations for their finding could be that homeowners were attempting their own electrical repairs or installations, or that homeowners ignored potential warning signs of electrical problems because the prospect of paying an electrician to look at them was too daunting.

- **Dentists:** Relying on surveys of dentists, Carroll and Gaston estimated that licensing restrictions lowered the number of dentists available in a given state (judging by the number of dentists complaining of being “too busy” or having long patient waiting lists). Relating these data to other information about the dental health of patients in 22 states, the researchers found that smaller numbers of dentists per capita were associated with, for example, more widespread tendencies among those who own false teeth to never wear them, indicating “that the dentures, for whatever reason, were not satisfactory.”

- **Plumbers:** Carroll and Gaston found that the number of plumbers per capita was associated with the retail sales of plumbing supplies, indicating that as plumbing services were made less available or more costly, consumers were more likely to attempt repairs themselves.

- **Real Estate Brokers:** In those states with licensing requirements for real estate brokers, Carroll and Gaston found that the number of brokers per capita was low and that quality of service was correspondingly low, at least measured by how long houses remained unsold on the market.

- **Veterinarians:** Carroll and Gaston found that “the more strict the barriers to obtain a license, the fewer practitioners there are and that this results in an under-discovery of animal disease, thus possibly increasing the risk of infection to both healthy domestic animals and ultimately people.” For example, the researchers found that incidence of rabies was higher in those jurisdictions where there are strict limits on veterinary practice.

Other studies have found a similar relationship between licensing and quality—namely that where one is found, the other usually is not. For instance, the Federal Trade Commission studied incidence of fraud in the television repair industry in three jurisdictions: Louisiana, which licenses repairmen; California, which registers them; and Washington, D.C., where the profession is not regulated. Fraud was more frequent and prices were 20 percent higher in Louisiana than in the other jurisdictions.

The Fairness Issue

While research on licensing regulations has generally found limited or counterproductive effects

for consumers, the issue is complicated by the fact that all consumers are not created equal. Some have more resources and expertise than others have. Licensing laws are supposed to help those consumers without the necessary knowledge or luxury of finding high quality services in the marketplace by substituting the good judgment of government regulators. Unfortunately, licensing regulation seems to have the opposite effect—it benefits the most advantaged consumers at the expense of the least advantaged.

First of all, lower-income consumers, by definition, will be most hurt by price increases due to licensing. They are the ones most likely to turn to more dangerous “do-it-yourself” substitutes, or to simply stop purchasing a service, deeming it less important than other goods and services they must buy with their limited resources. Furthermore, lower-income consumers frequently form the market tapped by innovators who seek to provide services at lower cost. To the extent that barriers to entry included in licensing laws reduce the potential profits of an entrepreneur or inventor, they are less likely to take the risk of entering the market. Licensing boards are frequently controlled by the professionals they regulate, whether formally (i.e., state bar associations governing the practice of law) or by political pressure. Thus potential innovators who offer quality services at lower prices become the target of professionals already in the market who don’t want their collective boats “rocked.”

It is certainly true that many consumers do not have expertise to judge the quality of services, but that doesn’t necessarily suggest that government would be better at it. In *The Rule of Experts*, David Young points out that even if only some consumers shop wisely for quality services, that creates competitive pressures on professionals to ensure their quality, thus helping everyone. When government sets the standards for quality, rather than quality-conscious consumers, the standards are more likely to be dictated by political pressures, by established professionals concerned with potential competition, than by consumer demand. Importantly, savvy or knowledgeable consumers may still be able to shop around for the best doctor or electrician or plumber under a regulatory atmosphere—and, indeed, can afford the higher prices charged. Other consumers aren’t so lucky. And in extreme circumstances, wealthy consumers can

travel to other, less regulated jurisdictions to obtain services not offered in regulated areas. Again, lower-income consumers cannot afford to do so. So, while occupational licensing is supposed to help those least able to help themselves—consumers who might be “taken advantage of” in a free marketplace—the reality is quite different.

Attempted Reforms

Recognizing the detrimental impact of licensing and other regulations on price and other consumer interests, some states have tried to reform the operation and makeup of state licensing boards. In many cases, reform has focused on the tendency of professionals being regulated to dominate the membership of regulatory boards. To introduce consumer interests into the process, some states have required so-called “public” board membership, in which non-professional people are nominated to licensing boards. But these reforms apparently do not significantly change either the operation of licensing boards or the barriers to entry they enforce in specific professional fields.

Sandra K. Schneider, a professor of political science, examined the operations of 16 licensing boards in Missouri, trying to relate decisions to such factors as board size, budget, and the existence of “public” members. She found that “the presence of voting public membership has no effect on any aspect of board decision making.” Similar studies in Michigan and California found that board decisions were no different after non-professional people were nominated, and that

“public” members preferred to serve on advisory boards rather than on enforcement boards with detailed work to do or the responsibility for judging the conduct of specific professionals. One problem might be what economists call “regulatory capture”—the tendency for regulated industries to dominate their regulators because of the technical nature of relevant information or because those regulated are ultimately the source of information for those who are doing the regulating.

In other words, the negative impact of licensing boards is not related to the membership of the boards but to their very nature. These boards are supposed to represent the interests of consumers in various professional fields, but the regulations enforced are more likely to serve the interests of those regulated—by increasing their income, by reducing their potential competition—and favor the interests of higher-income consumers over those to whom price and availability of a service may be more important than the formal education or skills of the service provider. The rationale for occupational licensing assumes that the interests of consumers can be generalized, when in fact different consumers value different things.

More importantly, this rationale assumes that government regulations function as they are intended. But research into the actual effects of licensing laws proves that by reducing the number of providers of a service and increasing the price of that service, they hurt most consumers more than they help them. Given this evidence, the best way to protect consumer health and safety would be to let them choose their own services in a free market. □

Woodrow Wilson

I HAVE ALWAYS in my own thought summed up individual liberty, and business liberty and every other kind of liberty, in the phrase that is common in the sporting world, “*A free field and no favor.*”

IDEAS
ON
LIBERTY



The Moral Foundation of Western Culture

by Marty Mattocks

Each week, sometimes twice a week when the weather is conducive to growing grass, I drive my teenage son into town where our family lawn mower is transformed into a tool of production in a mutually beneficial voluntary contract: cold cash for a mowed lawn.

I take the trimmers along and help out a little while I'm waiting to help him load the mower back into the trunk. It's a small yard but inevitably there is free time, and this week I thought to myself, what a good idea it would be to take along this month's *Freeman* for some enjoyable reading to pass the time. It is partially due to *The Freeman* that I have come to understand and appreciate the workings of free market transactions like the one I was now supervising. But before I had time to locate the magazine and take it with me to the car another thought came to mind from another publication that has likewise helped me to become a better student and proponent of the limited government, private property, individual freedom way of life.

In the sixth book of the Bible, in what may be one of the earliest success seminars, we find this instruction (my paraphrase): "This book of the law should not depart from your mouth, but you should meditate on it day and night, so that you might be careful to do all of it—then you will have success."

So I decided to use my free time along these lines—meditating on God's law.

We loaded up the mower, drove into town, my son went to work bringing order out of chaos in the

sphere assigned to him, and I chose as my focus for meditation a familiar portion of God's law that I have committed to memory: the Ten Commandments.

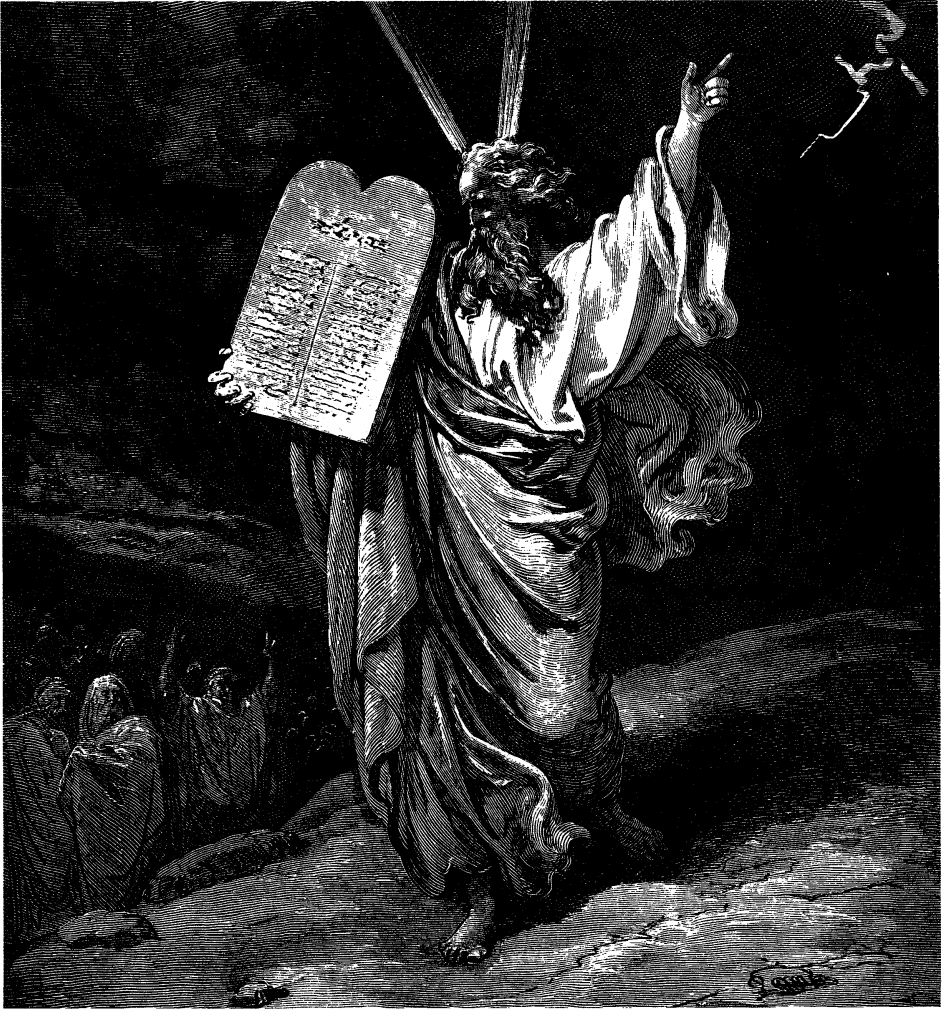
I remembered there are four having to do with our relationship with God (having no other gods, having no idols, not taking his name in vain or using it loosely, and remembering the Sabbath) and six that concern our relationship with men (honoring parents, not murdering, staying faithful in marriage, not stealing, not bearing false witness, not coveting).

As I watched my son mow and thought about these concepts I began to receive one of the benefits the writer no doubt had in mind when directing those seeking success to meditate on God's law: insight.

I realized that two of the Ten Commandments have to do with family and two have to do with private property. Another one respects life and liberty, and another concerns a man's honor (justice). Still another has to do, albeit through the back door, with productive enterprise; that is, six days we are to labor and the other we are to rest. My insight was that these moral tenets are the basis for the standard of living and way of life we have come to enjoy and appreciate in the West, one that continues to draw immigrants to our shores and is a model for other nations to emulate.

I had recently read in Dinesh D'Souza's *Illiberal Education* that the trend on many leading college campuses is away from an appreciation of Western culture (all the while enjoying its benefits). My meditation gave me this insight: Western culture, and all that we enjoy as a result of it, has

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at its foundation faith (a personal respect for God to whom we are accountable for our thoughts and actions), family, property, and justice. Western culture stems from the ideas and practice of countless individuals whose lives have been influenced by the Bible and have sought to influence others by it. We have had great success as a people by thinking about the Word of God, by telling others about its application, and by practicing it.

That night around the dinner table I shared these insights with my family on their level by making our devotion time after supper into a quiz game. Which two of the Ten Commandments have to do with the family? Around the table we went and my ten-year-old daughter and twelve-year-old son rose to the challenge with no problem. I was impressed.

Okay, which of them has to do with private property (capitalism)? "Do unto others as you would have others do unto you," answered my teenager. Prophetic perhaps, knowing Jesus' later teaching, but not really the practical application I was looking for. Had the question been "Who is in first place in the National League eastern division?" it would have been no problem, but as mentioned earlier there are powers at work to cause America to forget her faith-filled historic roots.

As it turned out, my wife answered it, and around the table we went.

Faith, family, private property, productive enterprise, justice: We were sowing thoughts that would grow actions that would bear future success. □

Can Politicians Really Care?

by Tibor R. Machan

What does it mean for a politician to care? "Caring" is, after all, what some people believe politicians ought to be, first and foremost. But what does it mean, to care?

In ordinary English caring means making it one's own concern when someone needs something. Thus, if I care about the plight of the coloreds and blacks in South Africa, I make their lot my personal concern. I try to help them alleviate their oppressive circumstances. If I care about my neighbor, I make it my business to look into his situation and help him cope with it.

What does caring for someone involve? First, it requires a clear understanding of his specific situation. At least that is what would be required for caring effectively. There is another kind of "caring," more closely akin to curiosity than to helping. It is more emotional than active. When so many commentators want to test whether political candidates care, do they have in mind the kind of caring that makes a difference? Or does the care involved amount to little more than showing emotion?

In most cases what politicians mean by caring is nothing more than giving some evidence of emotional sympathy with the lot of some bloc of voters. What else could they do? How could even the president of the United States of America actually help people other than those whom he knows personally? That is part of the tragedy of being in the segment of society that is in near-permanent dire straits.

What researchers such as Charles Murray, in

his book *Losing Ground*, have finally brought to our attention is that welfare simply does not work. Not only is it stealing from Peter to subsidize Paul, but welfare is making things worse for the people who need the help most. Government welfare must function in an impersonal fashion. But not knowing the recipients of welfare means not knowing their histories, personalities, characters, and circumstances.

Since human beings are individuals, not simply members of some group—blacks, women, Hispanics, teenagers, the poor, the middle class—they require unique help in even the most familiar situations of need. Even disaster victims seem best aided by voluntary groups. Witness how quickly the Red Cross and various church organizations produced millions of dollars of relief and donated goods in the aftermath of Hurricane Andrew. The ways in which these and other kinds of help ought to be delivered—when, where, by what means, in what shape, with what words—all would have to be evident to someone who really intends to care effectively, rather than merely show sympathy by introducing bill upon bill in the Senate or the House of Representatives and voting to appropriate other people's money to pay for them.

The only way a politician can show genuine care is by making certain that government protects individual rights. It should be an easy task, because there is one thing we all need: respect for our human rights. In that we are all alike, and politicians need not know us personally in order to be caring. Perhaps some politician will emerge who will genuinely care for us and devote himself to securing our basic rights to life, liberty, and the pursuit of happiness. □

Tibor Machan is a philosophy teacher. He was smuggled out of Communist Hungary in 1953 and has lived in the United States since 1956.

Banking Without the “Too-Big-to-Fail” Doctrine

by Richard M. Salsman

Since the failure of Continental Illinois in 1984, the U.S. government has pursued a deliberate policy of bailing out large commercial banks deemed “too-big-to-fail.”¹

The “too-big-to-fail” doctrine has arisen not simply because of the growing number of bank failures in the past decade, though indeed failures have increased. In fact, the doctrine’s historical origins go back much further than a decade. More than 40 years ago, a 1950 amendment to the Federal Deposit Insurance Act of 1934 introduced the “essentiality doctrine.” As codified, that doctrine states that in its sole discretion the government can rescue any failed bank when “continued operation of such bank is essential to provide adequate banking service in the community.”² None of the key terms in that provision—such as “essential,” “adequate,” or “community”—has ever been defined, permitting arbitrary discretion to rule. Coupled with the diminishing financial condition of banks in subsequent decades, the “essentiality doctrine” has given government wide latitude to bail out failed or failing banks for whatever reasons it deems necessary.

Of course, deposit insurance legislation itself arose out of the bank failures of the early 1930s. These failures in turn were largely the result of Federal Reserve monetary mismanagement.³ In short, today’s “too-big-to-fail” doctrine can trace its roots to the very establishment of central bank-

ing in this country in 1913. Before we examine the merits of the *manner* in which government has decided to handle bank failures, it is helpful to understand why banks are failing today in such large numbers to begin with.

The main theme of my own research on U.S. banking history has been that central banking is detrimental both to sound money and safe banking. In particular I have found that the U.S. commercial banking industry has suffered a secular decline in financial strength in the 80 years since the Federal Reserve System was established in 1913. For example, capital ratios have fallen from 20 percent at the turn of the century to around 6 percent today. Banks are also far less liquid today than they were in earlier decades. The loan quality of banks has declined steadily over our central banking era. Profitability has been weak and irregular compared to the period before central banking. Finally, bank failures have been more a problem under central banking than under previous banking eras in U.S. history.⁴

To be sure, these measures of banking system strength have ebbed and flowed cyclically over the past eight decades—for example, the dissolution of the 1930s, the seeming calm of the 1950s, and the renewed turbulence of the past two decades. But in my own work, I’ve identified an undeniably pronounced secular decline in the financial condition of banks, in good times and bad. This leads me to question the legitimacy of central banking as such. I’m encouraged to find that other scholars are also questioning the conventional wisdom about central banking.⁵

I attribute the secular decline of banks to central

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banking not only because that has been the predominant structure governing our money and banking system for most of this century, but because the main features of central banking bear directly on the worsening finances of the banks.

For example, central banking involves a legal tender monopoly on the production of paper currency, and to the extent this money is produced in excessive supply and forms the base of banking system deposit expansion, it inflates bank balance sheets and invites malinvestment of resources. Central banking is characterized by a lender of last resort function that can be seriously mismanaged, as it was in the 1930s, causing widespread bank failures. Central banking is usually accompanied by a system of flat-rate federal deposit insurance, a system known by all to promote excessive risk-taking and imprudence among banks.

It should not have taken decades to see this would happen. Back in 1908, when earlier versions of government deposit insurance were advanced, the president of the First National Bank of Chicago, James Forgan, asked the following: "Is there anything in the relations between banks and their customers to justify the proposition that in the banking business the good should be taxed for the bad; ability taxed to pay for incompetency; honesty taxed to pay for dishonesty; experience and training taxed to pay for the errors of inexperience and lack of training; and knowledge taxed to pay for the mistakes of ignorance?"⁶

As I have argued elsewhere, "deposit insurance is a scheme put in place because the Federal Reserve mismanaged the discount window in the 1930s, and it is a scheme that has been expanded ever since in concert with the Fed's inflation of the money supply (which consists predominantly of bank demand deposits)."⁷

Finally, systems of central banking involve extensive regulation of bank branching, lending, and product offerings—regulations that prohibit sound diversification and invite still greater instability.

Unsafe and Unsound

If the purpose of central banking is to ensure sound money and safe banking, then central banking has been an unmitigated failure. I have already summarized the relative decline of banking's strength as captured in financial ratios. But the

purchasing power of money has also declined, so that a 1913 dollar is worth ten times more than a 1992 dollar. We enjoyed much sounder money and safer banking in the eight decades before central banking was established here in 1913 than we have in the eight decades since. I conclude that this is so because central banking represents a special case of the general failure of central economic planning, a failure that most of the world is only now beginning to recognize.⁸

The fact that central banking flies in the face of free-market alternatives is recognized by some of its most prominent practitioners. In a symposium sponsored by the Federal Reserve Bank of Kansas City in August 1990, Paul Volcker noted that, "Central banks were not at the cutting edge of a market economy. . . . Central banking is almost entirely a phenomenon of the 20th century. . . . Central banks were looked upon and created as a means of financing the government. . . . If you say central banking is essential to a free market economy, I have to ask you about Hong Kong, which has no central bank at all in the absolute epitome of a free market economy. Yet it does quite well in terms of economic growth and stability."⁹

My research confirms Mr. Volcker's assessment. The primary purpose of central banking is to finance the government.¹⁰ That's what it does consistently and what it does best—and does so, unfortunately, at the expense of sound money and safe banking. Mr. Volcker would find results in the U.S. similar to those of Hong Kong, as I did, by examining the decades before the Federal Reserve was established.

In the eight decades before 1913 we had a system which can very loosely be called "free banking and the gold standard." There was no central bank, no lender of last resort, no federal deposit insurance. Banks issued currency as well as checking deposits, convertible into the precious metals. Bank note redemptions and the gold standard anchored the money supply. Excessive currency issuance was prevented. Money expanded and contracted with the needs of trade, not with the needs of government. Banks formed clearing-houses to settle balances and they lent on an inter-bank basis to temporarily illiquid but solvent institutions. The few banks that failed were absorbed into stronger ones or simply liquidated at a discount to noteholders.¹¹

The free banking era was not totally free, of course. Bank note issues were restricted by laws requiring currency to be backed by state or federal bonds—an indirect means of financing government. Branching was restricted as well, preventing full diversification. But the U.S. free banking era was more in line with a free market system of money and banking than our present era. As such, it should not be surprising that it produced relatively higher quality money and much safer banking. I document these facts in my book. For more background on the favorable history of the free banking era, I recommend the work of Arthur Rolnick and Warren Weber at the Federal Reserve Bank of Minneapolis.¹²

Only with this wider historical and theoretical context can we grasp the full implications of today's "too-big-to-fail" doctrine. In my view, banking without the "too-big-to-fail" doctrine is not simply banking prior to 1984, the year when Todd Conover, Comptroller of the Currency, said the top 11 banks in the country would not be permitted to fail. For me, banking without "too-big-to-fail" is banking before 1913, the year when the Federal Reserve was established. For as I have indicated, the doctrine is inextricably linked with central banking. No free market system of money and banking would aim to sustain insolvent institutions, and there would be no institutional bias in favor of generating insolvent institutions, as central banking engenders. Free banking minimizes the spread of problem banks from the very start. No central bank monetary inflation or taxpayer deposit guarantees are employed to force-feed a free banking system.

Undermining the Financial Integrity of Banks

In two important respects, the "too-big-to-fail" doctrine represents an unhealthy extension of two central banking features that have already been shown to undermine the financial integrity of banks.

First, the "too-big-to-fail" doctrine has transformed the lender of last resort from one providing cash to temporarily illiquid banks to one providing extended credit to permanently insolvent banks. One of the first theorists of the lender of last resort function, Walter Bagehot, warned us that there would be times when a central bank

couldn't effectively distinguish between illiquidity and insolvency.¹³ But in recent years the discount window has been thrown wide open to banks widely admitted to be insolvent. For example, a 1991 House Banking Committee report concluded that the central bank provided subsidized credit to hundreds of banks that ultimately failed. In six years ending May 1991, 530 of the 3000 banks that drew on the discount window failed within three years. Many more, if not outright failures, had the lowest financial performance ratings assigned by regulators.

Even as a provider of short-term liquidity, the lender of last resort offers a safety valve for banks that do not properly manage their liquidity positions. This subsidy for liquidity mismanagement has been in place for years. We were always assured that the Fed would manage access to the window with prudence and discretion. But now this mal-incentive has been extended still further to cover up the insolvency of banks. Perhaps even worse, access to the discount window was *widened* in the 1991 banking law to include the securities industry. More recently, there was talk among U.S., British, and Canadian central bankers of assisting real estate developer Olympia and York, on the grounds that its bad loans would harm big banks. There appears to be no end to the degeneration of the lender of last resort function.

Second, the "too-big-to-fail" doctrine has unwisely extended deposit insurance coverage from insured depositors to uninsured depositors and creditors. Government guarantees of insured deposits are bad enough in the way they promote reckless banking. The more than doubling of deposit coverage in 1980 institutionalized the recklessness. The extension of coverage to all creditors of banks, as under the "too-big-to-fail" doctrine, is the height of irresponsibility.

Nothing in the 1991 banking law removes the discretion of the Fed or the Treasury in employing "too-big-to-fail" at any time for any purpose.¹⁴ To the extent the doctrine has not been employed as extensively in recent failures, it seems only because of the insolvency of the deposit insurance funds themselves. "Too-big-to-fail" is not a doctrine which can be effectively scaled back in isolation or in increments. Unless there is an outright rule against it, exceptions will always be made to expand it.

“As the late Nobel Prize-winning economist Friedrich Hayek argued, we need ‘a denationalization of money,’ and the kind of choice in currencies that brought us stable money and banking in the 19th century.”

Bad as they already were, discount window activity and deposit insurance coverage have degenerated further in recent decades, in the name of the “too-big-to-fail” doctrine. We need to repeal the structural central banking features that generate failed banks, not simply patch on some extended version of these features, a patch job supposedly justified by pointing to all the failures. Accompanying the unconditional repeal of “too-big-to-fail” must be a scaling back and eventual abolition of federal deposit insurance and discount window lending as well. The sooner this occurs, the sooner banking will be restored to the health it enjoyed before these features were in place.¹⁵

The Fear of Contagious Bank Runs

Opponents of the repeal of the “too-big-to-fail” doctrine often cite the so-called “contagion” effect of bank failures, the domino effect of large bank failures precipitating other failures, allegedly cascading into a system-wide collapse.

In my estimation, no factor contributes more to this risk than government restrictions on branching. U.S. banking historians know all too well that widespread correspondent banking and extensive reliance on inter-bank deposits in this country stem directly from branching prohibitions.¹⁶ In nationwide banking systems, such as in Canada, inter-bank exposures are minimal.¹⁷ But in the U.S., the government has promoted an interlocking banking system, in effect requiring banks to line up like dominos, preventing them from holding their own direct deposits in their own chosen areas of the country. Having created such unstable links, government has then advanced a “too-big-to-fail” doctrine to prevent

smaller banks from being harmed by losses on deposits at bigger banks.

Here is an obvious case of government interventions that have bred further intervention, allegedly to remedy the distortions brought about by still earlier interventions. Eugene White and others have shown that U.S. banking history is replete with evidence of this vicious circle.¹⁸ There is only one solution to this madness, and that is to repeal the interventions *across the board*. Let’s start by permitting what every advanced country permits of its own banks—the ability to branch freely and diversify their operations.

I will not repeat here in detail other important refutations of the so-called “contagion” argument, especially those made by economist George Kauffman.¹⁹ Suffice it to say, he argues that if some banks are weak, depositors will transfer their money to stronger ones. If they don’t find stronger ones they will make a flight to quality and acquire government securities, the sellers of which must be confident of finding stronger banks, because in selling they expect to deposit the cash proceeds. In either of these cases, there is a redistribution of reserves, but no destruction of them. There is no deflation of the aggregate money supply and hence no contagion effect.

What if the strength of all banks is doubted by all parties? Then there will be a flight out of deposits into currency, a precipitous drop in the deposit/currency ratio so common to deflations. A loss of reserves could kick off a multiple contraction process that affects healthy banks as well as insolvent ones. But observe that such deflations are exacerbated by fractional reserve banking, and especially by very low fractions. Economists who recognize this potential problem tend to argue for some form of deposit insurance to contain it. I believe, to the contrary, that all

government deposit insurance is de-stabilizing. I oppose it on principle, mindful of the fact that even limited forms of it soon grow into uncontrollable excess.

Furthermore, my own research indicates that bank liquidity is far lower—that is, reserve fractions are far lower—under central banking than under free banking. Hence a deposit contraction is potentially more severe when a central bank is in charge. More important, free banking offers a direct solution to the problem. A system of free banking permits private bank currency issuance, so banks can easily meet shifts in customer demand for currency relative to checking deposits. Such shifts are far less easily accommodated by a monopoly currency issuer which can misjudge and mismanage the shift, as did the Federal Reserve in the early 1930s.

On these grounds alone, I believe there is good reason to secure some end as well to the legal tender laws which grant a monopoly on currency issuance to the Federal Reserve. I have offered other reasons for the repeal of the legal tender laws in my book. As the late Nobel Prize-winning economist Friedrich Hayek argued, we need “a denationalization of money,” and the kind of choice in currencies that brought us stable money and banking in the 19th century.²⁰ Parting somewhat from Hayek, I believe this free issuance of bank notes must also involve gold-convertibility, as note issue did during our better banking era.

A proper legal structure upholding property rights is also important. Free banking does not entail anarchy. Contracts must be enforced. The repeal of the “too-big-to-fail” doctrine will not be truly sustainable unless banks are fully subject to the general bankruptcy laws. No other industry is exempt from such laws, nor so harmed by the exemption.

Until and unless banks are subject to bankruptcy, we will continue to see failures handled according to politics and bureaucratic motives—such as agency “image”—not according to simple justice and sound economics. We will continue to witness swings from a regulatory policy of “forbearance” to a policy of “early intervention,” to forbearance, and back again. Both policies are detrimental to the banking system, and not only because of their unpredictable application from one case to the next or one year to the next.

Forbearance, as is known to all, promotes lax-

ity in accounting and financial control, condoning, if not encouraging, recklessness, hiding insolvency, and ballooning ultimate losses. “Early intervention,” on the other hand, has its own dangers. While posing as a remedy for the ills of forbearance, a policy of early intervention actually holds out the very definite prospect of de facto nationalizations of the banks. After all, if banks with 2 percent capital ratios are to be closed down or taken over, as provided in the 1991 banking law, what else can such a policy be called but a nationalization, indeed a “taking,” under the Fifth Amendment? The recent nationalization of Crossland Savings Bank offers a chilling precedent for this disturbing new extension of the “too-big-to-fail” doctrine.²¹

If, instead, banks are subject to the bankruptcy laws, the competing interests of management and creditors, including the creditors who are depositors, will prevail. Closures of failed institutions will not be sudden but orderly. They’ll be drawn out in a rational manner, but not forever, as in the case of the thrifts or the Rhode Island credit unions. Neither will closures under bankruptcy take place prematurely, while there remains value in the franchise. For a more detailed look at this approach, I commend to you the work of Robert Hetzel at the Federal Reserve Bank of Richmond.²²

In conclusion, I want to stress that the “too-big-to-fail” doctrine is part and parcel of a wider system of central banking that undermines the financial condition of the banking system. The sooner we phase out this system in favor of free banking and the rule of law, the better off we will be. In other words, repealing the “too-big-to-fail” doctrine will be a good start, but it won’t go far enough in curing what really ails the banks. □

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We, the People, and Our Deficit

by T. Franklin Harris, Jr.

Criticizing the government's continuing failure to deal with the mounting federal budget deficit, New Hampshire Senator Warren Rudman announced in March that he would not seek re-election. The Senator held nearly everyone responsible for the budget gridlock: the Congress, the President, and—surprisingly—even the American people.

“What?” you ask. “How are we, the people, responsible?” The answer is simple: We, the people, love big government. Oh sure, we complain about high taxes; and we are indignant whenever the government tells us to do something or not to do something; but we love being on the receiving end of government handouts and vote accordingly.

At election time, politicians engage in a bidding war in order to gain—if not affection or trust—votes. If one candidate promises a new interstate highway for his district, the other promises to move the headquarters of the Department of Transportation to the district. If one promises pie in the sky, the other adds a scoop of ice cream. When the auction gavel finally comes down, the high bidder usually wins.

But government programs cost money; the government raises money through taxation; and no one likes taxes—just ask President Bush. The nation is in the midst of a Tax Revolt. In my own state of Alabama, countless attempts to raise property taxes have gone down in defeat when

placed on the ballot. The mayor of one city faces possible recall because he reneged on one of those “no new taxes” pledges (he raised the old ones). And, in the state's largest city, Birmingham, a group called HELP (Help Everyone Live Proudly) was formed with the immediate goal of repealing a recent sales tax increase. Nationwide, voters are reacting in similar fashion. Jerry Brown's 13 percent flat tax—whatever its merits or flaws might be—gained attention because people believed it would lower their taxes.

This is not to attack people for not wanting higher taxes—or indeed, wanting to repeal many of the old ones. Public disgust with taxation is justified. According to the Tax Foundation, Americans work from January 1 to May 8 just to pay their taxes. This is not a misprint: Over one third of the year is spent in effective slavery. There can be no justification for this level of taxation, especially when considering that most of that tax money goes to finance someone else's “entitlement.” Whether it is farm subsidies or welfare or that sacred (and fat) cow, Social Security, most money is taken from one person's pocket in order to end up in someone else's. In the process, bureaucrats skim some funds off the top through transfer costs and just plain waste. Furthermore, taxation is coercion. We do not hand part of our income over to the IRS because we want to; never mind the IRS's prattling about “voluntary compliance.” We pay taxes under threat of penalties: fines and prison terms. It is perfectly reasonable for people to resist coercion; after all, it was just

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such resistance that brought down Communism in Eastern Europe.

The answer to the budget deficit problem is not higher taxes. The deficit has continued to worsen even as taxes have gone up. The answer is to reduce Federal spending substantially. The American voting public must learn to curb its appetite for government programs and benefits.

It is not unreasonable to expect people to live their lives without the "assistance" of government's various agencies and policies. In fact, we got along quite well without them in the past. The arts flourished without the National Endowment for the Arts. Farmers raised crops and fed America (and much of the world) without farm subsidies. Settlers traversed the entire North American continent without the Department of Transportation to pave the way. Children were taught to read and write long before the advent of mass public education, student loans, and the

Department of Education. People saved for retirement and lived their Golden Years without dependence on Social Security.

There is something to be said for individual initiative. People working together can accomplish great things without the government's help (or interference). One hundred years ago they raised barns; today, organizations build housing for the homeless. This volunteer work has proved much more effective than the government's ill-managed shelters and counterproductive housing policy.

By returning to "old-fashioned" self-reliance, America can do without the government's assorted boondoggles. Then, spending can be cut and the budget deficit, which is soaking up credit and dragging down the economy, can at last be dealt with. The budget deficit is our fault. We, the People, must recognize this simple truth if the deficit is ever to be brought under control. □

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Half-Truths or Consequences

by Gary Galles

The legitimate role of the American government is small, at best. This follows from the plain wording of the Constitution with its grant of tax power only to promote the general welfare, its brief list of enumerated powers, its prohibition against the taking of private property without just compensation, and its system of checks and balances. It also follows from simple logic. All creating a government does is to give one group the power to force involuntary trades on others (although I “volunteer” to pay my taxes as a way to stay out of jail). It does not impart any additional intelligence or wisdom to “governors” in the process, but it does distort their incentives and diminish accountability for their actions. On what basis should we expect improved results?

Given that much of what our government does is indefensible by reference to either logic (e.g., how do farm subsidies advance the general welfare?) or principle (e.g., “Thou shalt not steal,” a rule that clearly advances the general welfare), how are government’s actions made to appear worthwhile? They are justified with plausible sounding but invalid arguments, many as old as government itself. It is worth reviewing some of the more frequent political fallacies as a sort of self-defense course.

Half-Truth Number One

During election years we hear that government spending programs create jobs, thus also reducing welfare spending. This is a half-truth. Government spending does create jobs where it is spent, but those same resources, spent elsewhere, would have created other jobs. If the government builds

a prison rather than a highway, it has not created jobs—it has only moved them. More importantly, this argument does not support government programs at all, because they require taxes (or deficits, which are deferred taxes) to finance them, and those taxes destroy jobs elsewhere. Further, government spending moves jobs from where voluntary and mutually beneficial market choices place them to where politicians dictate. Given what we know about the failures of governments to plan rationally, government spending provides no assurance of mutual advantage. The truth is that government spending does not increase wealth and prosperity.

Half-Truth Number Two

We have also heard the half-truth that government spending generates multiplier effects, ultimately producing several dollars in secondary benefits for each dollar spent on direct benefits. Added incomes resulting from government spending do generate additional spending and jobs and still more income. However, any government spending would create similar multiplier effects. Further, so would eliminating the taxes that are necessary to finance the spending. In fact, private individuals, allowed to use their money as they see fit, will use it more efficiently than government, creating greater real income than government spending. The truth is that government spending delivers gains in one area only by imposing greater losses elsewhere.

Half-Truth Number Three

We have heard innovative ways of counting the same benefit in different disguises, as if it were sev-

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eral different benefits. Jobs and income are both counted as benefits, even though the jobs are actually the work that must be done to earn the incomes. Similarly, crime or pollution reduction and the resulting increased property values are both counted, even though the higher values are simply capitalizing those benefits, resulting in double counting. (Of course, when government actions increase uncertainty, crime rates, and pollution, and therefore lower property values without compensation, we hear about neither the problem nor the lower property values.) The truth is that advocates of government spending sometimes misuse both logic and statistics to make government spending appear beneficial.

Half-Truth Number Four

We have heard claims that government spending creates external benefits for society, justifying the “need” for more spending. Public education is routinely justified on this basis. However, the external benefits argument for government provision of education, as in many other areas (e.g., health care), cannot withstand either logical or empirical scrutiny. Wood shop comes to mind, as do the “skate” classes that can be found at every school. So do law, medical, and dental schools, given that the benefits of such professional training are captured by their graduates as higher incomes. Further, any such external benefits would require that schools successfully teach the truth and students retain what they are taught past graduation, a condition clearly open to challenge on both counts.

We have heard many other misleading justifications for government programs as well. These include plausible sounding claims of benefits (1) whose magnitudes are empirically insignificant (e.g., local or state pollution initiatives will reduce global warming or food stamps will help the nutrition of the poor); or (2) which are not benefits at all, but have effects opposite those claimed (e.g., higher minimum wages or mandated benefits help the poor, public housing results in better shelter for the poor, or foreign aid helps other countries’ citizens, even when it goes to regimes that use it to repress their citizens more efficiently); or (3) which rest on false premises (e.g., a dollar spent in a government program must be worth a dollar to citizens).

At least as important to justifying indefensible

government programs as overstating benefits is substantially understating the costs of government spending by treating each dollar spent as costing society only a dollar, when in fact it costs far more. A substantial part of both expenditures (sometimes over 10 percent) and the taxes that finance them is consumed by administrative costs. Large compliance costs are also imposed on both taxpayers and program beneficiaries (e.g., the average American taxpayer spends about three full workdays on income tax forms). Further, these ever-changing programs introduce substantial added risks of future alterations in the laws, which can turn good decisions into bad at the whim of a legislator, judge, or bureaucrat. The substantial costs of the distorting effect of the tax wedge (often involving multiple taxes compounded on the same income or transaction) between buyer and seller, which thwarts many mutually beneficial transactions, must also be included. If the cumulative marginal tax rate is 60 percent, a common result, the last dollar not spent in the marketplace because of taxes would have provided \$1.60 in benefits to the purchaser, and those forgone benefits are the real costs of the government spending involved.

Since the true social cost of even a hypothetical “well spent” government dollar thus substantially exceeds a dollar, not even counting the less obvious costs of reduced liberty, government “solutions” can be economically justified only if they can be demonstrated to be less costly than the “market failure” they allegedly address. This does not generate a long list of legitimate government programs.

A Proper Defense

In defense against these half-truths, free market advocates must be ready to force advocates of government policies (including regulations, which are disguised tax and expenditure packages) to justify them on their actual merits, rather than on the basis of a misleading “shopping list” of alleged benefits. If every proposal could be made to bear the burden of proving (not just asserting) that it actually advances the general welfare, we would have come a long way toward restraining government. Perhaps we should adopt a variant of the ancient Greek practice and require legislators who propose new programs to do so with a noose around their necks, ready to be hanged if those programs do not advance the general welfare. □

Where Has All the Saving Gone?

by Anthony M. Carilli

Social commentators from both ends of the political spectrum have long bemoaned the low rate of saving in the United States. They fear that the lowest rate of saving in the industrialized world portends economic disaster. The level of saving is one factor that determines the level of interest rates: the lower the rate of saving, the higher the interest rate. The interest rate is the price of obtaining funds for investment. So, high interest rates yield lower levels of investment. Thus a relatively low rate of saving yields a relatively low rate of investment. The low level of investment makes it difficult for American enterprise to compete in the world market, because it will be unable to afford the adoption of new technologies.

Some blame the low rate of saving on American materialism. Some say that Americans do not have a moral commitment to saving. Still others blame the shortsighted selfishness of the market economy for the paucity of saving. The solution, the social commentators argue, is to change the psychology of the American consumers.

These criticisms and their requisite solutions miss entirely the true reason for the low rate of saving in the United States. Americans are rational decision makers. They weigh costs against benefits to decide upon how much to consume and how much to save. The decision to save is an economic decision. Most consumers place a higher value on near-term consumption than on consumption in the distant future. To get people to give up the bird

in the hand for the two in the bush, interest must be paid. The higher the interest rate the more likely an individual is to put consumption off; that is, the higher the interest rate the more likely it is that the individual will save. Although consumers save for a variety of reasons—to provide for retirement, to leave legacies for their children, to provide for random emergencies—the decision to save is based on economic incentives.

In a free market, consumers purchase various bundles of goods according to the relative prices of those goods. The saving choice is one of choosing relative amounts of present and future consumption. The price of present consumption in terms of future consumption is the interest rate. Thus, consumers substitute future for present consumption as the interest rate rises (i.e., as the price of present consumption rises, *ceteris paribus*). So increases in interest rates will tend to bring about increases in saving.

Punishing Thrift

Given that consumers are rational, why is the U.S. saving rate consistently as low as it is? U.S. economic policy toward saving is the answer. Policies over the last 50 years not only have not encouraged but have actually discouraged saving. The question is then: why discourage saving? The answer lies in the economic policies based upon the economic theories of John Maynard Keynes.

A legacy of the Keynesian revolution is that the venerable Benjamin Franklin's aphorism "A penny saved is a penny earned" now reads "A penny saved is a penny destroyed." Saving, to Keynes,

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except at full employment, is not only unwise but invidious: “[W]henever you save five shillings, you put a man out of work for a day.”¹ Parsimony is bad and prodigality is good according to Keynes. It does not matter how income is spent so long as income is *not* saved.

For example, why not pull down the whole of South London from Westminster to Greenwich, and make a job of it—housing on that convenient area near to their work a much greater population than at present, in far better buildings with all the conveniences of modern life, yet at the same time providing hundreds of acres of squares and avenues, parks and public spaces, having, when it was finished, something magnificent to the eye, yet useful and convenient to human life as a monument to our age? Would that employ men? Why of course it would!²

To Keynes, destruction is production. Using this logic, it would make sense to bomb some part of every major city every year to “create” jobs.

Spending is preferred to saving even when the spending is done “[t]o dig holes in the ground.”³ This hole digging “will increase, not only employment, but the real dividend of useful goods and services.”⁴ The prodigal son is the economic hero while the parsimonious son is the economic villain.

The Paradox of Thrift

This inversion of Christian values manifests itself in the paradox of thrift. Children are taught to save for a rainy day; to exercise discipline from the earliest possible age. According to the paradox of thrift, this discipline is strangely a vice if it is practiced by all “children” simultaneously. The aphorism “save for a rainy day” is merely a euphemism for “be prepared for those times when income is tight or nonexistent.” The paradox of thrift teaches that the best way to be prepared for this unenviable situation is not to prepare for it at all. To the contrary, the best preparation is not that of accumulating income to mitigate the possible hardships, but to consume as much as possible. “For what we need now is not to button up our waistcoats tight, but . . . to buy things.”⁵ The rational act of preparing for the exigencies consistent with an economic slump will actually hasten the arrival of the downturn. Insurance against disaster will ultimately destroy the wealth of the

family. The accumulation of wealth is the destruction of wealth according to the paradox of thrift.

The message is clear: saving is to be avoided despite the fact that saving is almost an instinctive act of man. In this regard, man behaves like many animals. Just as the squirrel stores nuts for the winter, man places part of his current supply of food (income) aside for future meals (spending). Man differs from the squirrel in one respect, however. Man can invest. Man can create larger future harvests by investing part of the seed corn to grow more corn for next year. Without this investment, man does not increase the size of his meal (i.e., his standard of living). If man and the squirrel do not provide for the future, they do not survive the future. So saving is important for man as well as animals. In this regard the paradox of thrift is unnatural. It teaches that not only shouldn’t families save, but that they should run down their existing savings (should they be so villainous as to have any) even if it is spent to dig holes in the ground.

Keynes’ War on Saving

Keynes worried that some may not be convinced of the efficacy of these arguments. Keynes also understood the relationship between interest rates and saving, so to reduce the incentive to save further, he advocated policies be undertaken to drive the interest rate to zero. In fact, “[i]f the rate of interest were zero, there would be an optimum interval for any given article between the average date of input and the date of consumption for which labour cost would be a minimum.”⁶ A zero rate of interest will have “beneficial” effects upon the community as well. “Change and progress would result only from changes in techniques, taste, population and institutions . . . [f]or a little reflection will show what enormous social changes would result from a gradual disappearance of a rate of return on accumulated wealth.”⁷ This optimum state could be brought about in a “*properly run* [italics mine] community . . . within a single generation.”⁸ Thus, Keynes was not only concerned with eradicating man’s instinct to save, but also he was concerned with bringing about a centrally planned economy.

Further, Keynes argued that saving needs also to be discouraged because “[a]n act of individual saving means so-to-speak a decision not to have

***“The low rate of saving is the direct result
of economic policy over the past 50 years.”***

dinner to-day. But it does not necessitate a decision to consume anything at any specified date.”⁹ Keynes did not view saving as a decision to substitute future consumption for present consumption. There is nothing else that saving can be used for except future consumption. So, never mind that most saving is done in anticipation of future consumption. “In the long run, we are all dead.”

The U.S. economy may now be in Keynes’ fabled long run. Economic policy makers took Keynes’ aversion to saving to heart. Anti-saving policies have proliferated to the point where no motive for saving goes unpunished. Social Security encourages individuals not to save for their retirements. Saving for medical emergencies is discouraged through programs such as Medicare and Medicaid. There is sentiment on the national level for national health care and catastrophic health care. This will not only discourage saving for such unforeseen expenses; it will reduce disposable income available for saving. Government must first take (tax) before it can spend. Further, if Congress is successful in its attempt to have businesses pick up the tab for national health insurance, wages will fall (or at least the rate of growth of wages will fall). Unemployment “insurance” makes fatuous the reason for saving to withstand any short term job loss. Finally, the return on saving (interest income) is taxed at progressive marginal rates. Government policy toward saving is one of discouragement, *per se*.

The taxation of interest income may well be the most effective instrument for discouraging saving. Suppose that there were no tax on income or goods and that an individual’s hourly wage were \$10. If his future earnings were to remain the same and he would want to consume \$10 more annually, he would need to work an additional ten hours, if the interest rate were 10 percent. Now suppose there is a 50 percent tax on income; he would have

to earn \$400 to be able to consume \$10 more annually. That is, the income tax quadrupled the price of saving. (He earns \$400 and pays a tax of \$200 leaving him with \$200 to save. The \$200 earns \$20 interest, leaving him with \$10 after taxes.) The effective interest rate is only one quarter of the nominal interest rate. At this price very few people will save.

Thus, as the United States begins its journey through the last decade of the 20th century, various commentators are bemused by the paucity of saving by the American people. Given the hidden and largely malevolent attitude harbored by policy makers toward saving, is there really any question as to why this (the low rate of saving) is true? It is as if policies toward saving have been the cruel joke of some “[p]ractical men . . . [m]admen in authority, who hear voices in the air . . . distilling their frenzy from some academic scribbler of a few years back.”¹⁰ Thus, one sees that “it is ideas . . . which are dangerous for . . . evil.”¹¹ The reasons for the low rate of saving are not necessarily psychological, moral, or inherent in the market economy. Quite the contrary: The low rate of saving is the direct result of economic policy over the past 50 years. If we truly want to increase the rate of saving, the solution is to stop enticing people not to save and to stop penalizing them when they do. □

1. John Maynard Keynes, *Essays in Persuasion* (New York: W. W. Norton & Company, 1963), p. 152.

2. *Ibid.*, pp. 153-154.

3. John Maynard Keynes, *The General Theory of Employment, Interest and Money* (New York: Harcourt Brace Jovanovich, 1964), p. 220.

4. *Ibid.*

5. Keynes, *Essays in Persuasion*, pp. 152-153.

6. Keynes, *The General Theory of Employment, Interest and Money* p. 216.

7. *Ibid.*, pp. 220-21.

8. *Ibid.*, p. 220.

9. *Ibid.*, p. 210.

10. *Ibid.*, p. 383.

11. *Ibid.*, p. 384.

Memoirs of a Simple Honorable Man

by Charles H. Hamilton

I don't know if John Chamberlain ever reviewed Conrad Richter's *A Simple Honorable Man*, but he should have. No one who has ever met John can doubt that he embodies these rare qualities. Any era has only a few such souls. They remind us that, above all else, the characteristic of simple common decency makes for a better, and freer, world.

Readers of *The Freeman* know John's monthly book review column, "A Reviewer's Notebook." It has been a staple since FEE began publishing *The Freeman* in 1954. He missed the first issue in July of that year but continues his column today—though not on the same rigorous monthly schedule he maintained for nearly 35 years! Thus, it would be an easy mistake to take John for granted, or to think of him only in his important role as "our" *Freeman* reviewer.

The reviews in this new collection are from an earlier *Freeman*, the immediate predecessor of FEE's publication. It was published between October 2, 1950, and June 28, 1954, though John wrote for it during only the first half of its short life. The 54 reviews in this book come from those 61 issues. There is also one new piece on "The Basic John Dos Passos." They afford us the opportunity to remind ourselves of John Chamberlain's outstanding reaffirmation of the voluntarist spirit.

John Chamberlain has read a remarkable number of books in 89 years; one suspects he was born reading a book (on October 28, 1903). By one count he has published over 20,000 essays and

The Turnabout Years: America's Cultural Life, 1900-1950

by John Chamberlain

Foreword by Priscilla Buckley

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Ottawa, Illinois 61350 • 1992 • 272 pages
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reviews. Looking back from today, we see that in addition to *The Freeman*, John had a widely featured three-times-a-week syndicated column from 1960 until 1990. Prior to that he had been an editorial page writer for *The Wall Street Journal* from 1950 to 1960. He had a long association with *Life*, first in Washington from 1941 to 1945, then as an editor from 1945 to 1950, and later as their chief editorial writer in the late 1950s. He had earlier been an editor at *Fortune*, writing editorials, feature articles, and business studies from 1936 until 1941.

These steady jobs were peppered with additional, often overlapping, stints. For instance, he was a senior editor and lead reviewer for *National Review* at its beginning in 1955. He worked for *Barron's* as an associate editor before that. He was a book review editor for *Harper's* from 1939 to 1947, a book review editor at *Scribner's* from 1936 to 1938, and briefly associate editor of *Saturday Review* in 1932.

John's career began when journalism was a more intellectual profession. He started at *The New York Times* in 1926 and became assistant editor of *The New York Times Book Review* in 1928. He became the first daily book reviewer for the *Times* in 1932 and continued for over four

Mr. Hamilton is Director of Publications and a Program Officer at Liberty Fund. He is a former editor of The Freeman at FEE.



BETTINA BIEN GREAVES

John Chamberlain

years. He later contributed to the daily column intermittently through the mid-1940s. He quickly developed an eager following and a reputation as one of the country's best younger critics.

As if this weren't enough for one man, John taught at various times at Columbia University's School of Journalism and was Dean of the School of Journalism at Troy State University (Alabama) from 1972 to 1977. He has written eight books, many of which are still in print: his very important *Farewell to Reform* (1932); *The Roots of Capitalism* (1959), on the theory and practice of the free enterprise system; *The Enterprising Americans* (1963), a business history of the U. S.; and *A Life with the Printed Word*, his charming 1982 autobiography. He has contributed to many books and written introductions to books as various as the first U. S. edition of F.A. Hayek's *The Road to Serfdom*, editions of James T. Farrell's *Studs Lonigan*, William F. Buckley's *God and Man at Yale*, and Adam Smith's *The Wealth of Nations*.

An Individualist's Journey

This backward glance does not do justice to many of John Chamberlain's accomplishments, but it does put us where we need to begin. John's

odyssey in the world of ideas is an interesting one that starts in the fascinating and misunderstood 1920s. It is most assuredly a particular individualist's journey. It is also a story of America's attempt to come to terms with the modern era.

After the terrible rending of institutions and traditional American values caused by the First World War and wartime collectivism, the 1920s strangely reflected a reawakening of nascent individualism within a largely socialist ideology. So it should not strike readers as strange that a number of reviews in this collection from the early 1950s discuss writers from the 1920s, such as Dos Passos and Mencken ("undoubtedly the chief liberator of my own college generation in the early twenties"). It is in the twenties that John begins his own intellectual and peripatetic fondness for the written word and for liberty. First, as a Yale student in the 1920s, he was greatly influenced by the work of William Graham Sumner, having taken courses with A. G. Keller, Sumner's editor and follower. We find some of John's comments on Sumner in several reviews in this book.

The cultural and literary criticism of the "lost generation" of the 1920s was the fertile ground of John's own efforts. Van Wyck Brooks and Edmund Wilson were among his favorite critics.

Even the title of his later column, "A Reviewer's Notebook," is taken from Brooks' distinguished review column in the 1920s *Freeman*, edited by Albert Jay Nock. John was to become "the finest critic of his generation," as his former professor Billy Phelps later described him.

John's own writing about the 1920s has given a different interpretation of that often maligned period. In a review about F. Scott Fitzgerald reprinted in this volume, he describes the "man of the twenties": "Americans, in the twenties, believed that man could be a creative agent by his own free decision. . . . He did not have to wait upon permission from a government, an institution, or a set of social conventions. The man of the twenties believed in freedom at the source, working outward from the dedicated individual." Again, in a review about Edna St. Vincent Millay, he recalls the essentially anti-political feeling of the time that was so refreshing: "politics is the least satisfying, the least rewarding, of human preoccupations. The more we intensify our political activities, the less time we have to spend on personal development, or the arts, or creativity in general."

He started on the left, though terms like left and right meant little in the earlier period. His first book, *Farewell to Reform*, was a remarkable critique of American liberalism and progressivism. The reforms of the progressive era and Wilson's New Freedom were merely rigidifying the whole system. Like John T. Flynn after him, John warned of an impending American fascism. While he was short on positive remedies, there was an almost pro-forma salute to political solutions along socialist lines.

John was one of the first of the American radicals of the 1920s to be disillusioned with interventionist cant. The events around him were just too striking. He rather quickly became an anti-Communist, though he retained certain liberal and leftist shibboleths a bit longer. Henry Luce asked him to do a number of articles on American business for *Fortune*, and this exposure to thoughtful men and women and an intimate look at the free market system further refined his views. By 1940, John would describe himself as "a free-lance radical who refuses to be bound." During the previous ten years he had come to recognize the weaknesses of human nature and the even greater dangers and limitations of political "solutions." He returned to

Sumner, to the basic individualism of the 1920s—indeed to the radical Jeffersonian tradition that had also nourished Albert Jay Nock.

What had happened? It would be a mistake to suggest that John's perspective changed radically. Rather, events showed him that his strongly held values and individualism were relevant in a real world of statism. In a 1952 review of a disappointing book on American conservatism, he revealed that "something has happened to me in the past two decades. . . . [I]n all sincerity I do not think that mere visceral shock accounts for my shift in orientation. I have simply lived to see at least four major brands of statism tried out. I have seen Leninist and Stalinist statism murder its millions in Soviet Russia. I have watched Hitlerian statism kill Jews by the hundreds of thousands in central Europe. I have been a witness (sometimes on the spot) to the destruction of vitality and initiative forced by socialist statism in Britain. And I have lived through eighteen years of New Deal and Fair Deal governments. . . ."

During his journey from the 1920s through the 1950s to today, John described himself as a libertarian or a conservative, but the term "voluntarist" has always been more to his liking. His career cannot be captured in a single review nor in a single collection of essays: he once described it as a never-ending movement "to rescue us from domination by the state-worshipping 'intellectuals' and restore decentralized rule by the intelligent man."

The Freeman

From the mid-1940s, John became part of the small remnant of journalists and writers who marked a turning point in American intellectual history by championing what has been called the Old American Right: a re-dedication to liberty, free markets, limited government, individualism, and moral responsibility. This embattled group had, as he notes in his autobiography, "the feeling that there should be a more fundamental assault on the regnant liberalism if our intellectuals were ever to be reached."

The Freeman of the 1950s was a major catalyst. With Henry Hazlitt, Isaac Don Levine, and Suzanne La Follette, John founded *The Freeman* in 1950 from which these reviews are taken. The name was consciously chosen to remind one of *The Freeman* of the 1920s and thereby to re-

Capitalism presupposes an open society in which the ends are determined by individuals, or by voluntary associations of individuals. It is fundamentally incompatible with the idea of an all-encompassing State purpose, or a single official Manifest Destiny—though it is thoroughly compatible with a church whose own purposes are extra-governmental, either "not of this world," or, if of this world, devoted to leadership, mediation, and charity in the realms which do not belong to Caesar.

Theoretically, of course, it is quite conceivable that capitalism could flourish without a legal framework, either under pure anarchism, or under a beneficent landlordism, or with the blessings of a "let alone" monarch. But, as we shall see, it was James Madison, the scholar among the Founding Fathers, who put his finger unerringly on the need for a device which will put automatic checks on government if any freedoms are to flourish. Purely as a practical matter the institutions of an open society demand the safeguards of a limited government.

—JOHN CHAMBERLAIN, *The Roots of Capitalism*

emphasize the importance of social power over political power. For some time the masthead described it as "A Fortnightly for Individualists." John was responsible for the "back of the book" and the lead book review. His contributions appeared in the first issue of October 16, 1950, and ended with the January 26, 1953, issue. When an internal controversy over whether to support Taft or Eisenhower threatened to destroy the magazine, he resigned.

The literary and more general reviews in the collection are wonderful, but not primarily because of what they say about a particular book. John's reviews are neither academic discourses nor point-by-point synopses of a work. Rather, the humanity of his comments and the largeness of context he imparts on the written page give a genuine cultural ethos to works often forgotten. These books are read for what they might illuminate about life *and* about ideas on liberty. There is, however, no suggestion that there is only one way to read a book. It is all a genuine cultural feast of American reviewing in the voluntarist tradition.

Even when the book reviewed is ephemeral and you have no desire to find a dusty copy in a library, you come away with an enhanced sense of how to read books of *your* choice. You are reminded of

the greatness of Mencken, Sumner, Fitzgerald, Arthur Koestler, C.P. Snow's novel, *The Masters*, Frank Chodorov, Herbert Hoover, Leonard E. Read, and many others. And unlike many reviewers, John would review books on any subject. He was not primarily a narrow political reviewer, but rather a broad cultural critic. In this book, there are several moving reviews on John's friend Whittaker Chambers and a section on "the China Story."

That John Chamberlain loves books is reason enough to sing his praises. His career hasn't permitted him to pursue the depth of criticism he often wanted. What he does bring to his reviews is a singular contribution to the renaissance of the American voluntarist spirit. He has been an influential and steady presence in American literary life in general and in the intellectual growth of the American right in particular. When the rule seems to favor glitz, shallowness, and hubris, John Chamberlain restores faith and feeds the mind. We can only echo James Joyce's comment, "I have enormous belief in the power of a simple honorable soul."

The Turnabout Years is a small sampling of what one such soul has accomplished, and it affords us the opportunity to say, "Thanks, John." □

BOOKS

UNBOUNDING THE FUTURE: THE NANOTECHNOLOGY REVOLUTION

by K. Eric Drexler and Chris Peterson with Gayle Pergamit

William Morrow & Co., 1350 Avenue of the Americas, New York, NY 10019 • 304 pages • \$23.00

Reviewed by Lawrence Person

With the publication of *Engines of Creation* in 1986, K. Eric Drexler first introduced the concept of nanotechnology to the general public. Using microscopic machines that would construct things at the molecular level one atom at a time, Drexler wrote, it would be possible not only to build goods more efficiently than any existing manufacturing process, but also to solve many of the world's current ills. Nanomachines in the bloodstream could track down and kill diseases from cancer to AIDS. Carbon fibers could be built as strong as diamonds and cost less than plastic. Computers several thousand times more powerful than today's fastest supercomputers could be built in a space smaller than a sugar cube. And all this could be accomplished with a technology that was cleaner, cheaper, and easier to handle than those currently in use.

It was a bold vision, and stirred much debate within the scientific community. Now, with *Unbounding the Future*, Drexler and his co-authors return to the topic to see how much closer we are to achieving nanotechnology, and what its implications are for the future. Though there are still many barriers to be overcome before science is able to create even the crudest molecular assemblers, for many the outlook has already changed from *if* to *when*.

The reason for this shift is the strides contemporary science has made toward constructing the first molecular assemblers. Additional research with the scanning-tunneling microscope has led to the ability to move single atoms with great precision, a fact most dramatically demonstrated in April of 1990 when two researchers from IBM spelled out the company's initials on the atomic scale using 35 Xenon atoms. With these and other developments,

it is a very real possibility that we could soon find ourselves in the midst of a second industrial revolution (with effects as far reaching as the first) within the decade.

The exact timescale for such a revolution is hard to predict because there are multiple paths by which the first nanomachines might be built. Developments in such diverse fields as the computer industry, genetic engineering, microminiaturization, physics, and chemistry have all been leading toward work at the atomic scale. It is still unclear exactly how the first molecular assemblers will be constructed, and a host of technological difficulties remain. But nothing about the project seems impossible, and the problems involved are probably no more daunting than the ones for sending a man to the moon were in 1959.

However, one huge advantage nanotechnology has over the moon race is that most of the diverse forces propelling its development are coming from the private sector, and several major companies and institutions are already taking nanotechnology quite seriously. The Japanese Ministry of International Trade and Industry (MITI) has started a Nanotechnology Center in Tokyo, and Stanford University is already offering a course in the subject. Besides IBM, other Fortune 500 companies like Du Pont and AT&T are already investigating molecular assembly precursor technologies, and Autodesk, one of the nation's leading software firms, is already working on programs to do computer-aided design at the molecular level.

Much of *Unbounding the Future* examines the various possibilities molecular assembly presents by means of quasi-fictionalized "scenarios," all of which examine the question, "what will the nanotechnology revolution mean for the life of an average person living in the 21st century?" If even a fraction of what Drexler and company envision comes true, the short answer is "amazing things."

For starters, industry gets a production tool faster, cheaper, cleaner, more efficient, and less labor intensive than anything now in existence. In one scenario, the authors envision a "mom and pop" nanotech factory where a wide variety of items can be produced on short notice from vats of prefabricated micro-materials using programmable assemblers. The authors see nanotechnology replacing not only conventional factories, but also the fossil fuels they run on, noting that "nanotechnology can make solar cells efficient, as

cheap as newspaper, and as tough as asphalt—tough enough to use for resurfacing roads.”

Nanotechnology is also seen as the primary means to carry the evolution of computing power to its logical conclusion. With existing electronic methods rapidly approaching the limits of miniaturization, Autodesk founder John Walker notes that nanotechnology “can build devices one thousand times faster, more efficient, and cheaper than those we are currently using.”

With cheap nanocomputers, it would be easy and inexpensive to make many commonplace materials and objects “smart.” One of the scenarios the authors outline is that of “smart paint.” An average homeowner would be able to mark off a patch of wall with a special chemical pencil, then shovel intelligent nanomachines inside the lines. The nanomachines would then scurry along, covering the area until they encountered the marked boundaries, at which point they would communicate with each other to lie down and bond to the surface.

One of the authors’ biggest concerns is the environment, and there are comments on the ability of nanotechnology to clean up environmental damage throughout the book. While these concerns lead them to make some unwarranted assumptions (such as taking the much-hyped and as yet unproven “greenhouse effect” at face value), they are correct at pointing out that nanotechnology could clean up the environment *without* sacrificing economic growth. They call this concept “green wealth,” and it provides a marked and welcome contrast to the strong neo-Luddite strain of the mainstream environmental movement. Also, unlike many of their green fellow travelers, Drexler and company understand the power and necessity of the free market.

Of all the possible applications Drexler and company discuss, perhaps none fuels the imagination quite as much as the role nanotechnology could play in medicine. Noting that the body already uses such “natural molecular machines” as digestive enzymes and hemoglobin, the authors foresee nanomachines augmenting the body’s natural immunosystem, destroying harmful viruses and bacteria even more efficiently than the body’s own white blood cells. Other nanomachines could repair cellular damage, clean out blocked arteries, and even regrow new organs and limbs. At the far end of the technology’s limits, even a slowing or

complete halt of the natural aging process seems possible. Even acne, that eternal teenage scourge, could be eliminated through a nanomachine “cream” that cleaned out individual pores.

Some of what Drexler and company envisage seems pretty far-fetched. It seems highly unlikely that custom, nanomachine-built underground railways will ever become common, much less replace the automobile. And other possibilities lie so far in the future that their mention here treads the border between speculation and fiction. And as with almost any work championing a previously unknown concept, *Unbounding the Future* is far better at outlining the vast possibilities of nanotechnology than at examining some of its equally daunting problems. While there are two chapters devoted to addressing these issues, both fall somewhat short.

In the first, “Limits and Downsides,” the authors make a good case for the long-term benefits of nanotechnology for almost everyone in the world. However, in doing so they gloss over many of the mid-term dislocations it will create. For example, what happens to developing nations when the West not only leaps ahead in industrial productivity, but no longer needs either the raw materials or the labor the Third World previously provided?

In “Safety, Accidents, and Abuse,” the authors ably demolish most of the doomsday scenarios associated with nanotechnology, but are less successful with addressing the possibilities of abuse. For example, the issue of privacy is only briefly touched on (imagine the surveillance potential of nano-bugs and cameras in the hands of a KGB). Although they do note that strict controls on research would only succeed in driving nanotechnology underground or to less regulated nations, they still place entirely too much confidence in the ability of international regulators to slow the spread of nanotechnological weapons. If Saddam Hussein’s sprawling nuclear weapons program could go largely undetected by the world community, the idea of preventing the spread of weapons that can be built in something far smaller than a high school science lab seems hopelessly naive.

Still, all these are minor flaws in a book that tries to map territories others have not even begun to explore. As the authors point out, nanotechnology offers us the possibility to trade old problems for new. If even a fraction of what Drexler and com-

pany envisage comes to pass, the nanotechnology revolution will change the lives of our children as radically as the computer revolution has changed our own, and as the industrial revolution changed our ancestors' almost 200 years ago. □

Mr. Person is former editor of Citizens' Agenda. His work has appeared in National Review, Reason, and other magazines.

IMPOSTORS IN THE TEMPLE

by Martin Anderson

Simon & Schuster, 1230 Avenue of the Americas, New York, NY 10019 • 256 pages • \$22.00.

Reviewed by David M. Brown

A few decades ago, when Martin Anderson was but a grad student, he engaged (just once) in the kind of academic game he has now written a book to decry.

Anderson submitted a paper on trade relations for a course on international economics. It was a straightforward, descriptive treatment—no “theory,” no mathematics. The paper earned a B rather than an A, because, as his professor scribbled next to the grade, it was “empirical.” His paper sadly “didn’t have it.”

What was “it”? Anderson took a wild guess, and his next paper, also slim on theory, rippled with intimidating mathematical equations. “I handed that paper in with a certain foreboding. The theory was so simple, so trivial, that, if clearly understood, it could be laughed at. But, on the other hand, I was confident that [Professor] Kindleberger would not understand the mathematical equations I had used in the exposition of my ‘original theory.’ A few days later I got my grade: an A, with the written comment, ‘I like it’ That was the last mathematical, ‘original theory’ article I ever wrote.”

But others play the same game—Anderson calls it “the glass bead game”—without allowing any passing twinges of self-reproach to stop them. These are the professors who fill the academic journals with calculus-crammed elucidations of the trivial or incomprehensible for the sake of stuffing resumes, impressing indexers, and securing a firmer grip on the next rung of the ladder of academic success. These are the professors who shirk teaching, ruthlessly exploit their grad stu-

dents, and squelch academic freedom in the name of political correctness. Yes, there are still many individuals of integrity in our universities, men and women who produce worthy scholarship and are effective and dedicated teachers; but by Anderson’s reckoning they are an endangered breed. The institutional pressures for conformity are overwhelming.

Most of Anderson’s major contentions about the rot in higher education have already been aired in works like *The Closing of the American Mind*, *Profscam*, and *Illiberal Education*; there has been some debate about what these books have to say, but not yet enough to actually change things. Like all lumbering, entrenched bureaucracies, our colleges and universities are slow to reform. Hence, the more polemical kicks in the pants critical observers can give them, the better. And *Impostors in the Temple* does have quite a number of useful insights and observations to offer.

Anderson begins his investigation by distinguishing between two major types of intellectuals in our culture: the “academic” and the “professional” (or what George H. Smith would call the “market intellectual”). While there is some overlapping between the two groups, they are generally somewhat standoffish toward one another. The academic intellectual is tenured, insulated, simultaneously protected from the discipline of the marketplace and at the mercy of his institutional culture. If he plays by the rules, he need not worry about satisfying the customers. The “professional intellectual,” on the other hand, though he may be as arrogant as any denizen of the *lumpenprofessoriat*, must offer *some* ostensible value to his audience; he cannot afford merely to rack up glass beads in some unread journal, or mumble a disjointed lecture and go home. And however wrong-headed the professional intellectual may be, he tends at a minimum to be intelligible.

But how did the academic intellectual get to be so, well, *academic* (in the pejorative sense of the term)? A major impetus to the decline in standards has been the mushrooming of university enrollment since the 1960s. This engendered a corresponding increase in the demand for professors to teach all the new students. Only a certain small percentage of the general population, however, has both the intellectual capacity for scholarly studies and the patient temperament essential for teaching young and untutored minds. So, with the

sudden increase in demand for professors, standards were trimmed. Then they were trimmed a little bit more. Finally, anyone willing to comply with all the academic rigmarole was accepted into the club. The influence of public funding, much expanded over the years, should also be mentioned, for it made it increasingly feasible for the university culture to ignore once venerable obligations to students and to scholarship.

Anderson also explicitly points the finger at "intellectual pace-setters." In the end, though, he gives too little attention to the influence of philosophical currents, which certainly have been flowing for much longer than a few decades, and which ultimately do shape institutional trends. For this philosophical background, one has to go to books like Allan Bloom's *The Closing of the American Mind* or Leonard Peikoff's *Ominous Parallels*. Without that background the games academicians play are incomprehensible. Why, for example, is mathematics so widely insisted upon as crucial to argumentation in the *social sciences*? There's more involved here than a tacit conspiracy among academic hacks; there is also the legacy of the scientific urge to apply the methods of the physical sciences, which investigate regular phenomena, to the study of the much less predictable activities of persons. Perhaps, though, expediency and philosophical error are comrades-in-arms, each abetting the other. Inscrutable jargon helps protect the perpetrators not only from the public, but from one another; nobody wants to be the first to admit a failure to understand.

Anderson has written a good book, if not a ground-breaking one. His personal experience is invaluable in fleshing out our picture of the modern-day university, showing us just how pervasive and ingrained the corruption has become—to the point where even the most outrageous deeds are met with indifference or hasty rank-closing. To combat this situation, he offers a constructive laundry list of reforms: "change the Ph.D. process," "stop athletic corruption," "end faculty tenure" ("the corrupting influence of a guaranteed job for life far outweighs any arguments in support of the idea"). The problem is not coming up with the right reforms, however, but getting them implemented.

How can tenure be ended, for example? Anderson is willing to let those who already have it, keep it, in a kind of grandfather clause. But then we

would have a two-tiered academy, with untenured newcomers constituting a sort of second class, and perhaps a rather bitter one. Yet Anderson seems right to argue that it is hardly workable to strip tenure from those who have had it and counted on it for many years, at least not in the present context. This implies the need for a larger reform: getting government out of higher education and forcing our universities to be more competitive.

Whatever the best answers are, there's a long haul ahead. By asking many of the right questions, *Impostors in the Temple* helps us draw a road map to a saner future. □

David M. Brown is a free-lance writer.

ECOCIDE IN THE USSR

by Murray Feshbach and Alfred Friendly, Jr.

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Reviewed by Matthew Hoffman

That Communism in Russia failed is an undisputed fact, but for the most part knowledge of its demise has come to us in vague and fragmentary images. We are familiar with the notion that the system collapsed under the weight of its "internal contradictions" (i.e., the impossibility of profit and loss calculation, first pointed out by Ludwig von Mises), and we know that central economic planning impoverished the Soviet people. But the reality that lies behind the political upheavals in the Eastern Bloc has been hidden for years behind false government statistics and propaganda. In recent years, however, the media have gained access to more reliable information. The ruins of the Soviet empire have been opened to reporters, and more accurate statistics are being kept. In *Ecocide in the USSR*, two journalists bring the new statistical data to life with on-the-scene reporting.

Despite its title, *Ecocide* is much more than an environmental horror tale; it is a panoramic look at man-made human misery. The authors are not concerned so much with "the environment" as an end in itself, but with the human environment. Hence, they focus on the tragic health conditions in the former Soviet Union.

A piecemeal statistical profile is slowly taking

form. Seventy-five percent of the former Soviet Union's surface water is polluted, and 25 percent is completely untreated. Over one-third of the former subjects of the Soviet empire live in cities with air containing five or more times the legal limit of pollutants. Eighty percent of rural hospitals have no running water, and half have no sewer connections. Three-quarters are overcrowded.

The health consequences are staggering. Average life expectancy, always low, has actually dropped since the mid-sixties—from 66.1 years to 63.8 years in 1989. Infant mortality runs at 33 deaths per 1000, comparable to that of Malaysia. In 1990, only half of those eligible for the draft were healthy enough to serve.

Much of the problem lies in the corruption that pervaded the Soviets' politicized society. The Soviets boasted of an abundance of licensed physicians, but many of them bribed their way through medical school. As a result, 40 percent of medical school graduates cannot read an electrocardiogram, and half of working pediatricians are "completely ignorant about the properties of 16 widely used drugs." In one region of Turkmenistan, 70 percent of obstetrician-gynecologists lack surgical skills, and half of their patients died in operations as a direct result.

The authors tell of one woman who paid 300 rubles in bribe money to receive a modicum of care at a maternity hospital when she gave birth in 1987. She received no additional attention, and no gynecological examination afterward. Other mothers learned to circumvent the system of "free" medicine through the black market, bribing medical personnel for syringes, sterilizing equipment, and medicines they could administer themselves.

Ecocide also examines the problems facing Soviet agriculture and heavy industry, painting a bleak picture of the laborer's existence in what once was touted as a "worker's paradise." Pesticide use on the Soviets' collective farms was so mismanaged that many workers succumbed to pesticide poisoning while in the fields. Industrial workers fared much worse; in some steel-smelting plants the fumes from the primitive open-hearth furnaces were so thick that employees couldn't see

one another and had to grope around. Ironically, Soviet Communism actually created the very conditions its advocates had imputed to 19th-century capitalism. While life spans and health conditions advanced rapidly in market economies, Soviet living standards stagnated and workers toiled in what the authors, echoing William Blake, call "dark, satanic mills." Dickens and Sinclair together could not have painted a bleaker picture.

Rampant alcoholism, a major detriment to human health in the USSR, grew out of the spiritual malaise of Soviet life. Soviets turned to the bottle as their principal form of escape in many communities. In one village an average adult consumed 60 bottles of vodka a year. Some estimate that 30 million Soviets were chronic drunks in 1989, and on-the-job intoxication was a major social problem.

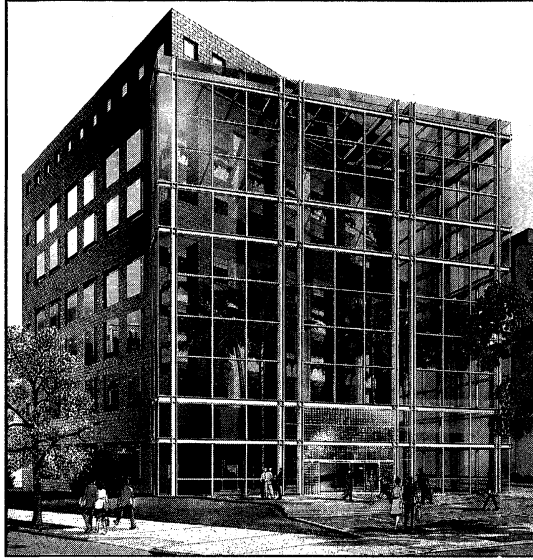
Ecocide is valuable not only as an indictment of Communism, but of environmentalism, which blames economic growth for human health problems and prescribes central planning as a cure for environmental ills. The authors note that the Soviets needed something far beyond the healing arts: a healthy standard of living. In the midst of the accelerating economic failures of the 1990s, the basic indices of Soviet daily life—income, food, and housing—all pointed down, not up. Poor nutrition alone eroded overall public health and jeopardized the survival chances of many newborn children.

The authors properly attribute the problems of the Soviet economy to Communism's inability to perform cost calculations. Although they refuse to dismiss the possibility of central planning, they note that "without a market mechanism to determine the value of credit, goods, and services, [the planners] assigned arbitrary costs and prices to capital, labor, raw material, and equipment."

Ecocide is a valuable addition to the growing literature on Communism's demise. Freedom affords us not only economic prosperity and dignity as individuals; it also brings a cleaner, healthier society. □

Matthew Hoffman is an adjunct policy analyst at the Competitive Enterprise Institute in Washington, D.C.

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The Love of Money

The famous Biblical statement about money is not about money but about loving it. It is the *love* of money that is the root of all evil, not money itself. And that is crucial—love is to be reserved for God, family, and friends—in short, for those who are one's personal intimates, not for anything else. No wonder, then, that if one gets confused and actually loves money or golf or deep sea fishing, thus seriously mistaking one's priorities, it leads one astray and ought to be resisted. But there is nothing actually wrong with money—any more than with golf or deep sea fishing.

—TIBOR R. MACHAN

On Need

In a market economy, consumers get what they want. If you're selling what people want, you will survive; if you're not, you won't. There are no hearings, no votes, no lobbying, no log-rolling, no protesting competitors, no grandstanding by morally superior do-gooders, and no judges.

Determining "need" by a political administrative process is flatly impossible. Information about "need" exists only in the minds of potential customers faced with future conditions and alternatives that are unknowable to them. There is no way that future "needs" can be determined by anyone, even less by a committee that is tugged to and fro by lawyers and others intent on mischief.

The only way to find need is to have an entrepreneur take a chance on his own nickel and see what happens in the market.

—JOHN WENDERS

A Self-Made Nation

Businessmen, self-made men, and entrepreneurs are vilified in film, fiction, and television. From Sinclair Lewis' *Babbitt* to the *Dallas* TV soap opera, and the movie *Roger and Me* about General Motors, businessmen are portrayed as villains and also as graceless, unlettered boors, the true ugly Americans. Why, when we are a nation of self-made men?

Some businessman, some risk taker, had to take a chance on the first railroad, automobile factory, and radio station. On a more prosaic level, someone had to believe in the plastic garden hose, and the stick-on towel rack. More often than not these were individuals who scraped together every nickel they could get their hands on and went to work. Why is there such animosity toward those who are the glue that helps to hold the whole nation together?

IBM founder Thomas Watson started as a sewing machine salesman. He was far from rich, but he had something to offer. Robert Gross borrowed \$17,000 at the height of the Great Depression to buy the nameplate—which was about all that still existed of the Lockheed Aeroplane Company. One of his engineers, Jack Northrop, later struck out on his own, with borrowed money, to start his own company. And so it went with thousands of others who looked into the future, took enormous risks, and in time became successful.

We are a nation of self-made men. And self-made men have made us a self-made nation. They enable us to exist. They are the reason we are unique. To deny this is to deny the color of the grass or the inevitability of the seasons. If there is a moral, it is that we shouldn't be so harsh in our appraisal of the self-made man, the businessman.

—DONALD G. SMITH

Poverty

Poverty has been the natural condition of the world from time immemorial. It remains the condition for the majority of the world's population today. But there is a significant difference. It is no longer the natural condition. Today, each country determines for itself whether it will be rich or poor. Its political policies, past and present, determine its economic status.

One common belief is that countries are poor because they lack capital. But as Lord Bauer has

emphasized, if all the conditions for development except capital are present, capital will soon be generated locally or be imported from abroad.

In brief, a necessary, although not sufficient condition for economic development is the establishment of an "enabling environment," essentially a classical liberal government which maintains order and protects property but does not interfere in the economic realm.

—DAVID OSTERFELD

Science and the State

As applied, for example, to science, [central] planning means the attempt to replace the aims which science sets itself by aims set to science by the government in the interest of public welfare. It makes the government responsible for the ultimate acceptance or rejection by the public of any particular claims of science and for granting or withdrawing protection to particular scientific pursuits in accordance with social welfare. The proper aims of science being denied justification and even reality, the scientist still pursuing them is naturally held guilty of a selfish desire for his own amusement. It will be logical and proper for the politician to intervene in scientific matters, claiming to be the guardian of higher interests wrongly neglected by scientists. It will be sufficient for a crank to commend himself to a politician in order to increase considerably his chances of recognition as a scientist. In fields where scientific criteria allow wide latitude of judgment (e.g., medicine, agricultural science, or psychology) the crank who can enlist political support will find easy openings for establishing himself in a scientific position. Thus corruption or outright servitude will weaken and narrow down the true practice of science; will distort its rectitude and whittle down its freedom. And it will similarly distort and whittle down all rectitude and freedom in every field of cultural and political activity.

—MICHAEL POLANYI

Science, Faith and Society

The Coming of Christ

by John W. Robbins

This December 25 more than a billion people will celebrate the birth of Jesus Christ. The celebration is doubly ironic, for the date is not his birthday, and many celebrants have forgotten—or perhaps have never learned—the meaning of his birth. One of the most enthusiastic celebrants of Christmas I have known was an atheist. She loved the decorations, the smells, the songs, the food and drink, the smiling faces of children, the gifts, and the fleeting feeling of goodwill. She, like many others, was a devotee of Christmas, but not of Christ.

This is a tragedy of eternal proportions, for the work of Christ—his birth, life, death, and resurrection—is the most important event in the history of mankind. Christ's life is the point from which we date all of world history, and it is impossible to understand Western civilization, especially the United States, without understanding Christianity.

It has been almost 2,000 years since Jesus was born, and since that time our world has changed immensely. Jesus, born and reared in small towns in Judea, one of the outlying provinces of the Roman Empire, lived only 33 years—a young man by modern standards—and taught only three years—a short career—before he was tortured and executed by a local mob and the Roman government. Had he been an ordinary man, it would all have ended there. No one would have noticed. At best he would have been another statistic in the

long annals of cruelty inflicted by Rome. But Jesus was far from ordinary; he was and is the second person of the Trinity, the *Logos*, the Logic and Wisdom of God incarnate. Three days after his crucifixion, he walked out of his guarded tomb, just as he had predicted. The worst the Empire could do had failed. Jesus was alive.

About 600 years earlier and a few hundred miles to the east, King Nebuchadnezzar of the great empire of Babylonia had had a dream. He saw “a great image. This great image, whose splendor was excellent, stood before” the King, and “its form was awesome. This image's head was of fine gold, its chest and arms of silver, its belly and thighs of bronze, its legs of iron, its feet partly of iron and partly of clay.” The King watched “while a stone was cut out without hands, . . . struck the image on its feet of iron and clay, and broke them in pieces. The iron, the clay, the bronze, the silver, and the gold were crushed together, and became like chaff from the summer threshing floors; the wind carried them away so that no trace of them was found. And the stone that struck the image became a great mountain and filled the whole earth.”¹

In this way God, through Daniel, foretold the coming of Christ. He was the stone that would crush the great image into dust and blow it away, and the image was the empires and rulers of the world. For the past two thousand years the stone

has been growing, sometimes imperceptibly, sometimes rapidly, always inexorably. The spread of Christianity has profoundly changed society, its institutions, its beliefs, and its culture. What has emerged is nothing less than a new civilization.

The World Before Christmas

Americans, if we think about the subject at all, sometimes entertain a romantic and idealized view of Greece and Rome as peaceful, pleasant, and free societies. We see the statuary and the ruins, we hear the philosophers discussed, and we read the exploits of the Caesars. Athens, we are told, was a model of enlightenment and democracy, and Rome was a model of justice and law. It is largely to Greece and Rome, to their philosophers and statesmen, so the story goes, that we owe our freedom, our civilization, and our prosperity.

The World Book Encyclopedia, commonly used by high school students, informs its readers that “The principles that bound the Roman Empire together—justice, tolerance, and a desire for peace—influenced countless generations.” But the very next sentence—so startling in contrast to the first—is closer to the truth: “Roman cruelty and greed caused great misery, and the use of force brought hardship and death.”² Rome was an empire of violence, not justice; it was held together by the force of the feared Roman legions. It tolerated no disobedience, and peace was a rare event. Even at its best, the *Pax Romana* during the first and second centuries of the Christian era, the Empire was, in Livy’s words, “rich in catastrophe, fearful in its battles, fertile in mutinies, bloody even in peace.”³ The debt that we owe to Greece and Rome has been somewhat exaggerated. To understand the impact of the coming of Christ, one must have a more accurate understanding of the classical world.

Religion. The religion of Rome and Greece was everywhere. On Paul’s arrival in Athens he found a city “given over to idols.”⁴ Dreams, omens, ghosts, apparitions, and the “evil eye” were both feared as sources of harm and sought as sources of guidance. Astrology was a science and part of high culture, enjoying the respect psychoanalysis and psychiatry do today. Idols and images were everywhere. Animal sacrifice was a regular part of reli-

gious worship, and festivals and holidays—by one count 109 days each year were holidays in Rome—were frequent. Temple prostitution was commonplace. The city of Corinth, a center of religious devotion, became synonymous with sexual immorality. To “corinthianize” was to engage in the most perverted and debauched sexual practices. In the pagan culture of Rome, homosexuality was commonplace and accepted.

The Greek and Roman gods and goddesses were men and women larger than life. They fought, they schemed, they lied, they got drunk, they raped, and they committed incest. The Romans worshiped twelve major gods and goddesses and thousands of lesser gods, which had arisen from the animism of early Rome. There were gods for war, fertility, love, harvest, travel, doors, and so forth. Each god and goddess had his or her own sphere of influence; the devout Roman did not worship one god to the exclusion of others, but worshipped all as the circumstances demanded. Prayers and pilgrimages to shrines and temples were a common part of life in the ancient world. Rome was a very religious society.

Roman and Greek religion was very different from Christianity, not only in its polytheism, but in the fact that the pagan religions did not emphasize learning, understanding, and teaching: They had no sermons, no books to be studied, no doctrine to believe. “The chief objects of pagan religions,” Lecky tells us, “were to foretell the future [through the study of animal entrails and later the questioning of oracles], to explain the universe, to avert calamity, [and] to obtain the assistance of the gods. They contained no instruments of moral teaching analogous to our institution of preaching, or to the moral preparation for the reception of the sacrament, or to confession, or to the reading of the Bible, or to religious education, or to united prayer for spiritual benefits.”⁵

Those things, to the extent they were done in Rome, were functions of the philosophers, who were both an elite and largely unconnected with the religious cult. Christianity, by contrast, made theological and moral teaching central and available to all, not just to the aristocratic classes thought to be capable of virtue. “Under its [Christianity’s] influence doctrines concerning the nature of God, the immortality of the soul, and the duties of man, which the noblest intellects of antiquity

could barely grasp, have become the truisms of the village school, the proverbs of the cottage and of the alley."⁶

Because of the variety of gods in Rome, some historians have mistakenly concluded that Rome enjoyed religious liberty. But the command of the Twelve Tables (c. 450 B.C.), as well as the persecution of religious dissenters, makes it clear that religious liberty was not a feature of Roman society: "Let no one have gods on his own, neither new ones nor strange ones, but only those instituted by the State." In the second century after Christ, the pagan jurist Julius Paulus reported a contemporary legal decree: "Of those people who introduce new religions with unknown customs or methods by which the minds of men could be disturbed, those of the upper classes shall be deported, those of the lower classes shall be put to death." The only religions permitted in Rome were those licensed and approved by the State.

Both the Greek polis and the Roman Empire were totalitarian church-states. Socrates was executed for being an atheist, that is, for not believing in the gods of the polis. Many others suffered the same fate. A letter that Pliny the Younger, Special High Commissioner to the provinces of Bithynia and Pontus, wrote to Trajan the Emperor in A.D. 111 illustrates both Rome's treatment of religious dissenters and its lack of a justice system: "This is the plan which I have adopted in the case of those Christians who have been brought before me. I ask them whether they are Christians; if they say yes, then I repeat the question a second and a third time, warning them of the penalties it entails, and if they still persist, I order them to be taken away to prison. For I do not doubt, whatever the character of the crime may be which they confess, their pertinacity and inflexible obstinacy certainly ought to be punished. . . ." In Rome, pertinacity was a crime punishable by indefinite incarceration.

Pliny explained what his subjects were required to do in order to regain their freedom: "Those who denied that they were or had been Christians and called upon the gods in the usual formula, reciting the words after me, those who offered incense and wine before your [the Emperor's] image, which I had given orders to be brought forward for this purpose, together with the statues of the deities—all such I considered should be discharged, especially as they cursed the name of Christ, which, it is said, those who are really Chris-

tians cannot be induced to do." In Rome one could escape punishment by worshipping the Emperor and the gods.

In a case in which some persons had anonymously accused their neighbors of being Christians, Pliny "thought it the more necessary . . . to find out what truth there was in these statements [of accusation] by submitting two women, who were called deaconesses, to the torture. . . . Many persons of all ages, and of both sexes alike, are being brought into peril of their lives by their accusers, and the process [of inquisition and punishment] will go on. For the contagion of this superstition has spread not only through the free cities, but into the villages and rural districts, and yet it seems to me that it can be checked and set right. It is beyond doubt that the [pagan] temples, which have been almost deserted, are beginning again to be thronged with worshippers, that the sacred rites which for a long time have been allowed to lapse are now being renewed, and that the food of the sacrificial victims is once more finding a sale."⁷ Pliny is pleased to report that his methods of torture and imprisonment are encouraging people to worship the gods, and that business is booming.

In his letter to Trajan, Pliny emphasizes that worshipping the Emperor is the way to avoid punishment. At the time of Christ, the imperial cult was the cult that unified Rome. Tiberius succeeded Augustus as Emperor in A.D. 14. Here are a few excerpts from a letter Tiberius sent to the magistrate of the city of Gytheon, instructing him in the proper rituals of the imperial cult: "Tiberius Caesar Augustus, son of the god Augustus, pontifex maximus. . . . He should place an image of the god Augustus Caesar the father on the first [chair], one of Julia Augusta on the second from the right, and one of Tiberius Caesar Augustus on the third. . . . Let a table [for sacrifices] be set by him in the middle of the theater and an incense burner be placed there, and let the representatives and all magistrates offer sacrifice. . . . Let him conduct the festival on the first day in honor of the god Augustus the Savior and Liberator, son of the god Caesar. . . ."⁸

The worship of the State, in the person of the divine Emperor, was the core of pagan society at the time of Christ.

War and Peace. The pagan world was not peaceful either. Livy reports that the Roman

Republic was at peace only twice in its entire history, once at the end of the First Punic War in the mid-third century B.C. and once in 30 B.C. after Augustus' defeat of Antony and Cleopatra. Athens, usually considered one of the most peaceful of the Greek city-states, was at war more than two years out of every three between the Persian Wars and 338 B.C., when Philip of Macedon was defeated. The following three centuries were even worse. Athens never enjoyed ten consecutive years of peace.

War was a way of life in the ancient world. In the opening pages of the *Laws*, Plato has Clinias say that "what most men call peace is merely an appearance; in reality all cities are by nature in a permanent state of undeclared war against all other cities." In his dialogues Plato describes a sanitized Athens of intellectuals discoursing and discussing philosophical questions, strolling about the city, eating and drinking from house to house. "Yet for most of the time which Plato describes, Athens was fighting a long and bloody war in which at least half the population died, many of them from a particularly horrifying plague which scarred even those who survived it, and which was partly the consequence of the unsanitary conditions in which vast numbers of citizens were camped, at first in the heat of summer and later all year, on every available space of open or sacred land within the city walls."⁹

As for Rome, "In the half century of the Hannibalic and Macedonian Wars, ten percent and often more of all adult Italian males were at war year by year, a ratio that rose during the wars of the first century B.C. to one in every three males." Finley traces the prevalence of warfare in the ancient world to pagan religion: "Neither the enormously powerful Roman Mars nor the weaker Greek Ares received the slightest competition from the minor divinities of peace. It was always assumed that divine support was available for a war. . . . [T]he gods through their oracles and signs [never] recommended peace for its own sake. . . ."¹⁰ It is revealing that despite perpetual war in Greece and Rome, war was neither the title nor topic of a single ancient philosophical treatise. The *Pax Romana* during the first two centuries of the Christian era, although an improvement from earlier centuries, was punctuated by wars on the Empire's frontiers and the destruction of Jerusalem in A.D. 70.

Economics, Slavery, and Work. At the time of Christ, the population of Roman Italy comprised five to six million free citizens and one to two million slaves. Many slaves worked the mines of the Roman Empire, and they were sometimes forced to live below ground until they died. Slaves were forbidden to marry, and the power of masters over their slaves was absolute. The castes of Roman society—slaves, plebeians, notables, and nobles—were not so rigid at the time of Christ as they had been in earlier centuries, but Roman society remained radically unequal.

The Empire's military conquests resulted in the influx of hundreds of thousands of slaves to Rome. These slaves were used not only for work, but for entertainment as well in the gladiatorial combats that both nobles and proles loved to attend. The enthusiasm of the Romans for gladiatorial shows both produced and reflected a savage delight in the infliction of pain. Thousands of slaves died entertaining the Romans. Because they were unmistakable evidence of the cruelty and will to rule of the Roman elite, the gladiatorial "games" were part of the official celebration of the Emperor in every large city.

Apart from the gladiatorial system, "numerous acts of the most odious barbarity were committed: . . . Flaminius ordering a slave to be killed to gratify, by the spectacle, the curiosity of a guest; . . . Vedius Pollio feeding his fish on the flesh of slaves; . . . Augustus sentencing a slave, who had killed and eaten a favorite quail, to crucifixion. . . . Old and infirm slaves were constantly exposed to perish on an island of the Tiber."¹¹

Slavery was not only the ubiquitous practice of the pagan world, it was the theory as well. The best of the Greek philosophers, Plato and Aristotle, defended slavery, for slaves were naturally inferior beings. The treatment of slaves, children, and women reflected the judgment of Aristotle that "the deliberative faculty is not present at all in the slave, in the female it is inoperative, in the child undeveloped." The Christian notion that all men are created in the image of God, and that the image of God is rationality, was foreign to the pagan philosophers and societies.

In any society in which slavery plays a major role, idleness is a virtue. So it was in Rome. The Romans held labor in contempt and scorned those who worked with their hands. The workingman was base and a social inferior. All freedmen were

artisans and shopkeepers; most shopkeepers and artisans were freedmen; and all were despised. "No one," Aristotle wrote, "who leads the life of a worker or laborer can practice virtue." The eloquent Demosthenes, defending himself before an Athenian jury, presented his argument this way: "I am worth more than Eschinus [the plaintiff] and I am better born than he; I do not wish to seem to insult poverty, but I am bound to say that it was my lot as a child to attend good schools and to have had sufficient wealth that I was not forced by need to engage in shameful labors. Whereas you, Eschinus, it was your lot as a child to sweep, as might a slave, the classroom in which your father served as teacher." Demosthenes easily won his case.

Seneca, the tutor and later the victim of Nero, wrote that "The common arts, the sordid arts, are according to the philosopher Posidonius those practiced by manual laborers, who spend all their time earning their living. There is no beauty in such occupations, which bear little resemblance to the Good." Cicero believed that "wage labor is sordid and unworthy of a free man, for wages are the price of labor and not of some art; craft labor is sordid as is the business of retailing."

Rome's control over the economy was hampered by the primitiveness of the economy. But wherever economic activity could be controlled, the worldly philosophers and statesmen believed the State had the right to do it. A basic feature of the constitution of Sparta was complete control of economic activity. The silver mines of Laurium were owned by Athens. *Economics*, probably written in the third century before Christ and incorrectly attributed to Aristotle, recounts how rulers filled their coffers by robbery and exploitation of their people. The book assumes that every sort of private property is at the disposal of the state. Hasebroek, writing in *Trade and Politics in Ancient Greece*, reports that the control of economic activity in the poleis was tyrannical.

As for Rome, "wholesale uncompensated confiscation of private estates and peasant farms to provide bonuses for soldiers was not an uncommon practice. . . . Eventually all generations of workers—oil-suppliers, butchers, fish handlers, bakers, transport and mine workers, and minor government officials—were frozen in their occupations to stabilize taxes and balance the budget."¹² For the pagans, statecraft was soulcraft. Fustel de Coulanges concludes that "The An-

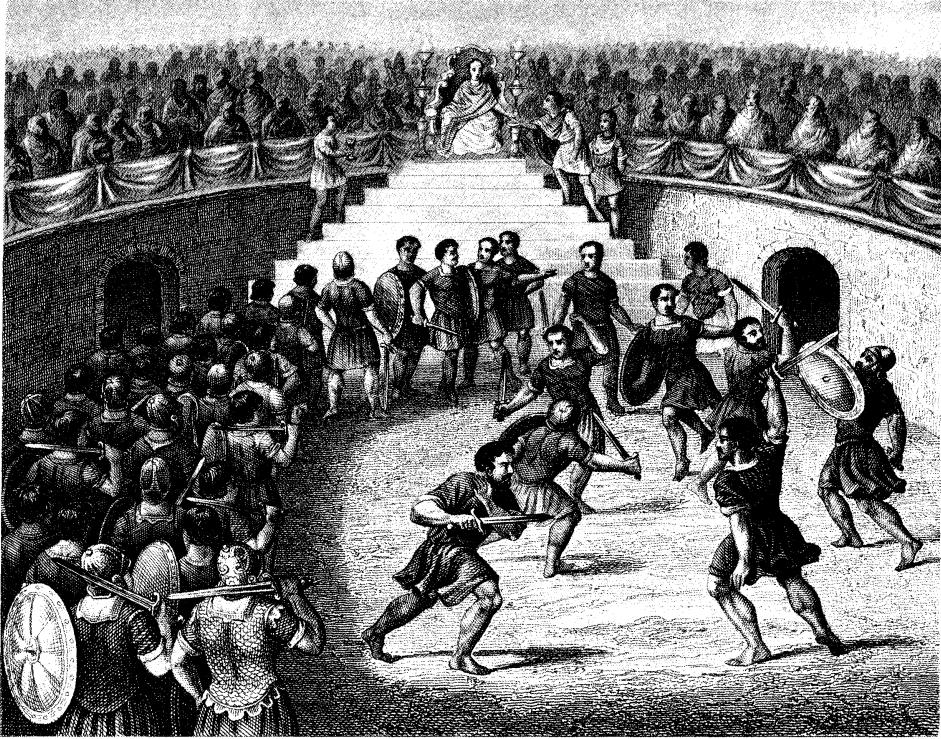
cients, therefore, knew neither liberty in private life, liberty in economics, nor religious liberty."¹³

Life and Death. In the ancient world abortion, the exposure of infants, infanticide, and suicide were common and legal. At the coming of Christ, the Roman governor in Judea, Herod the Great, in an attempt to murder Jesus, ordered that all the male infants in Bethlehem and the region surrounding it, from two years old and younger, be put to death.

The head of the Roman family had the power of life and death—*patria potestas*—over his children and slaves. At birth, the midwife would place the newborn on the ground, where he would remain unless the father took the child and raised him from the earth. If the father did not raise the child, he—or more likely she—was left to die in some public place. The pagans exposed their children because they were poor, ambitious, or concerned about their "quality of life": "so as not to see them corrupted by a mediocre education that would leave them unfit for rank and quality," to quote Plutarch. The first Christians rescued thousands of children discarded by the pagans. Thousands were also rescued by pagans, who would raise them to be slaves and prostitutes. If infants were born with defects, they were frequently killed, rather than exposed. Infanticide was not merely the practice of the pagans, it was their doctrine as well: Plato and Aristotle endorsed infanticide, and Seneca wrote: "What is good must be set apart from what is good for nothing."

According to Roman law, the power of the father over his children remained as long as he lived. An adult Roman man could do nothing without his father's consent; his father could even sentence him to death.

The contrast between paganism and Christianity is clearest in these matters of life and death. In his *History of European Morals*, Lecky writes: "The first aspect in which Christianity presented itself to the world was as a declaration of the fraternity of men in Christ. Considered as immortal beings, destined for the extremes of happiness or of misery, and united to one another by a special community of redemption, the first and most manifest duty of a Christian man was to look on his fellowmen as sacred beings, and from this notion grew up the eminently Christian idea of the sanctity of all human life. . . ."



Gladiatorial contests in Ancient Rome.

It is not the laws of nature that determine behavior or ethics, for “nature does not tell man that it is wrong to slay without provocation his fellowmen. . . . [I]t is an historical fact beyond all dispute that refined, and even moral, societies have existed in which the slaughter of men of some particular class or nation has been regarded with no more compunction than the slaughter of animals in the chase. The early Greeks, in their dealings with the barbarians; the Romans, in their dealings with gladiators, and in some periods of their history with slaves; the Spaniards in their dealings with Indians; nearly all colonists removed from European supervision, in their dealings with an inferior race; and an immense proportion of the nations of antiquity, in their dealings with new-born infants—all have displayed this complete and absolute callousness. . . .”

Rather than the laws of nature, it was the teaching of Christianity that changed ancient culture: “Now it was one of the most important services of Christianity that, besides quickening greatly our benevolent affections, it definitely and dogmatically asserted the sinfulness of all destruction of human life as a matter of amusement or of simple

convenience, and thereby formed a new standard, higher than any which existed in the world.

“The influence of Christianity in this respect began with the very earliest stage of human life. The practice of abortion was one to which few persons in antiquity attached any deep feeling of condemnation. . . . In Greece, Aristotle not only countenanced the practice, but even desired that it should be enforced by law when population had exceeded certain assigned limits. No law in Greece, or in the Roman Republic, or during the greater part of the Empire, condemned it. . . . A long chain of writers, both pagan and Christian, represent the practice as avowed and almost universal. They describe it as resulting, not simply from licentiousness or from poverty, but even from so slight a motive as vanity, which made mothers shrink from the disfigurement of childbirth. . . . They assure us that the frequency of the crime was such that it gave rise to a regular profession.

“If we pass to the next stage of human life, that of the new-born infant, we find ourselves in [the] presence of that practice of infanticide which was one of the deepest stains of the ancient civilization. . . . Infanticide . . . was almost universally admitted

among the Greeks, being sanctioned, and in some cases enjoined, upon what we should now call 'the greatest happiness principle,' by the ideal legislations of Plato and Aristotle, and by the actual legislations of Lycurgus and Solon."¹⁴

But it was not only public violence that was condoned and encouraged at the time of Christ; suicide was also a virtue. "Suicide was accepted, even admired. The courage of the man who decides to end his suffering and accept eternal rest was extolled by the philosophers, for suicide proved the truth of the philosophical notion that what matters is the quality and not the quantity of time that one lives."¹⁵

Law and Government. Rome is commonly supposed to have given us our system of justice, but the law of Rome at the time of Christ was quite unjust: "In a society as unequal and inegalitarian as the Roman, it is obvious that formal rights, however clear, had no reality, and that a weak man had little to gain by going to court. . . ."¹⁶

Veyne gives this example of Roman law: "Suppose that all I own in the world is a small farm. . . . A powerful neighbor covets my property. Leading an army of slaves, he invades my land, kills those of my slaves who try to defend me, beats me with clubs, drives me from my land, and seizes my farm. What can I do? A modern citizen might say, go to court . . . to obtain justice and persuade the authorities to restore my property. . . ."

"For one thing, the aggression against me by my powerful neighbor would have been considered a strictly civil offense; it would not have been covered by the penal code. It would have been up to me, as plaintiff, to see to it that the defendant appeared in court. In other words, I would have had to snatch the defendant from the midst of his private army, arrest him, and hold him in chains in my private prison until the day of judgment. Had this been beyond my power, the case would never have been heard. . . ."

If, however, the victim succeeds in raising an army, capturing his enemy, bringing him to trial, and winning, "it then would have been up to me to enforce that judgment, if I could. . . . [A] judge could not sentence a defendant simply to restore what he had taken. Leaving my farm to its fate, the judge would authorize me to seize my adversary's chattels real and personal and sell them at auction, keeping a sum equal to the value placed on my

farm by the court . . . and returning the surplus to my enemy. Who would have considered recourse to a system of justice so little interested in punishing social transgressions?"

But the systemic injustice of the Roman legal system was compounded by its systematic corruption. "A Roman noble (or even a mere notable) [had] more in common with [a] 'godfather' than with a modern technocrat. Getting rich through public service . . . never stood in the way of taking public service for one's ideal. . . ."

"The honest functionary is a peculiarity of modern Western nations. In Rome every superior stole from his subordinates. The same was true in the Turkish and Chinese empires, where baksheesh was the general rule. . . . Every public function was a racket, those in charge 'put the squeeze' on their subordinates, and all together exploited the populace. This was true during the period of Rome's greatness as well as during the period of its decline. . . . Even the least important public positions . . . , such as apparitor or clerk of the courts, were sold by their incumbents to aspiring candidates, because every position carried with it a guaranteed income in the form of bribes. . . . Ancient bureaucracy was nothing like our bureaucracy. For millennia sovereigns relied on racketeers to extort taxes and control their subjects."¹⁷

Even the renowned Roman legions operated this way. Tacitus tells us that "Soldiers traditionally bribed their officers for exemption from service, and nearly a quarter of the personnel of every regiment could be found idling about the countryside or even lounging around the barracks, provided their officer had received his kickback. . . . Soldiers got the money they needed from theft and banditry or by doing the chores of slaves. If a soldier happened to be a little richer than the rest, his officer beat him and heaped duties upon him until he paid up and received dispensation." Cicero, himself a senator, wrote that the "senatorial way to get rich" was to plunder the provinces under one's jurisdiction. Cicero prided himself on his honesty: After governing a province for a year, he was making the equivalent of a million dollars per year, a sum considered quite small.

The World After Christmas

Christ was born within this pagan culture. But his kingdom, as he explained later, while it was in

this world, was not of it.¹⁸ It found its source, its authority, and its principles elsewhere. Instead of the prevailing polytheism of Greece and Rome he taught monotheism: "I and my Father are one."¹⁹ Instead of the sinful and limited gods of paganism, Christ taught the holy and transcendent God, creator of heaven and earth, ruler of all things. Instead of the pagan gods whose primary pastimes were violence, sexual immorality, and indolence, he taught a rational God who plans and works: "My Father works even until now, and I work."²⁰ He reiterated and explained the Ten Commandments with their condemnations of idolatry, of the use of images and statuary in worship, of profanity, of disrespect for parents and the Lord's Day, of idleness, of murder, of sexual immorality, of theft, of lying, and of covetousness.²¹ Even more important than the law, Christ bestowed grace to enable sinners, helpless in themselves, to believe and obey. Instead of the pagan notion that if men are to have truth, they must discover it on their own power, he taught that God graciously reveals truth to men, and that the revealed truth is written so that all, not just the aristocratic few, might know.

Against the totalitarianism of the pagan world empires, Christ taught the limitation of state power and the separation of church and state: "Render therefore to Caesar the things that are Caesar's, and to God the things that are God's."²² Neither Caesar nor any other man was Pontifex Maximus. Christ himself was the way, the truth, and the life, the only mediator between God and man. He explicitly challenged the political regimes of the pagans: "You know that the rulers of the Gentiles lord it over them, and those who are great exercise dominion over them. Yet it shall not be so among you; but whoever desires to become great among you, let him be your servant."²³ Christ demanded that rulers serve, not control, their people. He outlined a limited role for civil government, not as the shaper of souls, as in pagan philosophies, but simply as the punisher of criminals. He founded a church whose government was republican, whose leaders were elected by the people, and whose constitution was written. Inspired by his words, the American Founders made their plans for a new Republic, a government of the people, by the people, and for the people.²⁴

The early Christians, condemned by learned pagans²⁵ such as Celsus and Porphyry as stupid, foolish, and superstitious, were not killed for their

stupidity, but because they rejected the highest value of pagan society: worship of the totalitarian state. The Christians rejected Aristotle ("The State is the highest of all. . . . Citizens belong to the State. . . .") and followed Christ. Christ, in dying for the salvation of individual men, exalted both the individual and God. God is eternal and men are immortal; nations and rulers pass away. After Christ, Rome was no longer the eternal city; now, only individual men were immortal.

Christ taught that man was a creature of God and the lord of creation. Man's ancestry was not animal, but divine, and the earth was made for man. Individual men were immortal; what they believed and did on earth would have eternal consequences. After death, they did not descend into a shadow land, but were required to give an account of their lives to their maker and judge. All men were equal before God and his law, and each man would be judged individually. The groups of pagan society—the nobles, the proletariat, the slaves, the citizens, the men, the women, the barbarians—meant nothing to God. In the new Christian faith, "There is neither Jew nor Greek, there is neither slave nor free, there is neither male nor female; for you are all one in Christ Jesus."²⁶

Because Christ's rule was to be accomplished by persuasion rather than coercion²⁷—it was to be an empire of ideas, not violence—it has taken centuries for Christian ideas to be believed and absorbed into practice. Nevertheless, as the anguished wailing of Friedrich Nietzsche in the nineteenth century so clearly indicates, that absorption of ideas has been widespread, though far from complete.

The Impact of Christianity. Harold Berman has outlined the spread of Christianity and its effect on society in these words: "Under the influence of Christianity, the Roman law of the postclassical period reformed family law, giving the wife a position of greater equality before the law, requiring mutual consent of both spouses for the validity of a marriage, making divorce more difficult . . . , and abolishing the father's power of life or death over his children; reformed the law of slavery, giving a slave the right to appeal to a magistrate if his master abused his powers and even, in some cases, the right to freedom if the master exercised cruelty, multiplying modes of manumis-

sion of slaves, and permitting slaves to acquire rights by kinship with freemen; and introduced a concept of equity into legal rights and duties generally, thereby tempering the strictness of general prescriptions."²⁸ Even the codifications of Roman law that came with Justinian and later were due to the belief that "Christianity required that the law be systematized as a necessary step in its humanization."

Christianity had the same effect on the barbarians who entered Rome in A.D. 410: "The rulers of the Germanic, Slavic, and other peoples of Europe during roughly the same era (from the fifth to the tenth centuries) presided over a legal regime consisting chiefly of primitive tribal customs and rules of the blood feud. It is more than coincidence that the rulers of many of the major tribal peoples, from Anglo-Saxon England to Kievan Russia, after their conversion to Christianity, promulgated written collections of tribal laws and introduced various reforms. . . . The Laws of Alfred (about A.D. 890) start with a recitation of the Ten Commandments and excerpts from the Mosaic law. . . ."

The Reformation. But it was not until the Reformation that the teachings of Christ largely freed themselves from the melange of pagan and Christian law that prevailed during the Middle Ages. Martin Luther's courageous rejection of ecclesiastical tradition and authority in the name of revelation and reason laid the theological foundation for the emergence of religious freedom in the modern world. The result was political, civil, and economic freedom.

Berman argues that "the key to the renewal of law in the West from the sixteenth century on was the Protestant concept of the power of the individual, by God's grace, to change nature and to create new social relations through the exercise of his will. The Protestant concept of the individual will became central to the development of the modern law of property and contract. Nature became property. Economic relations became contract. . . . The property and contract rights so created were held to be sacred and inviolable, so long as they did not contravene conscience [informed by Scripture]. . . . And so the secularization of the state, in the restricted sense of the removal of ecclesiastical controls from it, was accompanied by a spiritualization,

and even a sanctification, of property and contract."²⁹

After Luther came Calvin: "Calvinism has also had profound effects upon the development of Western law, and especially upon American law. The Puritans carried forward the Lutheran concept of the sanctity of individual conscience and also, in law, the sanctity of individual will as reflected in property and contract rights. . . . [S]eventeenth century Puritans, including men like [John] Hampden, [John] Lilburne, [Walter] Udall, William Penn and others, by their disobedience to English law, laid the foundations for the English and American law of civil rights and civil liberties as expressed in our respective constitutions: freedom of speech and press, free exercise of religion, the privilege against self-incrimination, the independence of the jury from judicial dictation, the right not to be imprisoned without cause, and many other such rights and freedoms. We also owe to Calvinist congregationalism the religious basis of our concepts of social contract and government by consent of the governed."³⁰ Our debt to Greece and Rome has been exaggerated; our debt to Christianity has been ignored.

Judea Against Rome

Despite the progress made in Europe and America since the sixteenth century, a resurgence of paganism now threatens Western civilization. Among modern philosophers it is the nineteenth-century pagan Friedrich Nietzsche who has best understood the "revaluation of all values" that Christianity achieved. Christianity overthrew the "aristocratic values" of Greece and Rome and established a new set of values.

In his *Genealogy of Morals* Nietzsche wrote: "The symbol of this struggle, inscribed in letters legible across all human history, is 'Rome against Judea, Judea against Rome.' There has hitherto been no greater event than *this* struggle, *this* question, *this* deadly contradiction. . . . One has the right to link the salvation and future of the human race with the unconditional dominance of aristocratic values, Roman values. . . . The Romans were the strong and noble, and nobody stronger and nobler has yet existed on earth or even been dreamed of."³¹

Nietzsche longed, not only for the values of the

noble Greeks and Romans, but for their gods as well: "[T]he conception of gods in itself need not lead to the degradation of the imagination . . . [for] there are nobler uses for the invention of gods than for the self-crucifixion and self-violation of man in which Europe over the past millennia achieved its distinctive mastery—that is fortunately revealed even by a mere glance at the Greek gods, those reflections of noble and autocratic men, in whom the animal in man felt deified and did not lacerate itself, did not rage against itself."³²

Nietzsche denied that man was lord of the creation: "We no longer derive man from 'the spirit' or 'the deity'; we have placed him back among the animals. . . . Man is by no means the crown of creation; every living being stands beside him on the same level of perfection."³³ Anticipating the neo-pagan environmental movement of the twentieth century, Nietzsche declared: "Our whole attitude toward nature, the way we violate her with the aid of machines and the heedless inventiveness of our technicians and engineers, is *hubris*. . . ." ³⁴

But Nietzsche's aristocratic paganism did not merely herald the environmental movement; it was an omen of the eruption of political and economic paganism in the twentieth century. Nietzsche decried "the poison of the doctrine of 'equal rights for all. . . . 'Immortality,' conceded to every Peter and Paul," he screeched, "has so far been the greatest, the most malignant, attempt to assassinate *noble* humanity."³⁵

Nietzsche praised the values of Rome: "What is good? Everything that heightens the feeling of power in man, the will to power, power itself. What is bad? Everything that is born of weakness. What is happiness? The feeling that power is growing, that resistance is overcome. Not contentedness, but more power; not peace, but war; not virtue, but fitness. . . ." He "welcome[d] all signs that a more manly, a warlike, age is about to begin, an age which, above all, will give honor to valor once again."³⁶

Before he finally went insane, Nietzsche called himself the Antichrist, for he despised Christianity, its "slave morality," and its civilization. For the past century paganism has been resurgent, but it will end: Christ will continue to crush world

empires, and of his government and peace there shall be no end. □

1. Daniel 2.

2. "The Roman Empire," v. 16, pp. 380-381.

3. The ancient world was one "in which a large part of the labor force worked under various forms of non-economic compulsion, in which for a long period and over wide stretches of territory gladiatorial combats to the death provided the most popular form of public entertainment for the elites and the masses alike, in which brigandage and piracy and reprisals were often encouraged and even practiced by 'civilized' governments." M.I. Finley, *Ancient History* (New York: Penguin Books, 1987), pp. 70-71.

4. Acts 17:16.

5. W.E.H. Lecky, *History of European Morals* (London: Watts and Company, 1946 [1869]), Part II, p. 1.

6. Lecky, p. 2.

7. Ramsay MacMullen and Eugene N. Lane, editors, *Paganism and Christianity 100-425 C.E.* (Minneapolis: Fortress Press, 1992), pp. 164-165.

8. MacMullen and Lane, pp. 74-75.

9. Oswyn Murray, "Life and Society in Classical Greece," *The Oxford History of the Classical World* (New York: Oxford University Press, 1986), p. 205.

10. M.I. Finley, p. 68.

11. Lecky, Part I, p. 127.

12. E.G. Welton, *Athens and Jerusalem* (Atlanta: Scholars Press, 1987), p. 34.

13. *The Ancient City* (Garden City: Doubleday, n.d.), pp. 222-223.

14. Lecky, Part II, pp. 9-11.

15. Murray, p. 229.

16. Paul Veyne, "The Roman Empire," *A History of Private Life* (Cambridge: Harvard University Press, 1987), p. 166.

17. Veyne, pp. 167, 97-98, 100.

18. John 18:36.

19. John 10:30.

20. John 5:17.

21. Matthew 5:7.

22. Matthew 22:21.

23. Matthew 22:20.

24. The words are, of course, Lincoln's, but he got them from John Wyclif, who wrote of his English translation of the Bible: "This Bible is for the government of the people, by the people, and for the people."

25. It is an odd fact that there are so few references to Christianity among the extant writings of the pagan scholars and philosophers. It is almost as if they did not see the coming of Christianity, just as they were unaware of the coming of Christ. Perhaps it was because Christ was a Jew and the son of a carpenter, and Christianity was not a movement of the aristocratic classes, but of the scorned business, worker, and slave classes.

26. Galatians 3:28.

27. "Go therefore and make disciples of all nations, baptizing them in the name of the Father and of the Son and of the Holy Spirit, teaching them to observe all things that I have commanded you. . . ." Matthew 28:19-20.

28. Harold Berman, *The Interaction of Law and Religion* (London: SCM Press, 1974), p. 53.

29. Berman, pp. 64-65.

30. Berman, pp. 66-67.

31. First Essay, section 16.

32. Second Essay, section 23.

33. *The Antichrist*, section 14. One might contrast Nietzsche with John Calvin, who wrote: "Men themselves...are the most illustrious ornament and glory of the earth. If they should fail, the earth would exhibit a scene of desolation and solitude, not less hideous than if God should despoil it of all its other riches." *Commentary on Psalm 24*.

34. *The Genealogy of Morals*, Third Essay, section 9.

35. *The Antichrist*, section 43.

36. *The Gay Science*, 283.

Markets in the Post-Cold War Era: Controlled or Free?

by Amy L. Sherman

A Capitalist Revolution?

The fall of the Berlin Wall in November 1989 sent tremors rippling further than those of the most powerful earthquakes. Across the globe, ideologies of state control were shaken at their foundations. Even before November, "perestroika" had begun to move south. President Salinas of Mexico had adopted an economic reform program dubbed "Thatcherismo," Carlos Menem was pursuing a decidedly un-Peronist battle against inflation in Argentina, and Fernando Collor de Mello of Brazil had explained that his red-tape slashing and bureaucracy-pruning campaign was "based on the fact that the state cannot remain with the power of interference that it has today in the Brazilian economy . . . The state is inefficient, the state is corrupt, the state is incompetent, and the state is gigantic."¹

The rhetoric was less enthusiastic in the African less developed countries (LDCs), but nonetheless encouraging. The example of Botswana seemed to be sinking in: its open economy and relatively pluralistic political system had made it the fastest growing economy in black Africa.

In Eastern Europe, many democratic party spokesmen, former dissidents, and religious and human rights activists were revolutionary in their

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calls for a complete overthrow of the Communist economy and thoroughgoing reform efforts toward the legalization of private property, privatization of state-owned enterprises, openness to international trade and private foreign investment, and decontrol of state authority over pricing, production, and distribution decisions.

All in all, a capitalist revolution appears underway throughout much of the globe—with the exception of a few recalcitrant holdovers such as China, Cuba, and North Korea. Though enthusiasm for the free market is only lukewarm among some regimes, the stubborn facts of socialism's demise and the bankruptcy—both moral and economic—of statist ideology have taken their toll. Sensible leaders accept matter-of-factly the need to restructure radically their state-strangled economies.

Statist Holdovers

Of course, there are a few quarters where the lessons learned from the last forty years of development experience and from the collapse of the statist model in the last few years have not, apparently, registered. Academia seems to provide a fallout shelter immune from the tremors of the Communist crash. At a recent conference I was challenged vehemently by several professors for asserting that the Sandinistas' political and economic model in Nicaragua had been carried out at grave human cost.

Moreover, many in the religious community who had apologized for Marxist ideologies of varying stripes remain unrepentant. Radical publications, such as *Sojourners*, tried to salvage the socialist dream by arguing that it was “undeniably true” that the socialist ideal in the Soviet Union and Eastern Europe had been “severely handicapped” by the two world wars and the Cold War. It warned the citizens of the East emerging from under the rubble not to rush headlong toward democratic capitalism, which was full of contradictions.²

Voices from the environmental fringe also seem disturbed by the new enthusiasm for democracy and capitalism (despite the fact that the formerly Communist world was home to the worst environmental degradations). Prophets of an ecological apocalypse see the transnational problems of global warming, deforestation, and desertification as requiring new, powerful international institutions with authority to mandate the details of individuals’ lives in the name of environmental protection. Green police governments must protect Mother Earth from what nasty humans, given too much latitude (and longitude), might do to her.

The fall of Communism, in other words, has not brought us the happy “end of history” where democratic-capitalism will *inevitably* triumph. There are many reasons for hope and enthusiasm that economies in our post-Cold War era will be free. The indictments leveled against state control in the last few years have been many and persuasive and real reforms are underway in a variety of contexts. The march of history does seem to be on the side of human freedom. But even if Communism, the most obvious expression of anti-capitalist animus, has for the most part withered away, more subtle, but virulent, threats to free markets have emerged. Four are discussed below.

The Green Religion

As noted above, one new nest of statist enthusiasm is the environmental movement. To be sure, some of the more responsible thinkers have recognized the clear evidence suggested by the Eastern European experience: namely, that “public control” led to far worse environmental degradation than seen in countries espousing free markets and private property. That controlled economies permitted worse environmental practices ought to

have been expected: without property rights and a strict liability structure, stewards of the public domain are personally removed from the responsibility for enhancing the value of what they manage. In some accounts of the fall of Communism in the former Soviet Union (e.g., *Ecocide in the USSR* by Murray Feshbach and Alfred Friendly), the greens were closely aligned with the democratic movement, and even gave rise to it in certain quarters. Many of the “earthkeepers” seem to recognize that decentralized regimes and an economic and legal system connecting private property rights and responsibilities offer far greater promise for environmental protection than does centralized, bureaucratic regulation. But not all of them.

In a speech at a recent conference on the environment, former Secretary of the Interior Donald Hodel related an incident that had “opened his eyes” to the extremist elements in the environmental movement. He had been called to testify in front of a Congressional subcommittee on the Department’s performance in managing designated wilderness areas. He had already been informed that a number of unauthorized and unlawful entries into such areas had been made, but had confirmed that none of them had inflicted any lasting damage on the environment. Indeed, following revegetation, it was impossible to tell that there had been any entries. Confident that this information would reassure those concerned about such entries, Hodel was shocked at the reaction he witnessed from the environmentalists. To them it was immaterial that the entries had caused no damage; the point was that the “sacred” lands, the “holy of holies” had been “defiled” and desecrated by human entry.³

The kind of spiritual commitment to “Mother Earth” revealed by this response characterizes a noteworthy segment of the environmental movement. The so-called “Gaia Hypothesis”—which basically imparts divinity to “Mother Earth”—animates many environmentalists. Some scholars may be skeptical of the significance of a bunch of “tree-huggers” clinging to strange new quasi-religious beliefs, but the phenomenon should not be dismissed.

More than one analyst has noted the “myth-generating potency” of socialism.⁴ Simply put, a society is held together not just by practical needs or interests but “by beliefs that explain and justify its particular institutional arrangements.”⁵ Social-

ism's mythic power has largely been broken (though some Western academics remain entranced by its apparently hypnotic quality); hence, the way has opened for new "myths" to justify statist control. Apart from what one may believe about religion, its persistence into the modern world would suggest that individuals, despite the pressures of secularization, continue to long for a sense of the transcendent. Socialism, in its time, provided that sense for some, substituting for religious belief. Neo-paganism, the New Age movement, and the pantheistic tendencies of much of the green movement all suggest that individuals are searching for a substitute for transcendence. Many are now finding it in the environmental movement. The green religion, much like the socialist one before it, provides justification for state-controlled economies and centralization. If socialism had to restrict individual economic liberty in order to create the workers' paradise, environmentalism requires an expansion of government control to prevent humans from despoiling "the only planet we have" in order to protect life as we know it.

The apocalyptic character of environmental alarmism only increases its mythic potential and attraction. After all, if the ozone layer really is depleting, if the globe really is warming and the result really will be untold chaos, destruction, flooding, and famine, then perhaps the recommendations of the environmental fringe—nationalization of businesses by the green bureaucracy, enforced sterilization for population control, and the establishment of extremely powerful transnational authorities to regulate polluting activities—do not appear so radical. Consequently, the success of this extremist, quasi-religious segment of the environmental movement in attracting a significant following poses a substantial threat to the viability of free markets in the future.

Rising "Fair" Trade

A second sobering reality reining in our confidence in the "inevitability" of free markets is continued protectionism in the industrial countries. This threat is subtle in two ways. First, average tariff rates among the developed nations have generally declined, giving the impression of reduced protectionism. Second, talk about the need to address the problem of protectionism has gone on for so long—witness the seemingly endless

Uruguay Round of the General Agreement on Tariffs and Trade (GATT)—that people's ears are not as sensitive to it as they ought to be.

Protectionism remains a serious problem, despite the progress made in tariff reduction. Non-tariff barriers and so-called voluntary export restraint agreements have proliferated. The United States has its own favorite protectionist practices—such as "anti-dumping laws" and import quotas—revealing that even the loudest defender of free trade ought not cast the first stone against other offenders such as Japan.⁶ The notorious MultiFibre Arrangement—which applies stringent restrictions on exports of Third World textiles to the developed nations—began as a "temporary" measure in 1962 and is still on the books. Then there is the European Economic Community's coordinated agricultural policy that shuts out competition in various agricultural commodities. All of these arrangements make little *economic* sense. Australian and New Zealand farmers produce cheese substantially cheaper than do their French counterparts, but they cannot sell their less expensive goods to Western European consumers. Protectionist barriers are erected in response to *political* pressures on domestic governments by the protected industries and individuals.

If the Uruguay Round is unsuccessful in concluding some new agreements to deal with these kinds of blatant violations of the spirit of free trade, at least two sobering consequences are likely. World economic growth will suffer, perhaps leading to recessions that will give even further impetus to protectionism, fueling a vicious cycle. Underdeveloped countries will grow increasingly frustrated with the trade barriers they face and may abandon the market-oriented reforms they have started that emphasize—drawing on the successful model of the East Asian newly industrializing countries (NICs)—production for export. Neither of these possible outcomes is heartening for free market enthusiasts.

Reactions to Structural Adjustment

A third factor conducive to the persistence of controlled markets relates to the prospects for structural adjustment in many LDCs. Structural adjustment—the attempt to transform state-centered economies into market-centered ones

through monetary reform, lowering tariff barriers, rationalizing the exchange rate, decontrolling of domestic prices, privatization, and reducing government spending—is never an easy or uncontroversial process. Its potential for success resides largely in a widely shared perception that the costs of adjustment are worth bearing, that the bitter medicine of austerity will prove a healing balm for critically ill economies and usher in a better future.

The historical and empirical evidence of the last forty-some years in development experience in the Third World provides an adequate basis for optimism. The divergent experiences of Latin America and East Asia, for example, suggest a few, easily accessible lessons about which development models work and which do not. At the risk of oversimplification, one can argue that LDCs that opened their economies to the rigors of international competition through outward-looking trade regimes; that allowed market mechanisms to guide investment, production, and pricing decisions; and that provided a legal structure securing property rights performed better, on a variety of economic indicators, than countries that hid behind protectionist barriers, strictly regulated foreign investment and domestic businesses (for example, through import-licensing bureaucracies and government marketing boards for agricultural goods), and created an atmosphere of unpredictability through nationalizations and expropriations. Simply put, these “lessons,” and others concerning the importance of fiscal prudence, restrained monetary policy, and a competitive exchange rate, are embodied in the best-designed structural adjustment programs. Consequently, countries that persevere in reforms of this nature should have some confidence about their efficacy.

Political realities, though, often force reform-implementing regimes to backtrack. In some instances, fragile democracies fear that adjustment programs will endanger their new political experiments by creating levels of social protest that encourage a military coup “to restore order.” We need not, however, be long delayed by this contention. Professor Karen Remmer has conducted perhaps the most thorough study of the possible connection between austerity and the breakdown of democratic regimes. After analyzing 114 stabilization attempts by regimes in nine Latin American countries, Remmer concluded that democratic governments proved no more vulnerable to break-

down than authoritarian ones. Indeed, the breakdown rate for the latter was slightly higher. On the basis of this research, Remmer asserts that “the political risks of stabilization have been overdrawn.”⁷

The more significant political problem is the maintenance of adjustment in the face of the real social dislocations—and hence grumbling—it produces. Typically, the “losers” under adjustment are politically vocal and well organized: they include unionized urban labor, previously protected domestic industries, and the bureaucrats who amassed personal fortunes by virtue of their control of various economic “goodies” under the mercantilist red-tape jungle that prevailed before the reforms. The “winners” under adjustment—usually rural farmers who see food prices rise to market levels, small entrepreneurs in the informal economy who benefit from deregulation, and labor-intensive export sectors who thrive under new free trade practices—are less politically powerful and more geographically dispersed. The reform-implementing government must consolidate a pro-reform coalition to back structural adjustment, and, while not impossible, this is a difficult undertaking.

Meanwhile, often well intentioned non-governmental organizations (NGOs) raise loud criticisms against adjustment measures, putting pressures on local governments and international actors (such as the World Bank and the IMF). These NGOs are located at the “grassroots” and witness firsthand the painful initial consequences of adjustment—higher food prices, rising unemployment in industry, and cutbacks in government social services. Lacking a broader macro-economic (and longer-term) perspective, these groups sometimes assert that the adjustment medicine is killing the patient.

A consortium of NGOs calling themselves the “NGO Working Group on the World Bank,” for example, issued a policy paper in late 1989 criticizing the Bank’s support of structural adjustment. It argued that the dismantling of state-owned enterprises in the developing countries should be slowed and that the Bank’s emphasis on export promotion should be diminished.⁸ These groups unfortunately have failed to distinguish between the suffering caused by the deep recessions created by populist excesses that made adjustment reforms necessary in the first place; the suffering

arising from the dislocations of austerity itself; and the suffering rooted in the abandonment, delay, or distortion of adjustment programs. Their position paper is marred by disturbing arguments that appear to call for a return to the protectionist and populist policies that brought so many LDCs to their current ruinous state.

The need is great, therefore, for a loud reaffirmation by development practitioners of what the empirical record demonstrates: namely, that the costs of not adjusting are far worse than those of adjusting. Nonetheless, though important and necessary, such declarations are of little practical comfort to the individuals bearing the painful burdens of adjustment. Some creative policy responses to lighten those burdens (such as the Bolivian Emergency Social Fund), in ways that do not conflict with the aims of adjustment, are helpful.

To sum up, if adequate steps are taken by reform implementing regimes to alleviate some of the costs of adjustment, popular support for reform will be more likely. The developed countries can help further by reducing their protectionist barriers against LDC exports and generally pursuing market-oriented policies to encourage global economic growth. Structural adjustment reforms will be more likely to be sustained and successful in the context of a growing world economy that provides markets for LDC exports. When formerly statist, protectionist LDCs see it is in their best interests to persevere in market-oriented reforms, the chances are obviously greater that they will. But their enthusiasm for free markets is likely to wane if the sacrifices of adjustment do not lead to improved economic health because the developed world is shutting its doors to increased exports.

Moral Decay

The final factor checking an "inevitable" triumph of free markets may appear tangential, but it is central. It is, for lack of a better term, "moral decay" in the industrialized world and particularly in the United States.

The American Founding Fathers and latter-day philosophers of freedom have long recognized a connection between virtue and freedom. Even Thomas Jefferson, who was not so influenced by orthodox Christianity as, say, James Madison and George Washington, affirmed that "the practice of

morality" was vital "for the well-being of society."⁹ A sense of "internal constraints" was necessary for life together in a free society if liberty were not to become license.

The free market functions only when it is embedded in a public legal order aimed at ensuring justice, open and equal access, and equality before the law. But beyond the formal structure, it is also necessary that the actors participating in the market system have some inclination toward charity and that they embrace ideals of integrity, honesty, and fairness. Some level of social trust and cooperation is necessary if market exchange is to flourish; likewise, some sense of future-orientation and self-restraint is necessary if capital is to be saved and reinvested.

Now, men are not angels (as *The Federalist* reminds us) and free markets work in spite of this. But markets work less well when men act like indulgent, materialistic, selfish devils: the result of such behavior is often rising levels of indebtedness, economic stagnation due to lack of investment, and growing disillusionment (especially among the impressionable young) about capitalism, which becomes exclusively identified with "greedy capitalists" like Ivan Boesky. Once again, we return to Peter Berger's observation that capitalism is "singularly devoid of plausible myths": it seems to lack the ability to enliven its own passionate defense. Moreover, it can quickly become the object of scorn when it is "disfigured" by the morally reprehensible actions of participants "cut loose" from ethical moorings. Problems that are really "moral-cultural" in nature come to be identified as economic in nature, and calls for greater regulation and state control follow.

Conclusion: Some Reasons for Optimism

The discussion above is not meant to discourage enthusiasts of democratic-capitalism, only to note that challenges to economic liberty remain even in a world where its principal antagonist has been defeated. Although we may wish it were otherwise, continued vigilance by the defenders of political and economic freedom is required in the post-Cold War period.

But, to close on a brighter note, several factors conducive to the sustenance and growth of free markets worldwide can be briefly mentioned.

Every great industrialized Western nation, not excluding the United States, owes a very great part—indeed, the major part—of its present technical knowledge and productivity to discoveries, inventions, and improvements imported from other nations. Notwithstanding the elegant elucidations by the classical economists, very few of us today appreciate all that the world and each nation owes to foreign trade, not only in services and products, but even more in knowledge, ideas, and ideals.

Government-to-government foreign aid promotes statism, centralized planning, socialism, dependence, pauperization, inefficiency, and waste. It prolongs the poverty it is designed to cure. Voluntary private investment in private enterprise, on the other hand, promotes capitalism, production, independence, and self-reliance. It is by attracting foreign private investment that the great industrial nations of the world were once helped. It is so that America itself was helped by British capital, in the nineteenth century, in building its railroads and exploiting its great national resources. It is so that the still “underdeveloped areas” of the world can most effectively be helped today to develop their own great potentialities and to raise the living standards of their masses.

—HENRY HAZLITT, “*Foreign Investment vs. Foreign Aid*”

Clearly, the economic miracle of the East Asian “tigers” (Hong Kong, Singapore, Taiwan, and South Korea), and the impressive performances of a trio of newly industrialized countries—Chile, Indonesia, Malaysia—have had a far-reaching impact throughout the developing world. In 1989, Mexican Foreign Minister Fernando Solana stated:

For more than five years now, we have been shifting toward an export strategy and opening the economy to foreign capital . . . the success of the Pacific Basin countries has influenced our strategy.¹⁰

Even LDCs previously committed to statist agendas cannot help but reconsider their approach in light of the successful East Asian model.¹¹

Moreover, the international development agencies are playing a more constructive role now than they had in the 1970s, when they contended that Third World governments had to be the primary

actors in development. Massive government-to-government foreign aid transfers were implemented, with money often spent on huge, capital-intensive, prestige projects. Many World Bank officials seemed to believe bigger was necessarily better; they appeared skeptical of the potential for indigenous entrepreneurship; and they seemed to assume that industrialization could be achieved regardless of how badly the agricultural sector was squeezed. Now, the rhetoric is far more encouraging: there is intense interest in the phenomenon of the informal sector (though it took the publication of Hernando de Soto's landmark book, *The Other Path*, to jumpstart this discussion in the broader policy community); there is a new emphasis on labor-intensive, export-oriented production, a reaffirmation of the doctrine of comparative advantage, and a subsequent concern to free agricultural prices and marketing and otherwise take more seriously the conditions of farmers; and there is increasing stress on the importance of non-

state economic actors as more efficient channels of foreign aid funds. Though one would not want to overstate the case, the World Bank today does seem more committed to free market principles and liberal economics than it did a few decades ago.¹²

The collapse of Communism also means an end to the Kremlin's funding of Communist satellite states, and it is not unreasonable to hope that this signals the death knell of such regimes. Fidel Castro continues to cling to power in Cuba, but with the economy imploding and nobody in Moscow to rescue him, a new Cuban revolution of some sort seems inevitable. One only hopes it will be more like the Velvet Revolution than the Romanian one, to spare Cubans further suffering after what they have already endured for over three decades.

Finally, the best hope for the future of free markets may be the flowering spirit of liberty around the globe. Inclinations toward the centralization of political and economic power do remain in the post-Cold War world and can be seen in the Islamic regimes, the geriatric elite in the People's Republic of China, the military despots of Africa, and among small pro-Communist movements surviving in Eastern Europe and the former USSR. Nevertheless, in the last few historic years, the world has witnessed numerous brave acts of individuals fighting for freedom—the students in Tiananmen Square, Solidarity workers in Poland, artists and intellectuals in Czechoslovakia, Lutheran human rights activists in what was East Germany. Their example both breathes new life into the “freedom dream” and reminds us that man does not live by bread alone. Citizens of the East who took their lives in their hands by rushing the streets fought for much more than the fancy washing machines, designer jeans, and VCRs enjoyed by their Western European neighbors. The Revolutions of 1989, though indisputably protest movements against political and economic repression, were fundamentally revolutions of the “spirit.” As the idea of liberty—that man was created to be free and that free-

dom is not only practical, in terms of facilitating economic prosperity, but normative, as the only condition befitting man's dignity—gains more and more adherents worldwide, the institutions of liberty, democratic governance, and free markets will find fertile soil. □

1. Quoted in James Brooke, “Bad Times, Bold Plans for Brazil,” *New York Times* (January 7, 1990), section III, p. 4.

2. See Gar Alperovitz, “Building a Living Democracy,” *Sojourners* (July 1990), pp. 11-23.

3. Donald Hodel, Address at the World Vision Washington Forum on “The Stewardship of Creation: The Effect of Environmental Change on the Poor,” May 2, 1992, Washington, D.C.

4. The phrase is Peter Berger's, from his remarkable work, *The Capitalist Revolution: Fifty Propositions About Prosperity, Equality & Liberty* (New York: Basic Books, 1986), p. 195.

5. Berger, p. 194.

6. See James Bovard, “Toxic Dumping,” *The New Republic* (December 9, 1991), p. 18; and “Bush Protection,” *The New Republic* (January 20, 1992), p. 9. In fairness, it should be noted that Japan's levels of protection are worse than the United States'.

7. See Karen Remmer, “The Politics of Economic Stabilization: IMF Standby Programs in Latin America, 1954-1984,” *Comparative Politics* (October 1986), pp. 8-9. Remmer's findings would be even more persuasive if her study included stabilization attempts made after 1984. Since that time, austerity and liberal economic reforms have been sustained in Chile, and even produced economic growth that led to pressures for political liberalization. Bolivia's civilian government has managed to persevere in its reform program, though the political pressures have been significant, and President Jaime Paz Zamora has hinted at his willingness to employ “the Peruvian solution” if continued deadlocks between his executive branch and the legislature continue. Alberto Fujimori's “auto-coup” in Peru provides some fodder for those critical of economic reforms—to wit, that they cannot be successful unless implemented by an authoritarian regime. Fujimori's actions, however, cannot be easily explained by economic factors alone. He seems to have become extremely concerned about the political machinations of former President Alan Garcia, including Garcia's corrupt relations with much of the Peruvian judicial system and his alleged gathering of an armed political force. In this interpretation, the coup resulted more from Fujimori's desire to purge the judiciary of Garcia's influence and address the possible armed threat from Aprista extremists than from a belief that market-oriented reform could continue only if democratic processes were suspended.

8. “Position Paper of the NGO Working Group on the World Bank,” (December 1989).

9. See Edward Boykin, ed., *The Wisdom of Thomas Jefferson* (New York: Doubleday, Doran & Co., 1941), p. 128.

10. Quoted in “Mexico's Move to the Market,” *New Perspectives Quarterly* (Fall 1989), p. 42.

11. The policies of these newly industrializing countries were not “laissez faire” in a strict sense, but they did appreciate the central role of the free market.

12. Skeptics are correct to point out that the Bank's free market rhetoric is ahead of the reality of its lending practices. Most aid is still channelled through governments, and the enforcement of conditionality (making continued aid contingent on the recipient's adherence to market-friendly reforms) leaves much to be desired. Nonetheless, the Bank has opened conversations with the private and NGO sectors about the channelling of aid through such institutions and its recent major policy statements (e.g., the annual World Development Report) reveal a markedly more favorable disposition toward liberal economics than those of the 1970s.

Are There No Limits to Federal Regulatory Power?

by Russell G. Ryan

Most of us recall from our civics classes the quaint notion that our federal government is one of “limited” and “enumerated” powers. We might also remember that James Madison, in his *Federalist* No. 45, assured skeptics of a central government that “[t]he powers delegated by the proposed Constitution to the Federal government are few and defined.” For those of us who took Madison and our civics teachers at their word, the ubiquitous tentacles of today’s federal behemoth can be positively bewildering, often causing us to scratch our heads and wonder: “What happened?”

For example, several weeks ago I spotted some ants crawling on my kitchen floor. Frustrated that I had no insecticide designed specifically to kill ants, I reached for a popular wasp and hornet spray, confident it would do the job just as well. And as the commercial might say, “BANG!” Those poor critters would have fared better against a neutron bomb.

As I sat back to savor the victory, however, I noticed an intimidating warning on the back of the spray can (reminiscent of the proverbial mattress tag threatening all manner of trouble if it is removed): “It is a violation of Federal law to use this product in a manner inconsistent with its labeling.” Had I really committed a *federal* offense? Admittedly, I had used a wasp and hornet spray to obliterate a few ants, and worse yet I had, contrary to the directions on the can, sprayed indoors and at very close range. But could our government of *limited* and *enumerated*

powers really make a federal case out of how I choose to kill bugs in my own kitchen?

The following day in my law office, I determined to find the answer. I was sure that the power to regulate pesticide use was not among the enumerated powers granted to Congress in the Constitution—nor was even a more general power to regulate chemicals or kitchens. Yet, as I soon discovered, even without such specific enumerated power, Congress had indeed enacted an elaborate regulatory scheme for pesticides, called the Federal Insecticide, Fungicide, and Rodenticide Act, section 12(a)(2)(G) of which actually does outlaw the use of any pesticide inconsistent with its labeling. Moreover, as the statute expressly contemplates, the federal Environmental Protection Agency has in turn promulgated hundreds of pages of further rules and regulations governing pesticides, including one that explicitly requires all pesticide labels to include a warning that “It is a violation of Federal law to use this product in a manner inconsistent with its labeling.”

The constitutional authority cited for this massive regulatory scheme, like that cited for many similar schemes enacted by Congress, is Article I, Section 8, clause 3 of the Constitution, which empowers Congress to “regulate Commerce . . . among the several States.” How, you might reasonably ask, does my kitchen use of a bug spray constitute interstate commerce? If you need to ask, you obviously did not spend three years and tens of thousands of dollars on a law school education. But don’t feel too bad; many of us who did spend the time and money to get through law school still—if I may borrow the trendiest phrase

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of the political season—"just don't get it."

As any law student will tell you, the so-called "commerce clause" of the Constitution, like much of the rest of the document, simply no longer means what it plainly says. For the past half century, the Supreme Court has interpreted the phrase "Commerce among the several States" to include not just commerce that occurs between or among two or more states, but virtually any activity that might, however remotely and indirectly, have a theoretical effect on such commerce, even if the activity occurs entirely within the borders of only one state.

Wickard versus Filburn

In fact, this November marks the 50th anniversary of perhaps the most infamous of all of the Supreme Court's commerce clause decisions, *Wickard v. Filburn* (1942), which rejected a farmer's challenge to the Agricultural Adjustment Act of 1938. In earlier challenges to President Franklin Roosevelt's New Deal, the Supreme Court had struck down several other regulatory schemes on the grounds that they unconstitutionally exceeded the federal government's power to regulate interstate commerce. By 1942, however, despite the failure of his "court-packing" plan, President Roosevelt was able to fill a sufficient number of court vacancies to obtain a far more liberal jurisprudence regarding federal regulatory power.

Mr. Filburn was the owner and operator of a small dairy and poultry farm in Ohio. Each year, he also raised a small quantity of wheat for the sole purposes of feeding his animals, feeding his own family, and seeding for the following year. Although his entire wheat crop was consumed on the farm property and no part was sold on the market, Filburn was subjected to a massive new marketing quota scheme dictated from Washington pursuant to the Agricultural Adjustment Act, the essential purpose of which was to prop up the price of wheat. When Filburn exceeded his "wheat acreage allotment" for 1941, the feds slapped him with a statutory penalty.

In order to uphold the penalty against Filburn as a permissible regulation of "commerce among the

several States," the Roosevelt Court had to overcome two inconvenient facts: The offending wheat crop was never entered into the stream of commerce, and it never left the State of Ohio (or, for that matter, the boundaries of Filburn's farm). The Court overcame the first of these hurdles by magically redefining the word "Commerce" to mean not only the buying and selling of goods, but also the "consumption" of goods. It overcame the second by citing earlier decisions that had already rewritten the phrase "among the several States" to mean *either* among the several States *or* within only one state but having a substantial economic effect, whether direct or indirect, or interstate commerce. For sticklers who might question the Court's apparent infidelity to the plain language of the Constitution, the Court explained that economic realities had "made the mechanical application of legal formulas no longer feasible."

Even having rewritten the Constitution, however, the Court still needed to explain how one Ohio farmer's small wheat crop, used entirely for home consumption, could have a "substantial economic effect" on interstate commerce. In a brilliant demonstration of the result-oriented jurisprudence of the day, the justices reasoned—unanimously!—that wheat grown solely for home consumption "supplies a need of the man who grew it which would otherwise be reflected by purchases in the open market," and that although Filburn's own contribution to this depression in the demand for wheat "may be trivial by itself," his contribution, "taken together with that of many others similarly situated, is far from trivial." (Even the law professors get a chuckle when they explain this reasoning.)

After 50 years, *Wickard v. Filburn* endures as a classic example of how the Courts have stretched, pulled, and twisted the plain language of the Constitution beyond recognition, effectively rewriting key provisions without having to go through the formal amendment process set out in Article V. The decision also serves as a reminder of how our "limited" federal government has steadily grown into a leviathan bureaucracy that consumes over a quarter of the country's gross domestic product in order to regulate even the distance from which we spray insecticide in our kitchens. □

The Food Police Are Watching You

by K.L. Billingsley

The current worldwide recession has hurt business and labor but does not appear to have caused any hardship in America's federal bureaucracy. Alert regulators were recently patrolling the town of Reedley in California's San Joaquin Valley, a rich source of fruits and vegetables for the entire United States. But there was trouble.

It wasn't that the fruit was rotten or contaminated. The problem was size. It seems that the federal government cares so much about the health of consumers that they have established minimum size regulations for peaches and nectarines. Bigger is better. In Reedley, some growers' peaches and nectarines were "slightly smaller than federal standards."

Farmers are calm, practical people. The size of the fruit they produce is a matter largely out of their hands. California has been in the throes of a drought for several years. The Reedley growers doubtless wondered whether squads of regulators running around measuring peaches and nectarines constituted a wise use of their tax money, especially during a recession.

In spite of massive federal subsidies, some farmers still understand the way the free market works. Two parties agree on a price and make an uncoerced exchange from which both believe they will benefit. This is the way free, responsible people act when left to themselves.

One farmer wanted to sell his crop to low-income consumers in Los Angeles, where recent

riots have inflicted additional economic hardships. If the price is right, people in that market are not likely to be concerned if the product is on the small side. Fruit spoils quickly and the growers may well have ended up giving the stuff away. There would have been many takers.

But the federal food police blocked this free exchange. Cheap or free, the fruit did not meet federal size standards. That meant that nobody could have it at any price. People could not be allowed to make their own decisions in the matter.

Federal regulators ordered millions of pounds of perfectly good food to be dumped on a dirt road where it was left to rot in the sun. One could hardly ask for a more vivid parable of arrogance, stupidity, and waste.

All any bureaucracy can do is follow the rules. It matters not if the rules are destructive to the health, freedom, and property of citizens. The regulators must follow orders. They are just doing their job. That is all they can do.

Here is callous disregard for human welfare and common sense (remember "waste not, want not"?), neither of which impinge on the bureaucratic regime. This episode should be brought up in all discussions about how much the government "cares."

And does the fruit episode amount to a "taking" of private property by the state without due compensation? Local judges and civil liberties' groups appear uninterested in the question. The incident also confirms that bureaucracies are indeed intrusive. Are there not legitimate problems for federal workers beyond the size of peaches and nectarines? Or is the quest of the

Author and screenwriter K. L. Billingsley writes about California for the Spectator.

regulators, as many fear, to justify their positions by finding new ways to complicate life?

Such intrusions are many, and are a major reason that the state can't do what it is supposed to do—protect life, liberty, and property. The Los Angeles riots showed the state's inability to protect innocent civilians from random violence. But citizens can sleep tight knowing that the state's ability to order the destruction of perfectly good food remains secure.

The newly liberated nations of Eastern Europe appear determined not to repeat errors of their own recent past, in which statist dogma quashed private initiative and made life miserable. For the most part, they look to the free market for solutions. In America, on the other hand, politicians of

both major parties still hail the state as a problem solver.

The federal government is the nation's largest employer and by far its largest squanderer of money. The federal deficit continues to grow and American competitiveness continues to decline. Yet no major candidate ties these problems to the ever-encroaching state.

Meanwhile, to use Whittaker Chambers' illustration, the statist revolution that began in the thirties continues "inching its ice cap over the nation." The Reedley farmers would probably not be surprised if, having dumped their fruit as ordered, they found themselves busted for pollution by the Environmental Protection Agency. □

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Workers and Unions— How About Freedom of Contract?

by George C. Leef

All but a few diehard socialists now concede that free markets serve the needs and desires of consumers far better than governmentally sanctioned monopolies or cartels. Fortunately, Americans can usually shop for the goods and services they want in more or less free markets. For only a few things must we deal with a monopoly if we want to deal at all, and in those instances, consumer dissatisfaction is high. The Postal Service immediately comes to mind as an example.

This article is about another instance of consumers being deprived of the benefits of a market: representation in dealing with employers. In the United States, the law prevents the emergence of a market for representational services employees would be willing to pay for in matters relating to their employment. Either you represent yourself or you accept representation by a labor union which may or may not be to your liking. Workers cannot shop around and then contract with the organization they believe will give them the best value for their money. It is my contention that this situation ill serves workers and is a principal explanation for the decline of labor unions in America.

The necessary conditions for the existence of a market are simple. Buyers must be free to shop around for what they regard as the best value, negotiating and entering into a contract with the

seller whom they believe gives them that. Sellers must be free to offer any product or service or combination thereof which they think might appeal to prospective customers. The actions of the market participants, it must be noted, are voluntary and usually individual in nature.

One of the many services which people may want others to perform for them is the service of representing their interests in dealing with employers. Most professional athletes, for example, have contracted with agents who represent them in negotiations with team owners. And, of course, many other workers desire to have a third party represent their interests in the determination of pay and working conditions, the handling of grievances, the enforcement of safety standards, and other matters concerning their employment. In the United States, labor unions have historically filled that role.

There is no more reason to object to organizations designed to provide representational services that workers are willing to pay for than there is to object to any other kind of voluntary organization. The only test any association should have to pass is the test of the marketplace: Can it pay all of its expenses out of funds given willingly to it? The test of the marketplace compels all kinds of organizations, both those run for profit and those which are non-profit, to search for the most efficient means of providing people with the goods and services they desire.

Unfortunately, labor unions as they exist under

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U.S. labor statutes are profoundly non-market entities. They are not voluntary associations of individuals who have common interests and willingly contract with an outsider for the rendering of services they desire. Instead, they are involuntary associations of individuals who, on the basis of a majority vote in which they probably did not even participate, are required indefinitely to accept the "representation" of outsiders. It should not surprise anyone that many people shun that type of association, doubting that the benefits will be worth the costs.

How Unions Gain Exclusive Bargaining Power

For those unfamiliar with labor law, here is how the process works. Suppose that the workers at ABC Widget Company have no union and they bargain individually with the management over wages, benefits, and conditions of work. One day, an employee gets the idea that he and his fellow workers might be better off if the International Widget Assemblers Union (IWAU) represented them in collective bargaining with the management. He and some IWAU personnel begin to solicit signatures of workers on cards calling for an election. If they succeed in getting signatures from at least 30 percent of the workers, they will turn the cards in to the National Labor Relations Board (NLRB). Assuming that nothing is amiss, the NLRB will then set a date for a certification election.

In this election, the eligible workers will choose between representation by the IWAU, or no union representation. (Rarely, workers can choose between two unions or none at all. Unions seldom compete against each other.) If a majority votes in favor of the IWAU, then, under the exclusive representation provision of the law, the IWAU becomes the bargaining representative for all the workers, even those who wanted no union or some other union. Furthermore, the IWAU will remain the exclusive bargaining representative indefinitely. There are no periodic re-elections to test the continuing popularity of the union and its contract never comes up for renewal because there isn't one. The IWAU's relationship to the workers it represents is not one of contract, but simply of governmental fiat.

The law does allow for "decertification" elec-

tions. These rare phenomena, however, are not nearly sufficient to give workers anything approaching consumer sovereignty. Decertification elections only occur if at least 30 percent of the workers sign cards signifying that they desire such an election. The employer is not allowed to instigate or assist in this process. Many workers do not know that decertification is an option for them, and among those who do know, many are apprehensive about sticking their necks out in opposition to the union. And finally, to win the election, the opponents need a majority. If they get it, those who still want the union's services are prevented from having them. If a majority votes to keep the union, those who think they would be better off without it are compelled to put up with it.

It is unavoidable that a large number of workers will be dissatisfied under these procedures. That would not be the case if we had not collectivized what should be an individual decision.

Given their legal status which shelters them against having to compete to retain the patronage of those whom they "represent," it is not surprising that labor unions are widely perceived as taking their members for granted. The union leaders have a virtually captive market, and act accordingly. (The Supreme Court has ruled that workers may resign from a union at will, but still must pay fees to the union equivalent to their pro rata share of the cost of collective bargaining. Unions usually calculate that this amount is only slightly less than full dues.) The price of union "services" (dues) is subject to no competitive pressure, and therefore is set as high as the leaders think is safe. Nor is there any reason to believe that the revenues thus raised will be used mainly for the benefit of those who pay them. Huge salaries and perks for the union leaders are the norm. Moreover, vast amounts are lavished on political and ideological causes that have nothing to do with the jobs of the workers, and which many of them oppose.

And while union leaders spend money hand over fist on matters which are not germane to the welfare of the members, they find ways to unburden themselves of matters which are. Consider safety. Unions could conceivably render valuable services to their members if they actively sought out unsafe working conditions, held workshops on how to avoid accidents, and took other steps designed to promote safe working conditions. But union leaders lobbied to get the government to

take over the workplace safety field, thus simultaneously saving unions money and enabling them to avoid the blame for mishaps. Similarly, the responsibility for assisting workers who have been laid off has been shunted onto the bureaucrats.

We arrive at the conclusion that unions are state-protected monopolies which act just as you would expect any protected monopolist to act. They maximize profits for their owners and poorly serve their customers. They also devote considerable resources to maintaining their monopoly position against any erosion. That is why you find union spokesmen advocating, always under a smokescreen of concern for the “public interest,” laws which limit the freedom of Americans to buy from non-union sources. Modern unions are creatures of coercion, and do not hesitate to employ further coercion to protect themselves from other people’s desires to have nothing to do with them.

Restoring the Market Process

I suggest that it is time to reverse course. The National Labor Relations Act has politicized the entire field of labor relations. A return to the common law of contract, tort, and property rights as the governing body of law in employment relations would allow each individual worker to decide for himself if he wanted to join or contract with any organization for representation services when dealing with management. In any firm, you might find that some percentage of the workers are represented by Union X, some percentage by Union Y, and some percentage choosing no union representation at all. Unions X and Y would find themselves competing to retain their customers and expand their clientele. They would have to worry about losing business if they charged too much, or failed to satisfy the desires of those whom they represent. In short, unions would become service businesses just like any other.

Defenders of the status quo will argue that this reform would allow workers who decide against any union to be “free riders” on the pro-worker accomplishments of the union(s). This is a proposition which is often stated, but seldom argued for. How can it be known a priori that a union will produce benefits for all the employees of the firm, much less that whatever those benefits might be, each employee would regard them as worth the cost?

If Joe Blow, a newly hired and relatively inexperienced worker, fears that union wage demands might cost him his job, and, after weighing the probable gain against the probable loss concludes that the union is not in his best interest, why should others second-guess him and force him to join? Perhaps he gets a raise that he couldn’t otherwise have gotten and keeps his job, or perhaps he becomes unemployed. *Ex ante*, it cannot be known whether Joe will be a “free rider” or a victim.

But even more fundamentally, why does it follow that the government should coerce people in order to stamp out “free riding”? All sorts of voluntary activities create what economists call “positive externalities” for others. If you work to keep your home looking nice, your neighbors get a “free ride,” but does it follow that they should be taxed to help pay for your desired level of lawn and garden upkeep? If Joe Blow is a “free rider” who benefits to some extent from union endeavors he has not helped to pay for, so what? Those who are willing to pay the costs of the union are not deprived of any benefits thereby.

Of course, the argument might be made that excessive free riding could so undermine the union that it could no longer produce any benefits, but does that remote possibility justify an infringement on employee freedom? I think not. Moreover, I am aware of no instance of a union collapsing due to excessive “free riding” in the many years prior to the passage of the NLRA.

Another argument which would be raised against allowing the market to function in the field of labor relations is that unions would be far less powerful if they did not speak for all the workers. Supposedly, workers must either have monopoly representation or none at all.

Of course, competitive unions would be less “powerful” than are those invested with monopoly status, but power is not necessarily in the best interest of the worker. The power that union leaders cherish has often been wielded with recklessness and arrogance, costing workers their jobs. The good that unions can do for workers, such as improving safety conditions, can still be accomplished even if it requires cooperation among several different unions. In fact, as I have argued above, unions would probably become more effective representatives of the workers whom they serve if they faced the threat of loss of paying customers if they did not do a good job.

Freedom of Contract

The competitive market process is the only way of discovering what goods and services consumers desire enough to pay for. That process requires that consumers be free to contract according to their own values and desires. Unfortunately, we abandoned the individualistic, market-based approach to labor relations in the 1930s. The result has been monopolistic unions which are largely indifferent to the desires of their members.

If we restored the market process to labor relations, workers would be able to contract for just the representation services they wanted with organizations competing for their favor. That would be the most pro-labor piece of legislation imaginable. It would probably lead to an abrupt reversal of those declining union fortunes. It would usher in a new era of cooperation and prosperity. And most importantly, it would restore to American workers a long-lost freedom—the freedom to make their own choices. ☐

**IDEAS
ON
LIBERTY**



Let the Market Decide

... instead of making a union the exclusive bargaining representative for all employees in a firm when it has been selected by only some, the law should see that those who object to the union retain their basic right, as free men, to fend for themselves. When men are forced in the first place to join unions, forced in the second place to go along with all plans and programs conceived by their leaders, and forced in the third place to keep their peace if they wish to keep their jobs (and maybe their health)—it is not at all surprising to find a good many trade-union leaders less than responsive to or honest with their membership.

Power acquired by force and subject to no continuing functional check is bound to corrupt. Corporate managements are kept in line by the right of stockholders to move their equities when they are dissatisfied and by the right of consumers and other purchasers to take their patronage elsewhere without let or hindrance when price or quality are poor. If the house of labor is to be clean, the same general principles must be applied there, with the workingmen of the nation in the position of stockholders and consumers. It is as absurd to expect good clean unionism in conditions of extensive compulsory unionism, as it would be to expect good government in a society where the divine right of kings or the dictatorship of the proletariat was the central political principle.

—SYLVESTER PETRO, "Can Labor Clean Its Own House?" (1958)

America's Child Protective System: Is It Really Protection?

by Hannah B. Lapp

In San Diego, 8-year-old Alicia Wade was plunged into two and one half years of foster care after a sex abuse allegation was mistakenly pinned on her father. A subsequent investigation of the county's Child Protective Services found the agency biased against parents and "out of control."

In Westchester County, New York, David and Jennifer Beck, along with their parents, have successfully sued county officials on the grounds of "unreasonable search and seizure." A Federal Court judge agreed the children's constitutional rights were violated when they were strip-searched at school in a bungled child abuse inquiry.

In Arizona, David and Tobi Miller went public about their children's removal from their home after they were falsely accused of child abuse. Their case prompted a probe into the state's child protective agency by state legislators.

"I will get over this," says Tobi Miller. "But I worry about my children. This may ruin them. Is that protection?"

Joseph: No Due Process

"Is this protection?" is the sentiment echoed by Joseph Ryan, a small-town teenager from western New York who was abruptly picked up from his school by a team of police officers and social workers. A ruling in Family Court designating his mother, Evelyn, as neglectful for not agreeing to the psychological treatment which a social worker recommended for him was all it took to have him

picked up. The judge, without ever speaking to Joseph, agreed to have him placed in a children's home and treated for "schizoid disorder." In the name of child protection, he was forcibly removed from the family he trusted and the home he loved. Joseph calls it a kidnapping.

Child Protective Services, or Family and Youth Services, as the agency is called in some states, is a branch of each county's social services system. The problem with the involvement of social welfare agencies in child abuse issues is that these agencies are not authorized to carry out the functions of law enforcement. In order to bring mistreated children under their jurisdiction, therefore, they must approach child abuse from a position foreign to our justice system. Instead of true investigation and prosecution of a crime, they operate on vague terms such as "offering services" and "protecting a child's best interests." Even those cases which make it to court usually receive only Family Court attention. This means there is no public trial, no jury decision is permitted, and a ruling will be rendered whether or not the accused or the purported victim has a chance to present his case.

Our modern child protection system touts all this as a humane approach, which rehabilitates rather than punishes those afflicted with the "illness" of mistreating their children. However, the claim of helping rather than prosecuting parents gives the system an excuse to sidestep all the "due process of law" protections which are enjoyed by both the victim and the accused under our Constitutional justice system.

Joseph Ryan would have had more rights had he been charged with a crime. As it was, no one was

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obligated to read him his rights, no one had to explain to him what was happening, his own objections didn't matter, and there would be no opportunity for him to be heard in court.

"I was paraded around the side of the school and into the front parking lot where their car was parked," Joseph recounts in painstaking detail. There are large windows in the front of the school, and you can't tell me the kids are never looking out."

He was scared, he admits, but also "mad." He and his family had been fighting for months against Social Services' efforts to have him removed from home, and he had resolved not to let it happen. But you don't argue with uniformed officers. He had been taught to respect the law and had never been in trouble like some kids his age. So he just asked them what was happening, and why. "No one said anything," he recalls. "But I assumed they were taking me to the children's home, and I was right."

Joseph remembers asking his caseworkers whether his mother had been notified of what was taking place. He was told she was. Although Evelyn was aware of the neglect ruling, she had no indication her son would be picked up on October 13, 1989, the day he failed to return home from school. She learned the truth only after phoning his school.

During the previous couple of years, Evelyn had had unrelated complaints as to the competence of her county's Social Services department. She had voiced some of her grievances in letters to the editor published in her town newspaper. Charging her with neglect would be the agency's way of getting even with her, Evelyn suspected. Sure enough, one of the accusations brought against her in family court referred to those "crazy letters."

That her children should suffer over her own differences with the agency was almost more than Evelyn could take. Even without this added crisis, her two sons had been under stress lately. She was ill with what doctors called a terminal liver problem. The family was barely scraping by financially. On top of that, a close relative had been diagnosed with a brain tumor.

The school Joseph attended reported he had a short attention span and problems fitting in with his peers. At the same time, he excelled in the subjects he liked, such as art. Teachers called him a likeable kid who never made trouble. School offi-

cials, including Joseph's school counselor, felt the placement at the children's home was uncalled for. Indeed, everybody who knew Joseph well—his family, his physician, and a social worker from Catholic Charities who worked with the family—were stunned by the diagnosis and treatment recommendations handed down by Social Services.

Joseph had never wanted to see the psychologist who would diagnose him as schizophrenic, but Social Services ordered it. After the diagnosis and his placement in the children's home, Joseph called up the doctor to tell him, he says, how unfairly he felt he was being treated. The same psychologist complained in a subsequent family court hearing that he felt threatened by the phone call. Joseph, meanwhile, was not permitted to speak for himself in court, and was quickly ushered out when he did appear. "I didn't like it at all," he says. "I feel that the most important views were withheld from the court."

In a show of representing the child in family court proceedings, each child is assigned his own "law guardian." Paid by the family court system, this lawyer has no incentive to exert efforts on the youngster's behalf, and particularly not in conflict with the system. Joseph calls the "law guardian" he had "disconnected." She'd take only about ten minutes with him right before a hearing, and he would tell her things were going well at home. "Then," he says, "she'd go into court and say, 'the kids are having problems at home.'"

In the modern version of child protection, all this is nothing unusual, nor should it be changed. As one Social Services spokesman puts it, "All children want to return to their home; the more abused they are, the stronger is their desire to go back."

Since the abused kids don't know what's best for themselves, in the system's eyes, allowing them to speak in court would at best be an inconvenience and at most too traumatic for the child. A court-hired psychologist can recommend that the child not be subjected to an appearance in court, a judge will concur, and no one else has any say.

David: The Best Place Is Home

Convenience apparently goes a long way in some family court cases. A family from Chautauqua County, New York recently came forward

with their incredible account of their child's disappearance into foster care after Child Protection Services received a tip he had been spanked by his father. David Gard, Jr., now thirteen, recalls being plucked out of school and cut off from any type of contact with his parents for six months. "I felt abandoned," he recalls. "At times I wondered, 'why do I even exist?'"

An honor student for most of his school years, David was transferred into another school system, one in which he felt uncomfortable. When he pleaded to be allowed to go home, his caseworkers ignored him. "They tried to brainwash me," he says. He explained to them that his father had spanked him for walking on the lake when the ice was thin. "They'd tell me, 'he didn't do it because you misbehaved, he did it because he wanted to,'" says David.

David Gard's family court judge did allow him into the courtroom—but not until after six months away from his family. It took the court another six months to render the decision that home was the best place for him after all. For David, it was a year of separation from the most important people in his life—his parents, grandparents, and siblings. And he cannot forget the pain of missing out on two events that were to have been highlights of his preteen years: a huge family reunion and his uncle's wedding.

Many youths who challenge their treatment by the child protective system run up against a brick wall. Some, like David, are simply ignored when they speak up. Others are told they have to "cooperate," which translates into testifying against their parents, before they can return home.

In Joseph Ryan's case, an attempt to force his way past staff at the children's home to see his mother when she came to visit him was labeled "violent." For this behavior, the facility's psychologist ordered him to take a powerful sedative called Thorazine. The staff told Joseph the pills were "vitamins." He sensed immediately that these were no vitamins, so he found ways to hide them instead of swallowing them.

Evelyn, by then, was allowed weekly visits with him, and this gave him the opportunity to slip some pills to his mother to have them analyzed.

Joseph felt most of the staff treated him favorably, but he remained at odds with the facility's psychiatrist, who treated him as though he were crazy, he says. When Joseph confronted her about

the Thorazine prescription, and questioned whether she got her degree "from a crackerjack box," she became upset and ended up threatening him with a "defamation of character" charge.

Joseph's and his mother's strength of will finally did prevail. The drug prescription was discontinued, and the children's home suddenly announced it was discharging him after only five months of the eighteen-month placement were up. The reason cited was Joseph's lack of cooperation with their program, which was blamed on Evelyn's resistance to the placement.

After returning home Joseph proceeded to become an honor student, received awards for his artwork, and now is looking forward to an education and career in the field of engineering.

Joseph Ryan was fortunate, as are all foster children who come through a crazy system with their senses intact.

Perhaps for every Joseph or David, there is another child with a story to tell of actual abuse by parents, which the Child Protective System failed to remedy. It could leave us confused—until we look into the facts. Scrutiny of America's child protective system by researchers such as Allan Carlson for the Rockford Institute, Richard Wexler, author of *Wounded Innocents*, and Mary Pride, author of *The Child Abuse Industry*, reveals a system in such chaos that justice will naturally be the exception rather than the rule.

The Excuse-Makers

Many excuses have been made for this chaos, among them an imaginary lack of funds and overworked caseworkers. These excuses only divert our attention from the erroneous premises on which our nation's entire juvenile court and child protective system is built.

First of all, child abuse issues should never have been removed from the criminal justice system with its constitutional guidelines, to be tossed into an already inept social welfare bureaucracy. That this was done in the name of serving "the best interests of the child" only proves the hypocrisy under which our modern child savers operate.

The social welfare approach to child abuse issues defies justice on every count in which it pretends to be humane. There is counseling instead of prosecution of alleged abusers, which means that actual abusers can get by with just some coddling

as soon as they 'fess up, while parents who maintain their innocence can get a sentence sometimes worse than death: the permanent loss of their children. There is the perverted practice of nabbing the victim rather than the perpetrator of an alleged abuse. And there is the arrogant cry of "confidentiality," which asserts that child abuse specifics are too sensitive for the public to be privy to. The list of injustices goes on and on.

However, it suffices to say that there is no reason for our present system to work, and no remedy for its failures, without a return to Constitutional constraints. The founders of our nation realized that a good justice system is hard to come by, and at best, there would be errors, so they were careful to incorporate specific safeguards into

their new system of government. Among these safeguards are the security of a person in his own home absent a probable cause warrant, and the right to face his accuser if and when he is tried. Even more crucial to justice are those safeguards which recognize the fallibility of judges and the consequent need for them to be accountable to the general populace. These safeguards include the right to a public trial by jury.

Any worthwhile reforms in our child protective system must therefore include a return to full public scrutiny of the actions of child welfare agencies and courts. I dare say the oppression of youngsters such as Joseph, David, Alicia, and the Beck children, could have been averted had this been done all along. □

Rights for Robots

Millions of our people now look to the government much in the same fashion that their fathers of Victorian times looked to God. Political authority has taken the place of heavenly guidance.

Herbert Spencer in that wonderful prophecy, *The Man Versus the State*, explained in detail what would happen. He foretold with exactitude the present rush of the weaklings for jobs as planners and permittees, telling other people what *not* to do.

You will have noticed that while we are all under the thumb of authority, authority becomes composed of those who, lacking the courage to stand on their own feet and accept their share of personal responsibility, seek the safety of official positions where they escape the consequences of error and failure. Active, energetic, and progressive persons, instead of leading the rest, are allowed to move only by the grace and favor of that section of the population which from its very nature lacks all the qualities needed to produce the desired results. Authority is the power to say *no*, which requires little or no ability.

On a broad view, the all-important issue in the world today is *individualism* versus *collectivism*.

The Individualist thinks of millions of single human souls, each with a spark of divine genius, and visualizes that genius applied to the solution of his own problems. His conception is infinitely higher than that of the politician or planner who at best regards these millions as material for social or political experiment or, at worst, cannon fodder.

—SIR ERNEST BENN

IDEAS
ON
LIBERTY



Economics and Ethics in the Public Policy of the Free Society

by Alexei M. Marcoux

My economist friend stood aghast upon learning of my support for Proposition 13, the California property tax initiative recently upheld by the U.S. Supreme Court. I argued to him that taxation, being virtually indistinguishable from theft, is morally wrong and therefore any measure circumscribing the taxing power of government—even if only over a select group of citizens (in this case, property owners)—is just. “But,” my friend intoned with a note of paternal solicitude, “it’s inefficient.”

How could I, possessed of an undergraduate degree in economics, embrace a public policy initiative guilty of that unpardonable sin? I reasoned that, in a free society, the state exists for the purpose of protecting persons and property from invasion by others. Consistent with that role, the free state favors markets as the highly efficient—and ethical—means by which individuals arrange their property holdings so as to maximize their well-being. Where improvements in market efficiency demand property rights violations, however, it is market efficiency, not property rights, that must yield. My friend apparently saw it the other way.

In retrospect, it occurred to me that our brief exchange was a microcosm of the current state of public policy discourse. The economist and the ethicist speak mostly past each other. Where they

deign to acknowledge one another, each insists, at best, that the other’s criterion is subordinate to his own; at worst, that the other’s criterion has no place in public policy. This divergence is apparent among advocates of free markets, as well. Free market economists (*e.g.*, Milton Friedman) stress the market’s efficiency while taking a seemingly agnostic position in matters of ethics. Free market philosophers (*e.g.*, the early Robert Nozick) stress the ethical soundness inherent in the voluntary nature of market processes while minimizing the importance of efficiency.

One should not, of course, favor inefficient government policies—our deficits (federal, state, and local) are large enough already. Neither, however, should one favor unethical policies on the grounds of their supposed efficiency. What, then, is the correct course when considering issues of public policy?

Efficiency and Ethics

Efficiency and ethics each have a meaningful role in the making of public policy. Moreover, a proper understanding of the nature of efficiency and ethics as evaluational criteria reveals them to be complementary. Consider:

Efficiency is a wholly comparative criterion. That is, a policy or practice is never efficient in and of itself, but only more or less efficient than the alternatives to it. An “efficient” policy becomes inefficient upon the discovery of a more

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efficient alternative. Thus, efficiency is a criterion by which alternatives are ranked.

Compare ethics. A policy or practice is ethical (or not) entirely by reference to its content; it either violates an ethical norm or it does not, and this is true irrespective of the alternatives to it. Ethics does not comprise a comparative criterion. It is nonsensical to say that two policies are ethical, but one is more ethical than the other. Rather, ethics provide a benchmark by which to categorize alternatives in a binary fashion, i.e., as "ethical" or "unethical."

Understood in this way, efficiency and ethics need not be traded-off against each other in the making of public policy. Sound public policy is formed in accordance with a simple rule: Choose the most efficient among the ethical alternatives.

Whether ethical or efficiency determinations are made first is immaterial. One can rank all possible alternatives in terms of efficiency and then, beginning with the most efficient, eliminate alter-

natives until one conforming to ethical norms is found. Conversely, one can categorize all possible alternatives as ethical or unethical and then, after ranking the ethical alternatives in terms of efficiency, choose the most efficient. Either method will yield the same result.

That economics is, as Ludwig von Mises taught, *wertfrei* (value free) does not imply that the making of public policy (even in the economic realm) is value free. That public policy is laden with ethical considerations does not imply that economics is impotent in its formulation. Market ethics and market efficiency jointly bolster the case for a free society. Each can and should be manifest in a free society's public policy.

This raises an interesting question: When my friend called Proposition 13 "inefficient," did he mean that it does not promote efficient markets or that there exist more efficient policies that achieve the same ethical objectives? I must ask him. □

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by Leonard E. Read

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A Tale of Two Dictionaries

by John P. Finneran

For many centuries, the English and the French languages, lacking formally binding rules, evolved spontaneously, inconsistently, and idiosyncratically. With the advent of the Enlightenment, attempts were made to end this state of linguistic anarchy by standardizing grammar and spelling, most notably through the creation of grammar books and dictionaries. This article deals with two of the most notable of the early dictionaries: the French dictionary created by the French Academy (*l'Académie française*) and the English dictionary created by Samuel Johnson.

The two dictionaries were completed in different ways and at different speeds: the English dictionary was composed by a single man in seven years; whereas the French dictionary was composed by a body of 40 members in an agonizingly slow 55 years. This fact seems bizarre at first; many people, by dividing the work amongst themselves, surely *should* have been able to complete roughly the same task that one man was engaged in in *less* time than it took that one man. Yes, Samuel Johnson was a genius, but the French Academy also had its share of geniuses; even if we were to make the wild assumption that Samuel Johnson had the mental powers of ten Academicians, Johnson would still have been outnumbered by four to one; so surely genius alone cannot explain the vast anomaly. I suggest that much of the contrast can be explained by the ineluctable differences inherent in a collective, government-sponsored effort and in one that is individual and profit-making.

The French Dictionary

The French Academy was established in 1635 by King Louis XIII. The charter of the Academy stated: "There will be composed a dictionary, a grammar, a rhetoric, and a poetics under the observation of the Academy."¹ Thus officially began the project for the French dictionary. Work began in earnest in 1639 under the direction of Claude Favre de Vaugelas. Work was extremely slow and problematic. Indeed, the Academy spent six years (*i.e.*, almost as long as it took Johnson to complete his entire dictionary) working solely on the letter "G." The dictionary appeared at last in 1694.

The 55 years were characterized by, in the words of W. L. Wiley, "ponderous slowness . . . empty pomposity, and . . . wasted formalistic interchanges."² This atmosphere was best captured by Antoine Furetière in the following satiric depiction of the workings of a committee of Academicians, which, alas, sounds all too true:

The one who shouts the loudest is the one who is right; each person gives forth with a long harangue on the slightest trifle. The second man repeats like an echo everything that the first has said, and most frequently three or four of them talk at the same time. In the commission composed of five or six persons, there is one of them who reads, one who offers his opinion, two who chat, one who sleeps, and one who spends his time perusing some dictionary which is on the table. When it is the turn of the second to express his views, the article has to be read to him again because of his distraction during the

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From the Preface to the Dictionary

In this work, when it shall be found that much is omitted, let it not be forgotten that much likewise is performed, and though no book was ever spared out of tenderness to the author, and the world is little solicitous to know whence proceeded the faults of that which it condemns; yet it may gratify curiosity to inform it, that the *English Dictionary* was written with little assistance of the learned, and without any patronage of the great; not in the soft obscurities of retirement, or under the shelter of academick bowers, but amidst inconvenience and distraction, in sickness and in sorrow: and it may repress the triumph of malignant criticism to observe, that if our language is not here fully displayed, I have only failed in an attempt which no human powers have hitherto completed. If the lexicons of ancient tongues, now immutably fixed, and comprised in a few volumes, be yet, after the toil of successive ages, inadequate and delusive; . . . if the embodied criticks of France, when fifty years had been spent upon their work, were obliged to change its oeconomy, and give their second edition another form, I may surely be contented without the praise of perfection, which, if I could obtain, in this gloom of solitude, what would it avail me? I have protracted my work till most of those whom I wished to please, have sunk into the grave, and success and miscarriage are empty sounds: I therefore dismiss it with frigid tranquility, having little to fear or hope from censure or from praise.

—SAMUEL JOHNSON

first reading No two lines are accepted without long digressions, without somebody telling a funny story or a tidbit of news, or without somebody else talking about conditions in the country and about reforming the government.³

Antoine Furetière was a member of the Academy who was expelled from that body for working on a rival dictionary. He produced his dictionary in 1690, four years ahead of the Academy. According to Wiley, Furetière's dictionary "has in general been regarded by posterity as a fuller and more usable instrument than the Academy's dictionary."⁴ The Academy accused Furetière of plagiarism and of infringing on the Academy's monopoly on the production of a French dictionary. Furetière vigorously denied both charges, claiming that he had been working independently on his dictionary for 20 years and that he had a

rival monopoly. After completing his dictionary, Furetière spent his remaining days writing stinging satires that excoriated the inefficiencies of the Academy.

The English Dictionary

Samuel Johnson had his own problems in producing his dictionary, most notably concerning patronage, or, rather, the lack thereof. Johnson dedicated the plan of his dictionary to Philip Dormer, Lord Chesterfield, in the hope of enticing the latter's financial support. But, save for the negligible sum of ten pounds, such hope was in vain. Lord Chesterfield offered substantial help only when the project was virtually completed. Johnson haughtily refused the belated offer.

Johnson, who, among his other talents, was an

accomplished poet, had produced the following couplet in imitation of Juvenal:

Yet think what ills the scholar's life assail,
Pride, envy, want, the *garret*, and the jail.

Johnson's unhappy experience with patrons caused him to change the second line to:

Toil, envy, want, the *Patron*, and the jail.⁵

The financing of Johnson's dictionary came from local booksellers—and here we have one of the great factors speeding Johnson along: Johnson's need to pay back the booksellers, who would profit from the sale of the completed dictionary. Johnson had spent entirely the booksellers' money before he completed the project and, as an affair of honor, he felt compelled to prevent his financiers from suffering a loss. The sheer immensity of the work caused Johnson to take seven years at the task instead of the expected three, but, by working by himself, Johnson was able to avoid all of the "wasted formalistic interchanges" that so bedeviled the Academy. The fact that Johnson worked alone also gave the dictionary a distinctly *individual* flavor. (To be punctilious: Although, for all practical purposes, it is fair to say that Johnson worked alone, he did have six mechanical assistants, and 20 etymologies were provided by Zachary Pierce, the bishop of Rochester.) Johnson's *Dictionary of the English Language* was completed in 1755.

Johnson's dictionary had its share of blunders and omissions, but can still be read profitably today as much for its sparklings of personality and wit as for its formal applications. Here are some examples of Johnson's definitions: *network*: "Anything reticulated or decussated, at equal distances, with interstices between the intersections;"⁶ *oats*: "A grain, which in England is generally given to horses, but in Scotland supports the people"⁷ (A Scotsman is said to have replied, "Yes, which is why England has the best horses in the world, and Scotland the best people."); *abbey-lubber*: "A slothful loiterer in a religious house, under pretense of retirement and austerity;"⁸ *pension*: "An allowance given to any one without an equivalent. In England it is generally understood to mean pay

given to a state hireling for treason to his country;"⁹ and, my favorite, to *fishify*: "To turn to fish: a cant phrase."¹⁰

A Poetic Summation

The history of the two dictionaries can be summed up by two verses. The first is Furetière's suggested epigram for the French Academy's dictionary:

I am this big dictionary,
Which was for half a century in the belly of my
mother;
When I was born I had a beard and some teeth:
This fact should not be considered very unusual;
Since I was at the time fifty years old.¹¹

The second is David Garrick's reaction to the publication of Johnson's dictionary (although the difference he attributes to national character, I suggest really should be attributed to the difference between individuals and collective bodies):

Talk of war with a Briton, he'll boldly advance,
That one English soldier will beat ten of France,
Would we alter the boast from the sword to the pen,
Our odds are still greater, still greater our men . . .

[after citing Shakespeare, Milton, Dryden, and
Pope]

And Johnson, well arm'd like a hero of yore,
Has beat forty French, and will beat forty
more!¹² □

1. W. L. Wiley, *The Formal French* (Cambridge, Mass.: Harvard University Press, 1967), p. 89.

2. *Ibid.*, p. 93.

3. *Ibid.*, pp. 93-94. Wiley comments (p. 94), "With due allowance for Furetière's likely bias, it sounds as though he might have attended such a committee meeting."

4. *Ibid.*, p. 94.

5. James Boswell, *Life of Johnson* (New York: Oxford University Press, 1970), pp. 186-187.

6. Samuel Johnson, *Johnson's Dictionary: A Modern Selection*, edited by E. L. McAdam, Jr., and George Milne (New York: Pantheon Books, 1963), p. 263.

7. *Ibid.*, p. 268.

8. *Ibid.*, p. 33.

9. *Ibid.*, p. 288.

10. *Ibid.*, p. 181.

11. Wiley, p. 94.

12. Boswell, pp. 214-215.

BOOKS

WELFARE ECONOMICS AND EXTERNALITIES IN AN OPEN-ENDED UNIVERSE: A MODERN AUSTRIAN PERSPECTIVE

by Roy E. Cordato

Kluwer Academic Publishers, • 160 pages • available from Laissez Faire Books, 800-326-0996, \$24.95 plus shipping

Reviewed by William H. Peterson

If every drama has a villain, *perfect competition-general equilibrium* (PCGE) is Roy Cordato's royal knave. PCGE is the welfare economist's paradigm of political correctness, complete with a recommended list of allegedly remedial public policies.

Armed with this PCGE paradigm and fortified with advanced mathematics (as a glance at any professional economics journal will reveal), the mainstream welfare economist assumes a world of perfect competition *and* perfect knowledge. He blithely *imagines* an ideal economic system in general equilibrium in which there is a broad balance of forces facilitating the simultaneous fulfillment of plans by sellers and buyers. He holds that markets are efficient only when market price and marginal cost are equal; he says that in the absence of such equality markets "fail"; he claims that "market failures" further proliferate when market "side" or "spillover" effects lead to "negative externalities" with less than optimal results in terms of prices, production, and pollution.

Not to worry. Father Washington knows best. Market failures are corrected, proclaims the modern exponent of welfare economics, by taxes, subsidies, import quotas, antitrust laws, pollution controls, public utility regulations, and other government weapons, all of which magically do away with the problems that arise in the mainstream welfare economist's imaginary model.

But these problems and solutions are presented to policy makers, says economist Roy Cordato of the Washington-based Institute for Research on the Economics of Taxation (IRET) "without any recognition of the fact that they were devel-

oped within a context that bears very little resemblance to the real world."

Why so little resemblance? Dr. Cordato argues persuasively in this scholarly work that the mainstream welfare economist should rethink his PCGE position and see market activity as a dynamic and open-ended process creating demand and supply disequilibrium situations that veer toward but never quite reach equilibrium. He should also see that private property rights are sacrosanct, that value and utility are strictly subjective and therefore unobservable and unmeasurable, that knowledge of market phenomena such as demand curves and unit costs is always imperfect to both market participants and policy makers, that market competition is an entrepreneurially driven information discovery process upsetting some previously coordinated plans as fresh information comes to the fore and the price system adjusts to ever new situations.

It follows that the main answer to dealing with pollution damage is stricter stipulation and enforcement of private property rights so as to allow affronted property holders to claim tort liability and seek redress in the judicial system.

In light of this analysis, it is little wonder that government interventions on behalf of environmental concerns backfire. The concepts of general equilibrium and perfect competition are inherently false guides, says the author, inasmuch as market participants are not robots but real men and women who must ever cope with scarce time, with their own individual responsibilities and resources, with their particularly unique private property rights—i.e., with the world as it actually exists.

In introducing this book, economist Dominic Armentano of the University of Hartford and author of *Antitrust and Monopoly: Anatomy of a Policy Failure*, hails the Cordato logic for filling a gap in Austrian economics and for obviating, among other things, such dubious antitrust tools as market share, concentration, and entry barriers. He writes: "Roy Cordato's new book is both timely and important. Questions of liability and efficiency with respect to negative spillovers are current, cutting-edge public policy issues. In the area of industrial pollution especially, significant private and taxpayer resources have been committed to schemes to redress the 'social costs' of alleged environmental degradation. In addition, government agencies and the courts are increasingly reg-

ulating private behavior in this area. Thus it is important to re-examine the economic rationale for regulating externalities and whether existent public policy is appropriate."

Dr. Cordato has made an important contribution to our understanding of welfare economics. □

Dr. Peterson, adjunct scholar at the Heritage Foundation and Mises Institute, holds the Lundy Chair of Business Philosophy at Campbell University, Buies Creek, North Carolina.

THE SEVEN FAT YEARS—AND HOW TO DO IT AGAIN

by Robert L. Bartley

The Free Press, 866 Third Avenue, New York, NY 10022
347 pages • \$22.95

Reviewed by Robert Batemarco

Robert Bartley has written a history of U.S. economic policy during the 1970s and 1980s from a supply-side perspective. Given his position as editor and vice president of *The Wall Street Journal*, he draws heavily from that publication for source material. Thus, it should not surprise us that his book reflects both the *Journal's* disdain for most economic policies of the Nixon and Carter years and its stance as a cheerleader for Reaganomics.

The Seven Fat Years was written with two purposes in mind. The first was to counter the view of so much of the intelligentsia that the 1980s was a period of veritable economic disaster for all but the "rich". Bartley does so by reminding us that the '80s was a decade of flourishing entrepreneurial activity and consequent economic well-being (31 percent growth in real GNP from 1982 to 1990, and the simultaneous massive reduction in the rates of inflation, unemployment, and interest), both in absolute terms and by comparison with the seventies and (so far) the nineties.

The second purpose Bartley had in mind in writing this book was to advocate the continuation and extension of the policies to which he credits these successes. He saw the 1980s as the apotheosis of supply-side economics and his book is a paean to the set of theories bearing that designation. While those theories are by no means without merit, they suffer from several blind spots which provide this reviewer reason to take issue with several of the book's major points.

The author starts with the 1970s (he takes the liberty of defining his decades by policy regime rather than strict chronology, so that his '70s last until the end of 1982) to remind us just what we were up against as the '80s dawned. To quote him: "Still, the fat years were a striking contrast with the nine years between 1973 and 1982, when the economy grew at a rate of only 1.6 percent a year. That miserable period saw four years with actual declines in real GNP; productivity stagnated and poverty grew. By the way, inflation raged, with the consumer price index leaping by more than 10 percent in each of four years—1974, 1979, 1980 and 1981."

Bartley assigns various degrees of blame for this state of affairs to Nixon's New Economic Policy (wage-price controls and dollar devaluation), the Impoundment Act of 1974 (which reduced presidential power to limit government spending), excessive money creation, and rising taxes (mostly as a result of inflation pushing people into higher tax brackets as well as generating fictitious, but taxable, capital gains). Two other contributing factors, the increase of federal regulations (particularly the EPA and OSHA) and the burgeoning expenditures for the Great Society entitlement programs, were omitted but seem to belong here as well.

Against the backdrop of these events, Bartley introduces his readers to the policy discussions of the "inner circle" of the supply-side movement—Arthur Laffer, Robert Mundell, Jude Wanniski, and himself—at the New York eatery Michael 1. The author came away from these deliberations with three major policy prescriptions. To stop the price inflation caused by easy money, the consensus favored tying monetary policy to the price of some commodity, preferably, but not necessarily, gold. Since this price rule would apply to the international economy as well, it would restore fixed exchange rates and, thus prevent the erosion of the international division of labor. To help revive the economic growth (which had slowed to a crawl), they called for steep reduction of tax rates, not only directly but also by indexing both tax brackets and, more importantly, the basis for computing capital gains. Finally, there was agreement that the growth of government spending must be restrained and despair of its being done in the absence of institutional constraints such as a line-item veto or balanced budget rule.

He proceeds to catalogue the implementation of these policies: the 1978 Steiger capital gains tax cut, the 1982 Reagan income tax cuts (which he characterizes as both smaller and more slowly implemented than desirable), and Volcker's tight money policy, which targeted the money supply through 1982 and price level thereafter. This done, he asserts their efficacy, stating, "As 1982 drew to a merciful close, both sides of the Michael 1 prescription were finally coming into place. The Seven Fat Years started in November."

The supply-side fiscal policies that Bartley advocates, namely lower tax rates and reduced government spending, are admirable. However, his enthusiasm for the policies actually enacted may be misplaced, given that he is settling for no more than half a loaf. As he himself recognizes, because of the much lamented quest for "revenue neutrality" the justly acclaimed rate reductions of 1981 and 1986 were offset, to a large extent, by the elimination of many personal deductions and increases in business taxes in those very same bills, not to mention the increases in Social Security taxes and the tax increases of 1982 and 1984. And government spending fell only in relative terms, never in absolute terms.

On the controversial Laffer Curve, Bartley's effort to rescue it from the caricature which would have it imply that *any* tax rate cut will increase government revenue is successful on its own terms, although his assertion that the prohibitive range starts at 35 percent seems unrealistically low. The real problem with the Laffer Curve is that it *appears* to accept the premise that the raising of tax revenue is the most important justification for reducing tax rates. Philosophical arguments, such as the presumption that taxpayers have first claim to what they have earned in the absence of compelling evidence to the contrary, have never been the supply-siders' strong suit.

Perhaps the most serious weakness of supply-side economics is its treatment of monetary policy and the business cycle. That weakness manifests itself in this book in the notion that recessions are really independent of the booms that preceded them. To quote once more, "... we are not helpless before some inexorable 'cycle.' Without such artificial impediments as wage-price controls or Reg[ulation] Q, expansions can in theory go on indefinitely. . . ." This view rejects the lesson of Austrian business cycle theory that the seeds of

recession are already planted by the credit expansion which generates the boom. Bartley makes this quite explicit by criticizing F. A. Hayek's view that "you cannot stop inflation without causing a depression." Indeed, he goes so far as to argue in the face of contrary evidence that "Somehow the abrupt end to inflation did not cause a depression. Somehow, indeed, vigorous growth emerged in 1983." To claim that the 10.8 percent unemployment rate of 1982 was not a depression is to make far too much of the distinction between a recession and a depression.

By calling for price level stabilization as a proper goal of monetary policy, Bartley frees himself from the errors of the seventies only to embrace the errors of the twenties. As much as a monetary policy which stabilized prices is to be preferred to the more obviously inflationary policy currently in effect, it would nonetheless generate malinvestments and the boom-bust cycle. It did so in the 1920s, even though many prominent economists were fooled into declaring that period a "New Era" in which we had rid ourselves of the cycle.

The view that price stabilization is an appropriate monetary policy ultimately rests on the belief that money is neutral. By taking money to be neutral, supply-side economics is oblivious to the extent to which the "seven fat years" were also seven years of fat, much of which would have to be shed in a subsequent recession. The recession which started in 1990 would have occurred even in the absence of the tax hike, S & L problems, and other factors to which Bartley attributes blame. None of this, however, should be taken as a failure to recognize that there were many healthy developments during this period. There were, indeed, and Bartley describes them, albeit incompletely. Conspicuous by their absence in his account were any mention of the deregulation movement (as halfhearted as it was) and the firing of the PATCO strikers, which set the stage for other events which weakened unions' ability to keep wages above their equilibrium level.

To return, however, to the causes Bartley did choose to emphasize, I found his defense of the financial innovations which allocated capital to some of the most productive people in the country, particularly "junk" bonds and leveraged buy-outs, to be well done. He insightfully places those developments in a broader historical context. Indeed, it is interesting to learn here that the bonds of only

800 of the 23,000 largest U.S. companies would not be classified as "junk."

The parts of this work which I found to be of greatest value were his critiques of two perennial bogeymen: the trade deficit and income inequality. Both have been used with no little success to provide cover for any number of perverse policies—protectionism, currency devaluations, and tax increases, to name only the most obvious. In each case, he shows the basic flaws in the concepts themselves and the substantive harm in enacting the policies they are used to advance. Here he points out the striking fact that a mere \$53,711 placed a household in the highest 20 percent of the income distribution in 1989, and \$91,751 placed it in the top 5 percent. Widespread knowledge of these figures combined with the realization that many of these incomes are produced by two earners should, I would hope, cool some of the zeal for taxing the "rich" which is currently at a fever pitch.

All in all, this book is a better source of information on the supply-side paradigm than it is of understanding this particular business cycle episode. It reveals the supply-side mind-set to be one which favors piecemeal, even inconsistent, application of free market ideas. The message conveyed throughout this book is that supply-side economists have no inclination to take even the first steps toward dismantling the welfare state. They merely intend to make it more efficient. Anyone looking for a ringing affirmation of *laissez faire* in these pages will be as disappointed as he was by the policies of the Reagan years described therein. □

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MONEY OF THE MIND—BORROWING AND LENDING IN AMERICA FROM THE CIVIL WAR TO MICHAEL MILKEN

by James Grant

Farrar Straus Giroux, 19 Union Square West, New York, NY 10003 • 513 pages • \$27.50

Reviewed by James Picerno

Of all the distortions government creates when it intervenes in the free market process, few, if any, are more deleterious

to the economy than when it socializes credit risk. That hasn't stopped the federal government from continuing such policies, though, as documented in James Grant's recent book, *Money of the Mind: Borrowing and Lending in America from the Civil War to Michael Milken*.

Over a period of decades, the federal government has taken it upon itself to "regulate" credit markets, ostensibly to improve safety, stability, and fairness. The results have been less than impressive, however.

For example, a decade ago when the Texas real estate market was crumbling, the regional banks began feeling the fallout, Grant writes. Eventually, every key Texas bank went bankrupt during this time or was merged or required assistance from the federal government. Ironically, big Dallas banks managed to survive the Great Depression 50 years earlier with relatively little, if any, federal help.

The huge expenditures and market interventions by Washington in the more recent Texas setback had little remedial effects. In fact, such interventions are said to have exacerbated the problems because they redistributed corrective pain and thereby mitigated the healing effects of the market. "It was the received wisdom of the 1970s and early 1980s," Grant writes, "that modern banks do not fail (thanks to federal deposit insurance) and that inflation is a permanent American condition (as a result of the Employment Act of 1946). However, the impossible proceeded to happen."

Despite policy failures over the decades, Washington has been slowly adding layers of bureaucracy to do more of the same. Statist manipulation of credit markets has since become overt, counterproductive, and sometimes dangerous, as Grant points out regarding interventions into the banking market throughout the nation in recent decades: "The doctrine that some banks were too big to fail subverted the most basic banking franchise of all, safety; promising to protect its depositors' money at all hazards, a small, safe bank could make no competitive headway against a large, risky bank. The Treasury Department was the ultimate big-bank stockholder."

Grant might have added that Congress' record in recent years on distorting banking policies is equally troubling. Consider that institution's decision to raise the savings and loan deposit-insur-

ance ceiling to \$100,000 from \$40,000 as the 1980s opened. This action attracted more money from depositors, who were comforted—some say lured—by the artificially higher levels of government guarantees. Yet that money—indirectly solicited by government guarantees—was funneled into speculative, though ill-fated real estate ventures.

A good deal of the country's monetary and credit ills can be traced back to the creation of the Federal Reserve System just before World War I, Grant suggests. Few can argue with this notion, as this system has contributed greatly to the politicization of monetary policy, partly by removing formal institutional constraints on monetary excesses, as in the jettisoning of the gold reserve ratio.

Over the years, Fed power became increasingly centralized—a predictable development, given the nature of the beast—giving it more authority to act unilaterally and, consequently, beyond market rationality.

The Banking Act of 1935, for example, removed individual banks' influence in open market monetary operations, ceding that ability to the Fed. Subsequently, all key monetary decisions were to come within its domain. Unfortunately, the situation has degenerated so that monetary policy choices are often derived from a political calculus. Such power shifts opened the door for Congress to sanction irresponsible fiscal policies, as in 1946 when it promoted monetary excesses by directing the Fed to promote high employment under the Full Employment Act.

By the early 1970s, the arrival of the Penn Central affair should not have come as a surprise to anyone monitoring the trends of previous decades. Grant recounts that the tribulations of this company became the most prominent example of market manipulations, partly induced, if not sanctioned, by government policies. In fact, some of the nation's most conservative bankers, and ardent critics of state intervention as well, had experienced a philosophical change of mind as they succumbed to modern monetary mismanagement as promoted by Washington. As a result, the previously independent-minded Walter Wriston, chairman of the First National City Bank, petitioned the Federal Reserve Bank of New York in the ear-

ly '70s for a \$200 million loan guarantee as assistance in dealing with the increasingly risk-laden Penn Central, to which City Bank and other institutions had made loans.

Regardless of government intervention, however, Penn was headed for failure. And rightly so, as the company had made egregious errors in business judgment. Yet even after Penn had fallen, it was clear that the Fed system wasn't about to mend its ways nor acknowledge market logic. Indeed, the Federal Reserve Bank of New York assessed Penn's failure as unrelated to rational market pressures, but instead the result of technical difficulties. In essence, the bank refused to face reality, explaining that Penn crashed and burned because holders of the firm's commercial paper "became apprehensive about the low level of corporate liquidity as well as about the ability of borrowers to refinance existing debt, given the tight position of the banking system. The difficulties encountered by a number of brokerage firms, including some of the oldest and largest houses, and the fact that stock prices continued to fluctuate erratically added to the widespread uneasiness. Moreover, the Penn Central default came at a time when the amount of maturing paper was seasonally high because of the midyear statement date."

Overall, *Money of the Mind* provides an engaging look at how government monetary policies have infiltrated and corrupted the market process. To be sure, decisions made in the private sector must share in the blame for excesses, and yes, sometimes scandals. Such is the reflection of human nature rather than market failings, though.

Beyond that, such private market stumbles typically are corrected by assessing penalties to the offending parties. In contrast, government-induced improprieties in monetary affairs are rarely corrected. Instead, such statist errors are allowed to multiply, primarily because responsibility is diluted and pawned off onto millions of unwilling taxpayers who have no culpability, and no avenue for redress of grievances against the autonomous Fed. □

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Prepared by Beth A. Hoffman

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