

the Freeman

WINTER 2015

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CIRCUS

and

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CAGE



anything peaceful

the *Freeman*

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VOLUME 65 | NO. 04

PUBLISHED BY

FOUNDATION FOR ECONOMIC EDUCATION

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Atlanta, GA 30309 | United States

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FEE

FROM THE EDITOR

“Democracy is the art and science of running the circus from the monkey cage,” said H.L. Mencken. So as we move into an election year, we wanted to remind our readers that the circus is getting bigger, and we, the monkeys, are howling and hurling feces like never before.

Could it be due to the sudden rise and scary brown-shirt tactics of Donald Trump, who, far from being an establishment Republican, is more like a cross between Bernie Sanders and Bernie Madoff? Or is it the sudden rise and scary red-shirt tactics of Sanders himself, who is just as happy as Trump to keep out the foreigners so that he can continue to grow the welfare state? Then there is Hillary Clinton, with her secrecy and her Machiavellian will. She seems for now to be sitting back and watching the entire spectacle unfold from some dark bower on K Street, waiting for her party’s coronation.

It is a spectacle. A circus.

When we look around, it’s clear that our friends and neighbors are the ones making all this possible. And that’s a scary thought. Someone put that “Feel the Bern” sticker on her car. Another doffs his Trump hat with his hand over his heart.

So what are the rest of us monkeys to do? Watching it all unfold can seem like watching a reality show. We can get sucked in, trading barbs on social media and watching the horse race with a bucketful of popcorn and a vague look of disgust. Or we can at least acknowledge the cage. If we succumb to the tribal tendencies, the bumper-sticker rationales, and the “I Voted” rectitude, we will help perpetuate the whole charade. Each dangling chad will be a vote of complicity in this monstrous thing that has grown upon the backs of the people (and that they paradoxically seem to welcome).

Or we can be revolutionaries again. We can rattle the cage. A million little acts of civil disobedience here and there can add up fast. At the very least, we can call this thing what it is: A show. An illusion. A circus.


— MAX BORDERS

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Privatizing Marriage Makes No Sense

GOVERNMENT WILL NEED TO SET THE RULES

by Shikha Dalmia

define it, and let consenting adults, regardless of sexual orientation, write their own civil union contracts.

Likewise, echoing fellow liberals such as Michael Kinsley and Alan Dershowitz, Wolf some years ago opined that a wedding dress and flowers blind women to the reality that, at root, marriage is a business contract that the government should stay out of.

But even though “privatizing marriage” is gaining popularity, it is an incoherent concept that, if anything, will actually increase—not decrease—government interference in marriage.

At the most basic level, even if we can get the government out of the business of issuing marriage licenses, it still has to record and register these partnerships (and/or authorize the entities that perform them) before they can have any legal validity, just as it registers property and issues titles and deeds. Therefore, government will need to set rules and regulations as to what counts as a legitimate marriage “deed.” It won’t simply accept any marriage performed in any church—or any domestic partnership contract signed by anyone.

Suppose that Osho, the Rolls Royce-collecting guru who encouraged sexual freedom before getting chased out of Oregon, performed a group wedding uniting 19 people. Maybe the government should register all 19 as a married unit. But it’ll require a culture war to get it to do that. Ditto for a marriage or a civil union between a consenting mother and son. And what should the age of consent be—or should there even be one at all?

In other words, this kind of “privatization” won’t take the state out of marriage—it will simply push its involvement (and the concomitant culture wars) to another locus.

Furthermore, true privatization would require more than just getting the government out of the marriage licensing and registration business. It would mean giving communities the authority to write their own marriage rules and enforce them on couples. This would obviously mean letting Mormon marriages be governed by the Book of Mormon, Muslims by Koranic sharia, Hassids by the Old Testament, and gays by their own religious institution or nonreligious equivalent. But what if an individual in one of

If Republican presidential candidate Senator Rand Paul is politically from Mars, then the leftist feminist writer Naomi Wolf is from Venus. But one thing the two agree about here on Earth is the desirability of getting the government out of the marriage business.

Following the Supreme Court’s gay marriage ruling, Paul argued that Mississippi and other states that want to get out of the business of issuing marriage licenses are right. The government shouldn’t “confer a special imprimatur upon a new definition of marriage.” The government should leave marriage to churches and temples, regardless of how they

(continued on page 4)

Privatizing Marriage Makes Good Sense

BY MAX BORDERS

Marriage is society's primary institutional arrangement that defines parenthood.

—JENNIFER ROBACK MORSE

The idea of marriage privatization is picking up steam. And it makes strange bedfellows.

There are old-school gay activists suspicious that state marriage is a way for politicians to socially engineer the family through the tax code. There are religious conservatives who are upset that a state institution seems to violate their sacred values. Don't forget the libertarians for whom "privatize it" is more a reflex than a product of reflection.

But they all agree: it would be a good idea to get the government out of the marriage business. Principle, it turns out, is pragmatic.

First, let's disentangle two meanings for one word that easily get confused. When we say "marriage," we might be referring to:

A. a commitment a couple enters into as a rite or acknowledgment within a religious institution or community group (private); or

B. a legal relationship that two people enter into, which the state currently licenses (public).

Now, the questions that follow are: Does the government need to be involved in A? The near-universal answer in the United States is no. But does the government need to be as involved as it is in B? Here's where the debate gets going.

I think the government can and should get out of B, and everyone will be better for it. This is what I mean by marriage privatization.

Some argue that marriage is "irreducibly public." For traditional marriage advocate Jennifer Roback Morse, it has to do with the fate of children and families. For Shikha Dalmia, a senior analyst at Reason Foundation, it has to do with the specter of increased government involvement, a rekindled culture war, and a curious concern about religious institutions creating their own marriage laws.

First, let's consider the issue of children. According to marriage equality advocate Unmarried.org:

- 39.7 percent of all births are to unmarried women (Centers for Disease Control, 2007).
- Nearly 40 percent of heterosexual, unmarried American households include children (Child Protective Services, 2007).
- 41 percent of first births by unmarried women are to cohabiting partners (Larry Bumpass and Hsien-Hen Lu, 2000).

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(“Privatizing Marriage Makes No Sense,” continued from page 2)

these faiths rejects its marriage tenets? Where would they go to get married? A civil marriage performed by a justice of the peace would be out because that option would have to be nixed when state and marriage are completely separated.

Libertarians would argue that these people could embrace another faith or simply declare themselves in a union. But giving communities the right to set their own marital rules also means giving them the right to control any possible exit options for couples. If the state tried to define when and how individuals could exit, it would be back in the business of regulating marriage.

Consider another problem: allowing communities to set their own marital norms would mean giving, say, a Muslim man the right to divorce his Muslim wife by saying “divorce” three times as per sharia law’s requirement, while leaving her with minimal financial support (this actually happens in India and elsewhere). Obviously, that would hardly be an advance for marriage equality.

The reason that calls to “abolish marriage”—to quote Kinsley—lead to such absurd results is that they are based on a fundamental misconception about the function marriage serves in a polity.

The Cato Institute’s Jason Kuznicki notes that marriage, properly understood, is a negative, prepolitical right that, in the liberal understanding of things, the government doesn’t grant; it guarantees. It makes as much sense, therefore, to abolish marriage in the name of unshackling it from the government’s clutches as it would to, say, abolish property rights to “free” them from the government.

Just as property rights (at least in principle) establish the scope and limits of state power over an individual, marriage does something similar for couples. It basically establishes their right to jointly own property and inherit it from each other, to keep and raise their children, and to make medical decisions for the other when one is incapacitated. The government can’t grab their children or their property without a compelling interest, and it must prevent others from doing so as well. For example, in-laws can’t simply take away children because they think their daughter-in-law is an unfit mother, nor can they overrule her end-of-life decisions for their son. Couples can voluntarily—and jointly—cede some of their authority to others in special circumstances. But marriage creates a default presumption of their rights, as well as their responsibilities. For example, just as no one can take away their children, the couple can’t abandon them, either.

Without marriage, every aspect of a couple’s relationship would have to be contractually worked out from scratch in advance. This task may—or may not—prove to be an onerous

inconvenience (some people speculate that companies would start marketing canned contracts to couples). But without licenses or registration for marriages, many things, including establishing paternity, would get really messy. When a couple is in a recognized marriage, the children in their custody are presumed to be theirs—because they either bore them or adopted them.

Privatizing marriage, maintains Kuznicki, would mean giving up this presumption. This would wreak havoc, especially if a marriage breaks up.

“[You’d] get a deluge of claims and counterclaims about child custody and paternity, as partners fought either to establish or relinquish custody without any clear advance guidance from the government about how they will be treated,” he insists. “It is hard to imagine the state being more in a private family’s business than this” (emphasis original).

This is not mere speculation. Partly to avert such problems

and to ensure that children are taken care of, preliberal communities that govern marriage by religious norms give a great deal of say to family, neighbors, and village elders in every aspect of a couple’s life.

“PRIVATIZATION” WON’T TAKE THE STATE OUT OF MARRIAGE.

If libertarians want to expand marital freedom, they ought to try and spread the Las Vegas model, where licenses are handed out to consenting adults on demand with minimal regulation or delay. Opening the licensing procedure and deregulating marriage so that it covers ever more consenting adults would hand individuals far more marital freedom with far less state involvement than privatizing marriage would.

Privatizing marriage can’t sidestep the broader questions about who should get married to whom and under what circumstances. In a liberal democracy, those who want to expand the scope of marriage have no choice but to fight—and win—the culture wars by slowly changing hearts and minds, just as they did with gay marriage. It would be tantamount to replacing today’s complicated IRS tax code with a simple flat tax, notes the *Federalist’s* Stella Morabito. There are no cleaner shortcuts.

If libertarians want a different reality, they will just have to move to Mars—or Venus.

Note: A version of this article was originally published at The Week.

Shikha Dalmia is a senior analyst at Reason Foundation. Read more at FEE.org/Dalmia.

(“Privatizing Marriage Makes Good Sense,” continued from page 3)

Does the law leave provisions for the children of the unmarried? Of course. So while state marriage might add some special sauce to your tax bill or to your benefits package, family court and family codes aren't likely to go anywhere, whatever we do with marriage. This is not a sociological argument about whether children have statistically better life prospects when they are brought up by two married parents. Nor is it a question about gender, sexuality, and parental roles. It's simply a response to the idea that marriage is “irreducibly public” due to having children. It is not. (I'll pass over the problem for this argument that some married couples never have children.)

Dalmia is also concerned that “true privatization would require more than just getting the government out of the marriage licensing and registration business. It would mean giving communities the authority to write their own marriage rules and enforce them on couples.”

It's true. Couples, as a part of free religious association, might have to accept some definition of marriage as a condition of membership in a religious community. But, writes Dalmia, “This would obviously mean letting Mormon marriages be governed by the Book of Mormon, Muslims by Koranic sharia, Hassids by the Old Testament, and gays by their own religious institution or nonreligious equivalent.” And all of this is true up to a point.

But Dalmia overstates the case. Presumably, no religious organization would be able to set up codes that run counter to the civil and criminal laws in some jurisdiction. So if it were part of the Koranic sharia code to beat your wife for failure to wear the hijab at Costco, that rule would run afoul of laws against spousal abuse. Mormon codes might sanction polygamy, but the state might have other ideas. So again, it's not clear what sort of magical protection state marriage conjures.

Now, one might argue I'm being flippant with respect to Mormon or sharia codes. After all, Dalmia does not specify whether she's referring to the criminal or civil aspects of religious community codes and the complications these could give rise to. If what she means is that she is concerned that members of religious communities would attempt to put religious codes above the laws of contract or some civil union default, I can only say that the government's job would be to enforce the legitimate contract or union, not the religious code. Whether this would make the government *more* intrusive is an empirical question. But, presumably, contracts based on religious codes would be legitimate as long as no prior existing law was broken.

What about Dalmia's concern that in the absence of state marriage, “every aspect of a couple's relationship would have to be contractually worked out from scratch in advance”? Never mind that some people would see being able to work out the details of a contract governing their lives as a good thing (for one, it might prevent uglier divorce proceedings). There is no reason to think that all the functions normal,

“MARRIAGE” IS CURRENTLY A CRAZY QUILT OF SPECIAL PRIVILEGES AND GOODIES THAT EVERYBODY WANTS ACCESS TO— UNMARRIED PEOPLE BE DAMNED.

unmarried couples with children and property have in terms of recourse to “default” law would not still be available. Not only would simple legal templates for private marriage emerge, but *states could establish default civil unions in the absence of couples pursuing private alternatives.*

Indeed, if people did not like some default option—as they might not now—there would be better incentives for couples to anticipate the eventualities of marital life. People would have to settle questions involving cohabitation, property, and children just as they do for retirement and for death. Millions of gay couples had to do this prior to the Supreme Court's ruling on marriage equality. Millions of unmarried couples do it today. The difference is that there would be a set of private marriage choices *in a layer atop the default*, just as people may opt for private arbitration in lieu of government courts.

In the debates leading up to marriage equality, an eminently sensible proposal had been that even if you don't like the idea of hammering out a detailed contract with your spouse-to-be, simply changing the name of the entire statutory regime to “civil unions” would have gone a long way toward putting the whole gay-marriage debate to bed. The conservatives would have been able to say that, in terms of their sacred traditions and cultural community (as in *A*), “marriage” is between one man and one woman. Gay couples would have had to find a church or institution that would marry them under *A*. But everybody would have had some equal legal provision to get all the benefits that accrue to people under *B*. You'd just have to call it a “civil union.”

And that's fine as far as it goes.

But I like full privatization because “marriage” is currently a crazy quilt of special privileges and goodies that everybody wants access to—unmarried people be damned. But marriage should confer neither special favors nor goodies from the state. We can quibble about who is to be at the bedside of a dying loved one. Beyond that, marriage (under definition *B*) is mostly about equal access to government-granted privileges.

Not only does the idea that marriage is irreducibly public represent a failure of imagination with respect to robust common law; it also resembles arguments made against privatization in other areas, such as currency, education, and health care. Just because we can't always envision it doesn't make it impossible.

Max Borders is editor of the Freeman. Read more at FEE.org/Borders.

Five Unintended Consequences of Regulation and Government Meddling

by Robert P. Murphy

Voters frequently support measures that sound noble and beneficial but end up causing serious mischief—and often hurt the very groups the measures were intended to help.

A well-known example is price controls, which include minimum wage laws and rent control. These can cause unemployment among low-skilled workers and apartment shortages for those without connections.

But that's not all. Not by a long shot.

Here are five more examples of unintended consequences.

1. "SHOOT, SHOVEL, AND SHUT UP"

The Endangered Species Act and other laws restrict how landowners can use their property if it is discovered that their actions may adversely affect vulnerable wildlife. Besides the injustice of violating property rights, this regulation produces perverse results.

Imagine a landowner in the Midwest who had plans to sell to an outside developer who wanted to build a shopping mall. One morning, a few days before closing the deal, the man is sipping coffee and looking off his back porch into the woods. He suddenly sees a woodpecker that he recognizes as a protected species. What will the man do if he follows pecuniary incentives? Is he going to call up federal bureaucrats and tell them the good news?

No. He will probably go get his gun and shovel and never speak of this incident to anyone.

2. SEAT BELT LEGISLATION KILLS

In the typical debate over seat belt mandates—in which drivers can be heavily fined if caught driving without buckling up—advocates of liberty tend to stress individuals' "right to be stupid" while others claim that public safety trumps absolute freedom. Ideology aside, do such laws make us safer?

Economist Sam Peltzman looked at the evidence after some states enacted seat belt legislation, while other states did not. He found that drivers *did* buckle up more frequently because of the government penalties but that traffic fatalities were roughly unchanged.

True, the probability of dying in a car crash went down, *if* you were in a crash, because wearing a seat belt definitely

helps you survive a typical accident. However, the states that passed the seat belt legislation saw an *increase* in rates of traffic accidents. Because people felt safer, they drove just a little more recklessly. No individual driver wakes up and says, "I'm going to get in a fender bender today," but with millions of people driving hours per day, 365 days per year, we will definitely see more accidents in the aggregate if people are even slightly more aggressive on the margin.

Peltzman found that total fatalities were about the same. The death rate for motorists crept down, but this was offset by a higher death rate among pedestrians and cyclists hit by cars. Some groups obviously did not benefit from the higher prevalence of seat belt usage.

3. STRICTER VEHICLE FUEL ECONOMY MANDATES DO LITTLE FOR THE ENVIRONMENT

The federal government imposes minimum *corporate average fuel economy* standards on certain vehicles. Some states wanted to "do more" for the environment, so they passed tighter mandates. In other words, states like California imposed higher mile-per-gallon requirements on cars sold in California than the federal government insisted on.

But the way the states structured their rules led to a significant "leakage." If a car manufacturer increased the average fuel economy for its vehicles sold in California, for example, then those cars counted as part of its "fleet" in calculating the average fuel economy for its cars sold in the nation as a whole. The manufacturer could then get away with selling cars that had *lower* fuel economy in the states that did not supplement the federal rule, and they were still satisfying both state and national standards. Thus, the California rule as originally designed led to fewer emissions per vehicle-mile *in California*—but not nearly as much in the nation as a whole. Some economists estimated this leakage to be as high as 74 percent. The hodgepodge of standards simply raised the total costs of vehicles while doing little to reduce total US emissions.

4. JANE JACOBS COMBATS CITY PLANNING

Fans of Austrian economics should not be surprised to learn that Jane Jacobs, the champion of the American city,



found several flaws with typical bureaucratic city planners. For example, zoning regulations broke up the spontaneous growth of cities into “residential” and “commercial” sections, spawning crime and other social ills.

Originally, apartments were interspersed with shops, so that the owners could always keep an eye on their businesses and on their children. This “natural surveillance” was destroyed with zoning and other regulations, not to mention the interstate highways that would rip neighborhoods apart and the austere “housing projects” that placed most adults far away from the street and thus unable to monitor and shoo away unsavory characters. Zoned neighborhoods became unsafe neighborhoods.

5. THREE STRIKES MEAN YOU'RE OUT

In an understandable reaction to “liberal” judges who would give slaps on the wrist to repeat offenders, the 1990s saw a wave of automatic sentencing legislation to take away judges’ discretion. This included California’s famous 1994 “three strikes and you’re out” rule (Proposition 184), where someone convicted of a third felony would get 25 years to life. Currently, 24 states have some form of “three strikes” legislation.

Because people wearing seatbelts felt safer, they drove just a little more recklessly.

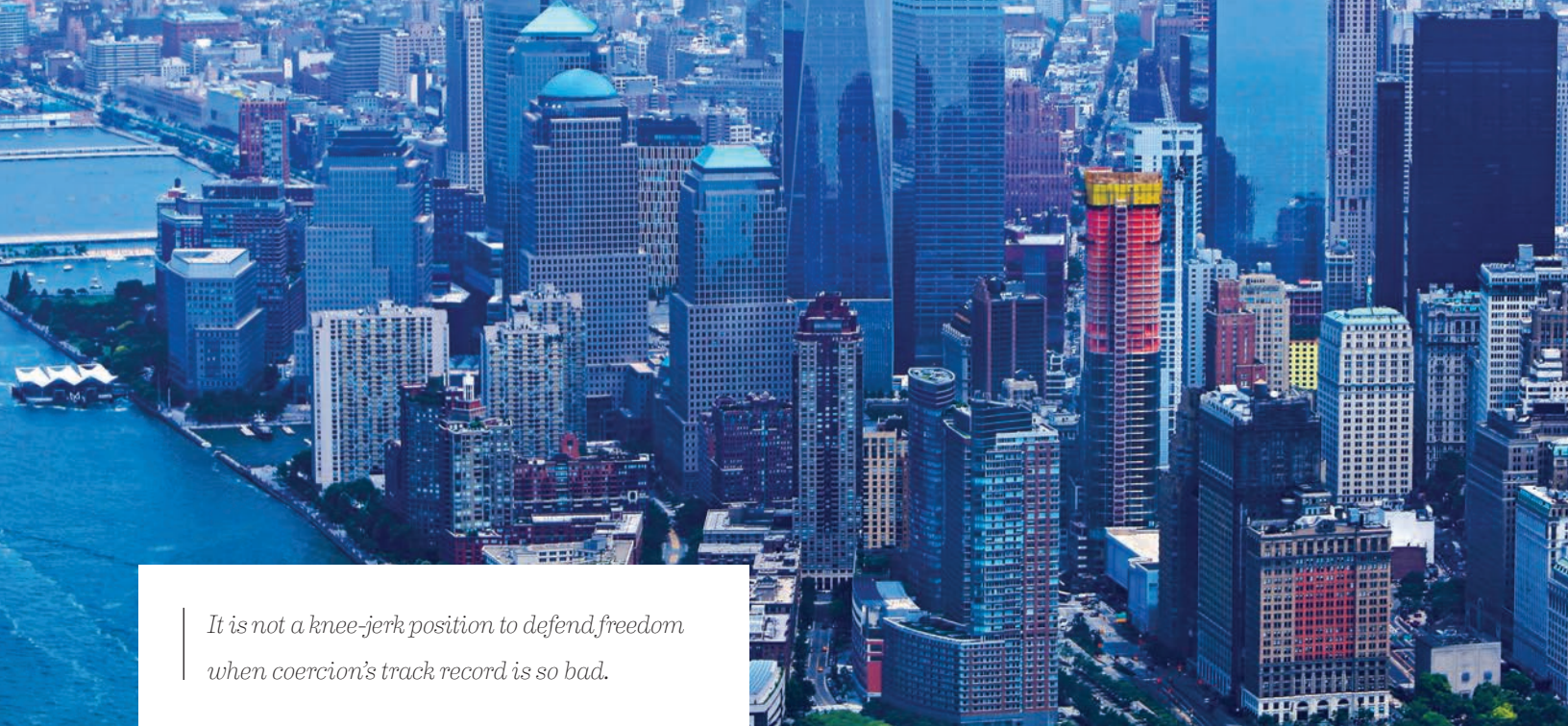
One problem with these rules is that many acts are felonies that most people would consider petty, such as bringing a smoke bomb to high school. In California, one man with two prior felony convictions was sentenced to 25 years to life for being with a friend who got caught selling \$20 of cocaine to an undercover cop.

An unintended consequence of the “three strikes” rules is that someone with two prior felony convictions now has a *serious* incentive to evade arrest for a third. And in fact, empirical studies of Los Angeles data suggest that more police officers have been killed because of this effect.

THE UPSHOT

Incentives matter. It’s not enough for voters to endorse legislation that has a nice title and promises to do something good. People need to think through the full consequences of a policy, because often it will lead to a cure worse than the disease.

Robert P. Murphy is author of *Choice: Cooperation, Enterprise, and Human Action* (Independent Institute, 2015). Read more at FEE.org/Murphy.



It is not a knee-jerk position to defend freedom when coercion's track record is so bad.

DON'T WORSHIP *the* FREE MARKET

by SANDY IKEDA

"I'm tired of hearing that 'liberty' will take care of it!"

My young friend was explaining to me why she's become less enthusiastic about libertarianism than she was a few years ago. I suspect she speaks for many smart young people who are just learning about libertarianism and getting a lot of bumper-sticker ideas. Our belief in human freedom can strike them more as religious doctrine than as reason.

"LIBERTY WILL TAKE CARE OF IT!"

I had been pointing out a building going up in my neighborhood that blocked a significant part of the public's view of the Brooklyn Bridge. I said something to the effect that if it were up to me, I'd lop off the top three floors of that thing because many people, including myself, feel it exceeds the limit agreed to with local community organizations, and I thought there was probably some misrepresentation going on.

That's when she told me how tired she is of the standard libertarian refrain: every time some social issue comes up in her discussions with libertarians—spillovers, poverty, inequality, health care, racial discrimination, the environment—their response is that the free market will solve the problem.

LIBERTY IS NOT A SHUT-UP ARGUMENT

There are libertarians who do simply chant the free-market mantra. They insist that market exchange and private

property can solve all our problems—but they can't, and we shouldn't expect them to.

My faith in freedom isn't blind. It's not really a form of faith, either—more of a shorthand for my understanding of theory and history.

Suppose, for example, that 50 years ago, when AT&T still had a government-granted telephone monopoly in the United States, someone asked how private companies with no legal privileges could possibly provide phone service. How, without eminent domain to take private property for those essential telephone lines and exchanges, would people be able to make and receive calls from their homes and businesses?

Fast-forward to today and we see practically every person over the age of 13 (and quite a few much younger) in the developed world carrying a cell phone or a smartphone small enough to fit in their pocket that combines telephone service, Internet service, and a video camera. There are no cumbersome telephone poles, cables, or exchanges, and there's not much eminent domain. The 1960s question was, "Who will build the heavy telephone infrastructure?" Today, who needs a heavy telephone infrastructure?

To say that liberty will take care of a problem need not be a shut-up argument, and it shouldn't be used that way. But a free market operates on the principle that as long as people don't initiate physical violence or fraud against anyone, anything else is okay.



To say that liberty will take care of a problem need not be a shut-up argument, and it shouldn't be used that way.

That's "okay" in the sense that, although you may not approve of what goes on, you are willing to tolerate it because it doesn't infringe on your rights to your person or property. In that sort of social and psychological space, almost anything can happen. Smartphones can be invented. Medical centers

can open in Walmarts, and urgent care facilities can pop up in city storefronts. Facebook and Google can emerge. Thousands of craft breweries and coffeehouses, serving beverages immeasurably superior to anything you could find even 25 years ago, can open their doors. We could each name countless other examples.

In that sense, the free market not only takes care of the problems we're aware of; it also reveals flaws and gaps that we would otherwise never know existed.

THE SEEN AND THE UNSEEN

We who support the freedom philosophy are always at a disadvantage when arguing against interventionist proposals to provide nationalized health care, to impose regulations to address climate change, and the like precisely because appreciating and understanding the open-endedness and unpredictability of the social order are central to our political philosophy.

It's easy to see an individual's hourly pay go up from \$7.25 to \$15.00 after new legislation raises the minimum wage. It's harder to see that she no longer gets tips, or that her benefits are lower—or that *someone else*, someone who is less skilled, is now going to have an even harder time finding a job.

If AT&T had retained its legal monopoly until today—as the US Postal Service has—we might see every home with a handset in every room and in every car, but what we wouldn't see are smartphones. We probably wouldn't see broadband Internet access in so many homes, either—or wireless hotspots in so many public places.

Unlike many on the left, most libertarians take the limits of human knowledge and reason seriously, so we also take seriously the open-endedness of a liberal social order. Markets can be creative and spontaneous to the extent that billions of resourceful minds at every moment are free to use local, contextual knowledge to discover and address myriad problems large and small, simple and complex. With the

right rules of the game—including private property, free association, and the rule of law—the creativity at the heart of that open-endedness will tend to promote social cooperation and well-being. That's not faith. That's an understanding of cause and effect in the social world.

But the temptation to substitute planning for spontaneity and coercion for liberty remains ever present because, as Henry Hazlitt argued in *Economics in One Lesson*, the short-term and local are usually more obvious than the long-term and global. It takes practice to see the unseen.

Quite apart from the morality of taking what belongs to someone else so you can use it for ends you happen to think are more important than theirs, or from banning someone else's nonviolent actions because you don't like them—and quite apart from the problems of corruption and cronyism that always accompany even the most well-meaning interventions—to the extent that you accept the practicability of central planning (even limited examples such as minimum guaranteed incomes or the minimum wage), you're assuming that unpredictable human choices won't find a way to mess up what you're trying to do.

That assumption is demonstrably false. And because it's false, you'll find yourself encroaching further and further into the lives of ordinary people and constraining and directing their choices more and more in a futile effort to fix the problems caused by past interventions.

It is not a knee-jerk position to defend freedom when coercion's track record is so bad.

WORSHIPPING THE MARKET VERSUS WORSHIPPING THE STATE

I'm not defending all libertarians. I've often heard our critics charge, "You free-market types treat the market like some kind of god that will solve all our ills." They're right. Some market advocates do place a blind faith in freedom. Some may even worship the free market as a sort of *deus ex mercatum* ("god from the market") that magically and inexplicably solves social problems. That's perhaps because their commitment to economic freedom is in fact a part of their religious beliefs.

Others, like me, don't see the need or the wisdom in linking political economy to a religious tradition, even if we do practice one of the traditional world religions. We already have a religion and we don't need to worship the free market or the state.

Sandy Ikeda is a professor of economics at Purchase College, SUNY. Read more at FEE.org/Ikeda.

WORLD'S POOR: "WE WANT CAPITALISM"

BY IAIN MURRAY

In the forests of India, something exciting is going on. Villagers are regaining property taken from them when the British colonial authorities nationalized their forests. Just as exciting, in urban Kenya and elsewhere, people are doing away with the need for banks by exchanging and saving their money digitally. All over the world, poor people are discovering the blessings of bottom-up capitalism.

Sadly, though, developed country governments and anti-poverty activists ignore this fact and insist that developing nations need a paternalistic hand up. Both are missing an opportunity, because there are billions of capitalists in waiting at the bottom of the pyramid.

In the fall of 2015, the United Nations formally announced the successors to its Millennium Development Goals, the global body's approach to poverty alleviation since the year 2000. These new goals were touted as "sustainable." The event coincided with a visit by the pope, at which he concentrated on climate change and materialism as the greatest threats to the welfare of the people of the developing world.

What was not emphasized was the way people in the Western world have been lifting themselves out of poverty: through free-market capitalism.

The phrase "the fortune at the bottom of the pyramid" was coined by the late C.K. Prahalad, building on the work of Nobel laureate Amartya Sen. In his groundbreaking 1999 work, *Development as Freedom*, Sen pointed out that one of the most important aspects of development is freedom of opportunity, a vital part of which is access to capital and credit. Capital and credit, however, appeared nowhere in the UN goals.

When capital is sufficiently available, would-be entrepreneurs at the bottom of the pyramid have demonstrated a willingness to launch new ventures and invest in their own futures—that is, to embrace free-market capitalism to the benefit of all concerned.

There are several ways to ensure access to capital in the developing world, but the most important approach is to unlock the productive potential of the capital already available there.

LAND TITLING

In many countries, people could possess access to capital by virtue of the real estate they already occupy, but they are unable to prove ownership of the land due to inadequate land-titling systems or because of traditional forms of property ownership where everything belongs to the village chief. As Hernando de Soto explained in his book *The Mystery of Capital*, land-titling reforms significantly benefit the poor, enabling

such opportunities as access to credit, the establishment of systems of identification, the creation of systems for credit and insurance information, the provision for housing and infrastructure, the issue of shares, the mortgage of property and a host of other economic activities that drive a modern market economy.

De Soto estimates that up to \$10 trillion of capital worldwide is locked away unused because of inadequate titling systems. A recent

When capital is sufficiently available, would-be entrepreneurs at the bottom of the pyramid have demonstrated a willingness to launch new ventures and invest in their own futures.

study by the Peru-based Institute for Liberal Democracy (ILD), which De Soto heads, estimated Egyptian workers' real estate holdings to be worth around \$360 billion, "eight times more than all the foreign direct investment in Egypt since Napoleon's invasion."

Similarly, many local assets around the world remain in common ownership—in reality, owned by no one. Initiatives such as India's privatization of forest resources seek to address this problem by enabling the titling of assets by indigenous peoples, who can then tap into those resources for access to credit to open up new opportunities.



Estimates suggest that similar initiatives could be extended to 900 million plots of land across the developing world.

There are also exciting opportunities that could arise for the public recording and utilization of such capital through the distributed public-ledger system known as the blockchain, best known for its role in the development of bitcoin. Development of the blockchain for property recording and titling would significantly reduce both the transaction costs and the widespread corruption associated with government-controlled titling systems. De Soto's ILD is promoting these initiatives.

MICROFINANCE

Recent innovations have enabled the development of microfinance—access to small amounts of credit for specific purposes. Today, microfinance institutions all over the developing world provide small loans, access to savings, and microinsurance to families or small businesses.

By giving them access to proper investment capital and affordable financial institutions, microfinance providers help small- and medium-sized enterprises in developing countries to grow. Often, these businesses are so small that they can neither afford the interest rates on bank loans nor

come up with the capital they need on their own. When implemented correctly, microfinance loans empower their customers to invest, grow, and be productive, all of which contribute to diminishing poverty within communities.

One of the most prominent examples of microfinance is Muhammad Yunus's Grameen Bank, first established in Bangladesh. According to a RAND Corporation study, areas where Grameen Bank offers programs saw unemployment rates drop from 31 percent to 11 percent in their first year. Occupational mobility improved, with many people moving up from low-wage positions to more entrepreneurial ones. There is evidence of increased wage rates for local farmers. Women's participation in income-generating activities also rose significantly.

THE CONSUMERS AT THE BOTTOM OF THE PYRAMID

Access to capital and credit enables new markets to spring up where none existed before. Entrepreneurial activity is unleashed. Consider one of Prahalad's case studies of Nirmal, a small Indian firm that sold detergent products designed for rural village uses, such as in rivers. The products came in small packages at low prices suitable for Indian villagers' daily cash flow. The company soon found





itself with a market share equal to that of consumer-goods giant Unilever's Indian subsidiary. Unilever responded by introducing similar products, thereby growing this new market. In the process, more environmentally friendly products were invented and sold, too.

As Prahalad points out, over four billion people in the world lived on an annual income of \$1,500 or less (in 2002 dollars), with one billion living on less than a dollar a day. Nevertheless, based on purchasing power parity, this market represents an economy of \$13 trillion or more, not that far off from the entire developed world.

The underdeveloped world is ripe for capitalism. The “unemployed” protestors of the Arab Spring were, in fact, small businessmen who were pushed to the breaking point by continually having their capital and profits expropriated by corrupt government officials, as De Soto points out. So, while the Western media portrayed the protests as being mostly about politics and freedom of expression, they were as much—if not more—about the freedom to do business.

KENYA: MOBILE PHONES AND PAYMENTS

Despite corruption and bureaucracy, strong markets have grown up in developing countries. Kenya is a case in point. It leapfrogged the Western world's development process for mobile communications technology. Kenyans went from having few telephones to virtually everyone having a mobile phone without needing the stage of landline infrastructure in between. A similar process is now taking place in personal finance.

Vodafone, along with its Kenyan subsidiary, Safaricom, developed m-pesa, a mobile payment and value storage system to be used on its phones. Transactions are capped at about \$500, but crucially can be person-to-person, acting as digitized cash. Introduced in 2007, m-pesa had 9 million users just two years later—40 percent of Kenya's population. By 2013, 17 million Kenyans were using it, with transactions valued at over \$24 billion—over half of Kenya's GDP.

Perhaps the real mystery of capitalism is that neither the United Nations nor the pope recognizes the benefits it can bring to four billion of the world's poor.

M-pesa has in turn improved access to capital even more, and technology businesses are thriving all over Kenya as a result.

Kenya is not alone. The phenomenon is spreading to other African countries and to some South American countries such as Paraguay.


Environment, education, and health all benefit from wealth creation. Perhaps the real mystery of capitalism is that neither the United Nations nor the pope recognizes the benefits it can bring to four billion of the world's poor. Free enterprise and human welfare boom where governments allow new markets with access to capital and credit. That is all it takes to meet the UN's development goals.


Iain Murray is vice president at the Competitive Enterprise Institute. Read more at FEE.org/Murray.


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SOCIAL ENTERPRISES ARE FIXING WHAT GOVERNMENT DESTROYS

by *Matthew McCaffrey*



Why should the poor have to live in a blurry world? VisionSpring's mission is to ensure that "equitable and affordable eyeglass is available to every individual to live a productive life." The company has sold over a million cheap, ready-made eyeglasses to people throughout the world who typically earn less than \$8 per day.

VisionSpring exemplifies the idea of "social enterprise." But what exactly does it mean to be social, and how do social ventures compare with ordinary businesses?

Enterprises are labeled "social" when they seek to address broad public needs in addition to the narrow needs

of their customers. In practice, this usually means running a conventional business in a special way in order to solve a social problem. VisionSpring, for example, is an enterprise in the sense that it operates as a profit-seeking business rather than as a charity. But it's social in that it prioritizes helping people to regain their sight over maximizing profits.

The varying motivations of social enterprises sometimes clash and often leave them without clear measures of success and failure. As a result, reactions to social ventures are mixed: some see them as exciting alternatives to corporate bureaucracy and greed, while others dismiss them as naïve

attempts to replace traditional business with misguided social philosophy.

Neither position captures what social enterprise really does.

It's true that philosophies of social enterprise are sometimes based on faulty reasoning. One common confusion involves treating the pursuit of profit as if it were at odds with social goals. As economists have argued for centuries, the profit motive is actually a powerful source of peaceful cooperation and human flourishing. Yet, social entrepreneurs frequently blame the profit motive for the social and environmental problems they would like to solve. As a result, social ventures are often presented as remedies for market failure.

The goals of social enterprises hint at the true role they play in the economy: to help repair the damage caused by public policy.

Consider four major problems social enterprises aim to solve: poverty, homelessness, unemployment, and poor education.

Economic policy, not market failure, drives each of these problems:

1. Poverty, especially in the developing world, is nurtured and institutionalized by political systems with little respect for property rights, trade, and entrepreneurship.

2. Homelessness is increasingly criminalized and is amplified by rent controls and zoning laws that make housing artificially scarce and prevent new construction.

3. Unemployment hinges on microeconomic factors like minimum wage laws as well as macroeconomic factors like monetary policy.

4. Basic education is mainly delivered through the public school system, which incentivizes teachers and administrators to deliver low-quality, one-size-fits-all instruction with little or no practical value.

Given the magnitude of these problems, it's only natural that entrepreneurs are stepping up with solutions. Traditional charities try to do the same thing, but internal bureaucracy often makes them wasteful and ineffective. Social enterprises, however, are hybrid organizations that seek to address the negative consequences of public policy and provide valuable products and services for consumers.

Many social enterprises, in fact, simply offer more formal ways to provide the same services entrepreneurs have been delivering informally for centuries—services that are increasingly hampered by government.

Take the homeless, for instance. Many for-profit restaurants are happy to give food to the needy. Yet, health-and-safety regulations increasingly prohibit distributing food to the homeless. Food entrepreneurs are threatened with punishment for trying to help others, then blamed for lacking compassion and wasting resources when they don't. Consequently, social enterprises launch to fill the gaps seemingly left by business.

Another example is education. Whereas the public school system neglects its students, and government regulation prevents entrepreneurs from employing them, social enterprises offer vocational programs to build skills and experience. Their solutions may not be perfect, but they do provide a way out of the institutional traps created by government intervention.

It should come as no surprise that social enterprises are likelier than others to be led by women and members of minority ethnic groups, who are disproportionately the greatest victims of regulation, especially in the labor market (through minimum wage laws, occupational licensing, and compulsory unionism, for example). Social entrepreneurs offer numerous

stakeholders a chance to escape the effects of these policies, which are deceptively marketed as compassionate innovations rather than the political entrepreneurship they really are.

Ultimately, we won't really understand the economic function of social enterprise until we recognize that what are called "social" problems are usually the result of government failures, not market failures.

We are at our most social when we strive to serve each other. And whether it includes specific social goals or not, service is the essence of an entrepreneurial marketplace.

Matthew McCaffrey is assistant professor of enterprise at the University of Manchester. Read more at FEE.org/McCaffrey.

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the

CIRCUS



the Freeman



and
THE CAGE



WHY THE CANDIDATES KEEP GIVING US REASONS TO USE THE “F” WORD

BY STEVEN HORWITZ

“T

here are far too many candidates,” writes Dana Milbank at the *Washington Post*. “And to gain attention they are juggling, tooting horns and blowing slide whistles like so many painted performers emerging from a clown car.”

The two clowns making the most noise are Bernie Sanders and Donald Trump.

At first glance, it would seem they couldn't be more different: a Democrat and a Republican, a friend of the unions and a CEO, a man of relatively modest means by congressional standards and one of the wealthiest men in the United States. But a closer look reveals some interesting similarities and teaches us an important lesson about the history of ideas. Sanders and Trump have a lot more in common than many think, and what they have in common is no laughing matter.

But before I get there, we need to take a detour into the history of socialism and fascism.

In its original conception, Marxian socialism was strongly internationalist. Marx's theory was based on the

idea of class struggle and the disparity in power between those who owned the means of production (the capitalists) and those who did not (the proletariat).

Marxism has nothing to do with nationality. It's all about class, defined as whether or not one owns capital. For true Marxists, a German worker has much more in common with a Russian worker or an Italian worker than he or she does with a German capitalist. Marxism did not give any importance to national borders.

For many in the early 20th century, this was a problem with Marxism, especially in the aftermath of World War I. Much like today, people were looking for a “third way” between capitalism and socialism. For many of those people, that third way was fascism.

Today we use the word *fascist* as an epithet, especially for bossy people. We associate it with dictatorships, and in particular with Nazism. It turns out that fascism was a fairly well-worked-out theory of how to organize a society, and in its original form was not about racism or anti-Semitism directly. Fascism was an attempt to combine what people saw as the best parts of capitalism and socialism, and to do so in the context of putting nationality before class.

The most extensive writing about how fascism would work came from the Italians in the 1920s and 1930s, and interested readers should find a copy of Luigi Villari's *The Economics of Fascism* to see the details. (You can find a nice summary of those ideas in Sheldon Richman's entry on fascism in the online *Concise Encyclopedia of Economics*.)

The fascists argued that the whole notion of class conflict was the problem. Instead of pitting class against class and tearing *nations* apart, why not bring all the parties together and give them the chance to *cooperate* with each other rather than struggle their way to socialism? The fascist economy was built around a series of cartels where the state, the nominal owners of the means of production, and the workers (represented by labor unions) would get together and figure out what to produce, how to produce it, what to charge, and how much profit would be "allowed."

The fascists agreed with socialism's desire not to leave markets to spontaneous ordering forces, but they thought the nation-state should direct the economy, not the workers. Both capitalism and socialism involved conflict, not cooperation. The same third-way thinking, and some of the same structures, were present in the first two years of the New Deal in the United States. The cartels of the National Recovery Administration were modeled after Italian fascism, and FDR and Mussolini were mutual admirers.

You can see how fascism took elements of both capitalism and socialism, then added nationalism. The idea was to look out for the welfare of the nation-state first. The Italian capitalist and the Italian worker were both Italians first and foremost, and that should be the first call on their allegiance. Lashing socialism to the glorification of the nation-state gives us fascism, and you can see why anyone who represented a threat to national identity would quickly become a problem.

This is one reason why the German version of fascism so easily linked up with a long history of German anti-Semitism. The Nazis were undoubtedly socialist (recall that *Nazi* is short for National Socialist German Workers Party), as even a quick glance at their 1920 platform will tell you. They were also, even at that date, fiercely nationalist. In Hitler's hands, that national pride quickly became a desire to glorify the Aryan race.

Plus, recall that Jews were disproportionately both capitalists and supporters of the Marxist revolution in Russia—not to mention the symbol of the cosmopolitan, rootless nomad for centuries. Many of those who wanted to reject both capitalism and Marxian socialism saw the Jews as the symbol of both.

So what does this have to do with Bernie Sanders and Donald Trump?

I would argue that they are both "nationalist socialists." That is, they both embody key elements of fascism. They both think the nation comes first, and they both think the United States is an organization (not a spontaneous order) that should be under someone's control.

The difference is that Sanders sees both the problems and the solutions from the workers' perspective, so he's focusing on both the exploitation by capitalists and keeping

immigrants out to protect the wages of US workers. The losses to US workers matter more than the large gains to foreign-born workers coming here.

Trump sees all of this from the CEO/owner/capitalist perspective. He thinks the United States is, or should be, like a

big firm where we all work together for a common goal. He envisions himself as the CEO, negotiating deals with other countries as if they, too, were just big corporate firms. But nations are not firms—they are spontaneous orders.

As I argued in an earlier column, "Socialism Is War and War Is Socialism" (*Freeman*, June 09, 2015), this desire to turn spontaneous orders into hierarchies is characteristic of both war and socialism. It is also deeply embedded in fascism, and Sanders and Trump exemplify that tendency among the presidential candidates, though they do so with different emphases and rhetoric.

Their commonalities are also why our conventional binary left-right political spectrum makes no sense. That one candidate is perceived as far to the left and the other as (to some degree) a right-wing capitalist shows the depth of our failure to understand history. They have both rejected the spontaneous order of the market as well as the cosmopolitanism of liberalism *and socialism*. They are fascist brothers under the skin.

That both are getting the attention and support of so many Americans should be a matter of grave concern. After all, some clowns are far more scary than funny.

Steven Horwitz is the author of *Microfoundations* and *Macroeconomics: An Austrian Perspective*. [Read more at FEE.org/Horwitz](http://FEE.org/Horwitz).

SANDERS AND TRUMP HAVE A LOT MORE IN COMMON THAN MANY THINK.

JIMMY CARTER WAS A BETTER PRESIDENT THAN YOU THINK

BY DANIEL BIER



Last summer, Jimmy Carter announced that he had cancer and that it had spread to his liver and brain. As his doctors bring a full-court press of medical interventions—including chemo, surgery, and radiation—political commentators are rushing to fill in the 90-year-old former president’s legacy.

Carter gets a very bad rap, particularly from libertarians and conservatives, but it’s not entirely clear why. It has something to do with “malaise” and lack of “leadership.” And the Carter administration surely had its blunders, particularly on foreign policy.

Some of his mistakes (in retrospect, at least), include the failed mission to rescue American diplomats held hostage in Tehran, which ended with nine people dead, and secretly arming Islamist mujahidin in Afghanistan in order to draw the Soviets into a Vietnam-style bloodbath. After the Russian invasion, Carter reimposed draft registration, a costly and foolish policy that persists to this day. His administration also continued arming the Indonesian military in its brutal and deadly occupation of East Timor.

But Carter also oversaw major (and underappreciated) foreign policy successes, such as the SALT II nuclear weapons reductions, the Camp David Accords ending the Egypt-Israel conflict, and the removal of US nuclear weapons from Korea.

Domestically, Carter was faced with a stagnant economy, oil and gas shortages (caused by Nixon’s price controls), and double-digit inflation (caused by the energy crisis, Nixon’s abandoning of the gold standard, and easy money from the Fed).

To fight stagflation, Carter appointed tight-money advocate Paul Volker to head the Federal Reserve Board, and

Volker pulled the brakes on inflationary monetary policy—hard. It solved inflation but sent the economy into a painful correction that probably cost Carter reelection.

And despite his personal big-government sympathies, Carter’s most lasting legacy is as the Great Deregulator. Carter deregulated oil, trucking, railroads, airlines, and beer.

In the February 2013 *Atlantic*, Derek Thompson chronicled the dramatic and almost unnoticed impact of Carter’s airline deregulation over the last 30 years. The bottom line: per-mile ticket prices fell by *over 50 percent*. The results transformed American social life and travel:

- In 1965, no more than 20 percent of Americans had ever flown in an airplane. By 2000, 50 percent of the country took at least one round-trip flight each year. The average was two round-trip tickets.
- The number of air passengers tripled between the 1970s and 2011.
- In 1974, it was illegal for an airline to charge less than \$1,442 in inflation-adjusted dollars for a flight between New York City and Los Angeles. On Kayak, while writing this, I found one for \$278.

The impact of beer deregulation has been similarly overlooked. In 1978, the United States had just 44 domestic breweries. After deregulation, creativity and innovation flourished in the aboveground economy. Today, there are 1,400 American breweries. And home brewing for personal consumption is also now legal.

As for civil liberties, Carter also signed the most significant reform of government surveillance powers since World War II in the original Foreign Intelligence Surveillance Act, and in 1979, he called for the decriminalization of marijuana, well ahead of the cultural and political curve.

CARTER GETS A VERY BAD RAP, PARTICULARLY FROM LIBERTARIANS AND CONSERVATIVES, BUT IT’S NOT ENTIRELY CLEAR WHY.

His legacy is also significant for what he did *not* do: he did not start any wars.

So why do people hate Carter so much? Gene Healy, a vice president of the Cato Institute, suggests that it's a case of perception over reality:

Carter-bashers seem obsessed with style over substance: that Mr. Rogers sweater, the "malaise" speech, Carter's sanctimonious, unlovable public persona—the way he seemed to personify national decline.

People want the illusion of control: a comforting, competent father-protector at the helm of our national destiny—and Carter couldn't fake that role as well as most presidents before or since.

Liberals downgrade the Carter presidency as one short on transformative visions: It brought no New Deals, no New Frontiers.

Instead, at its best, the Carter legacy was one of workaday reforms that made significant improvements in American life: cheaper travel and cheaper goods for the middle class.

Ironically enough, the president you'd never want to have a beer with brought you better beer—and much else besides. (*DC Examiner*, September 21, 2010)

So here's to Jimmy Carter, the president who actually did the thankless job of restraining and reforming government.

Daniel Bier is *FEE's* blog editor. Read more at FEE.org/Bier.

DESPITE HIS PERSONAL BIG-GOVERNMENT SYMPATHIES, CARTER'S MOST LASTING LEGACY IS AS THE GREAT DEREGULATOR.





POLITICS IN ONE PAGE

ELECTIONS ARE GREAT ILLUSIONS

BY JEFFREY A. TUCKER

I

n every election season, a new generation comes of age and experiences the political theater for the first time. The experience is formative. It challenges you to decide what you think about the world. Which candidate best represents your values and shares your sense of how things ought to be? More fundamentally, how *should* things be in politics?

As time goes on and you experience successive presidential election cycles, illusions begin to fall away. You start to see the whole thing for the spectacle that it is. So this article is for those who do not yet see. It is a quick tutorial in political reality, and a way to avoid the pain and suffering that come with gradually discovering that reality on your own.

YOU CANNOT CHANGE THE ELECTION OUTCOME

It's not that your vote doesn't matter at all. It might matter, but the odds are incredibly thin. If you live in a swing state, you might have a 1 in 10 million chance of swinging the election. But on average, "a voter in America had a 1 in 60 million chance of being decisive in the presidential election," concludes one statistical analysis in *Economic Inquiry*. As the authors indicate, you are more likely to die in a car crash on the way to the polls.

Why do so many people vote anyway? Are they deluded? Maybe, but many people treat voting as a consumption good, which is to say they enjoy it. It makes them feel patriotic. There's nothing wrong with that, but if you are still voting

in an attempt to affect the outcome—and are still spooked that your failure to vote might ruin everything—here is a solution. Find someone who will vote differently, and you can both decide to grab a drink together instead.

YOU ARE VOTING FOR PEOPLE, NOT POLICIES

There are elections in this country in which people really do decide on issues. In state and local elections, there are referenda on bond issues, taxes, pot decriminalization, and so on. Exciting stuff! But at the federal level, no way. You are voting only on personnel. Sure, the candidates can promise this or that, but how they behave after the election is something over which you have no control—and there is no recourse if something goes wrong.

Wouldn't it be grand if there were real national elections on issues? Let's say that the ballots had lists of spending priorities, policy ideas, and methods of government management. How many people would vote for their smartphones to be surveilled? For ever-less choice in health care? For higher gas taxes? I don't know the answer, but it would be interesting, for once, to see. Direct democracy on issues is technologically feasible today. It is even possible to give people the government they actually want through subscription services. We don't do it, because the ruling class likes the system the way it is.

THESE PEOPLE ARE NOT ACTUALLY THE GOVERNMENT

Last year, I calculated the number of government employees who are actually running the state and compared it to the number of people we elect. Depending on how you calculate this, we are permitted to elect between 0.02 percent

and 0.0004 percent of those who are in charge of our lives. The unelected constitute the deep state that no one wants to talk about. You could ship the whole class of elected rulers to Zimbabwe for four years and it would make no difference.

But wait: Aren't the elected rulers in charge of the rest? Not really. Most of the permanent bureaucracy can't be fired, no matter what. In any case, delegation to professionals is what elected rulers specialize in. The first act of the president is to fill 3,000 positions with political appointees. Congressional offices are managed by DC hacks. Politicians are specialists in what they are doing now: trying to get elected. The day they take office is the day the next election begins.

THESE ARE NOT THE ONLY OPTIONS

The beginning of political wisdom comes with the realization that the mainstream candidates do not exhaust the ideological options. Candidate *A* says that health care policy should be this way, and candidate *B* says it should be that way.

SOCIAL CHANGE HAPPENS OUTSIDE OF GOVERNMENT

Every candidate will speak about his or her vision for America. They talk as if they want to be, can be, will be, in charge of pushing history forward. But look around: the progress you experience in your daily life has nothing to do with the political class. Think about the mobile applications you use to stay in touch with family, find directions in a new city, monitor your health, communicate with your network. These services were not granted by the political class. They came to us via entrepreneurs and enterprise, working themselves out in the course of social evolution.

In "Is Politics Obsolete?" (*Freeman*, July 29, 2015) Max Borders and I chronicled all the ways the world has changed over the last four years. It's remarkable what's happening today. It's revolutionary. None of this was anticipated by the last election. And none of it is inspired by politicians. The change is coming from within the fabric of the social order. And that change is continuing by the day. If you want

THE BEGINNING OF POLITICAL WISDOM COMES WITH THE REALIZATION THAT THE MAINSTREAM CANDIDATES DO NOT EXHAUST THE IDEOLOGICAL OPTIONS.

What neither candidate ever says is that perhaps health care should not be the responsibility of government at all. And this goes for every other issue in national life, including communications, labor, energy, environment, and foreign policy.

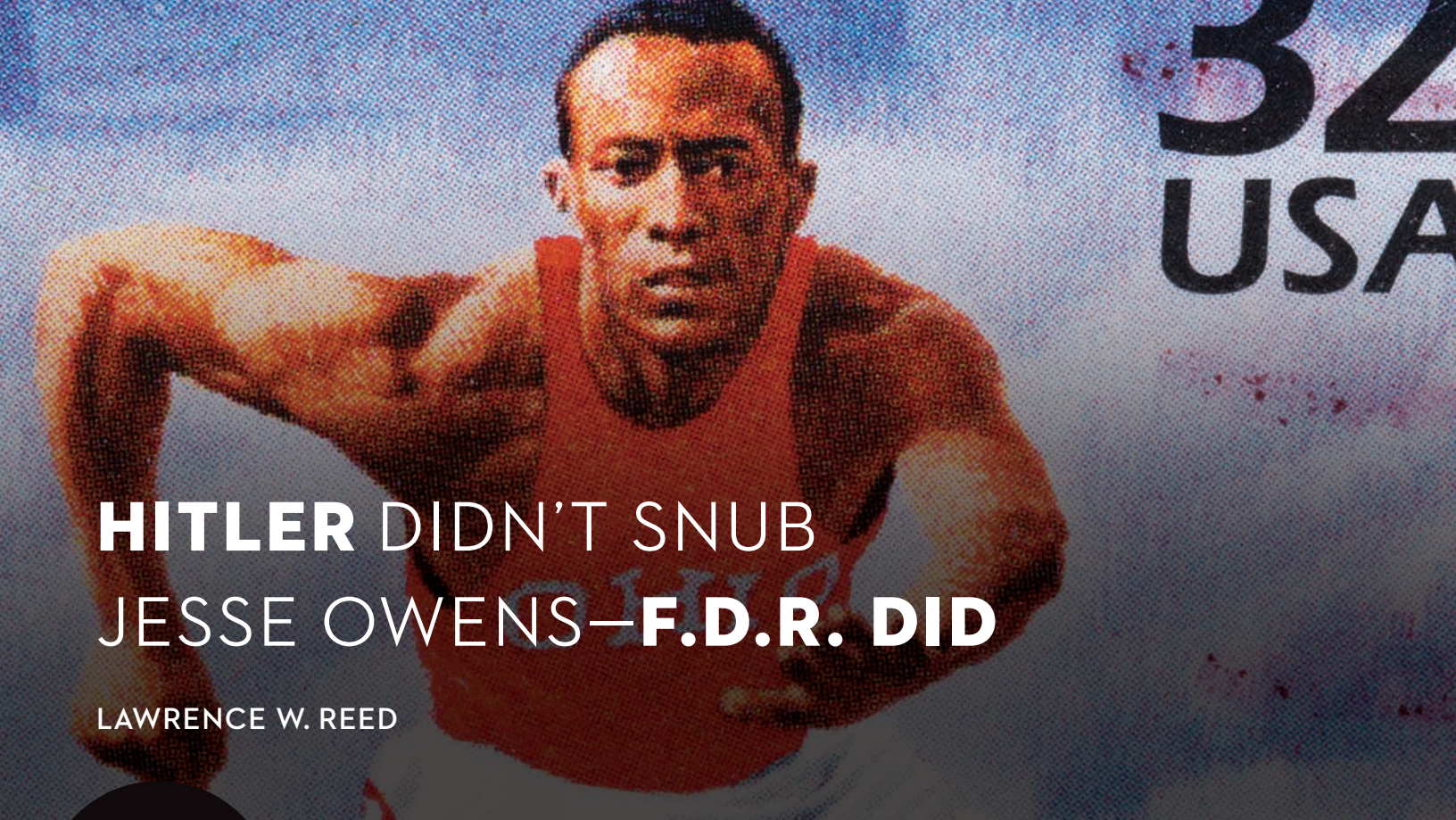
The whole conventional political debate is premised on the idea that government should be running things. What's left out here is the greatest single idea ever discovered in the history of the social sciences: *society runs itself better than any authority can run it.*

This is true in economics but also in culture, security services, religion, and family life. Liberty just works better. The discovery of this truth built civilization. But that idea is absent from the options we are given. No matter: you can discover it on your own if you are brave enough to step outside the partisan paradigm.

to be part of it, to make a difference in the world, the realm of enterprise and individual action is the sector for you. In many ways, the political theater is a distraction—a learning opportunity, yes, but ultimately not decisive for the kind of life we want to build.

The tendency to treat elections as personal moments in our lives might be a product of democracy. We are encouraged to believe that we are running the system. So we flatter ourselves that our opinions matter. After all, it is we the voters who are in charge of building the regime under which we live. But look deeper and you discover a truth that is both terrifying and glorious: the building of the great society can't be outsourced. It is up to you and me.

Jeffrey A. Tucker is director of digital development for FEE.
Read more at FEE.org/Tucker.



HITLER DIDN'T SNUB JESSE OWENS—F.D.R. DID

LAWRENCE W. REED



James Cleveland “Jesse” Owens famously won four gold medals, all at the 1936 games in Berlin, Germany. But in the hearts of Americans who know their Olympic history, this African American man did more than win races: he struggled against racism.

At the time of Owens’s death in 1980 at age 66, President Jimmy Carter paid this tribute to him:

Perhaps no athlete better symbolized the human struggle against tyranny, poverty, and racial bigotry. His personal triumphs as a world-class athlete and record holder were the prelude to a career devoted to helping others. His work with young athletes, as an unofficial ambassador overseas, and a spokesman for freedom are a rich legacy to his fellow Americans.

Carter’s words were especially fitting in light of an unfortunate fact in Owens’s life: unforgivably, a previous American president had given him the brush-off.

Born in Alabama in 1913, James Owens at the age of nine moved with his family to the town in Ohio that bore his middle name, Cleveland. His first schoolteacher there asked him his name. With a deep Southern twang, he replied “J.C. Owens.” She heard “Jesse,” so that’s what she wrote down. The name stuck for the next 57 years.

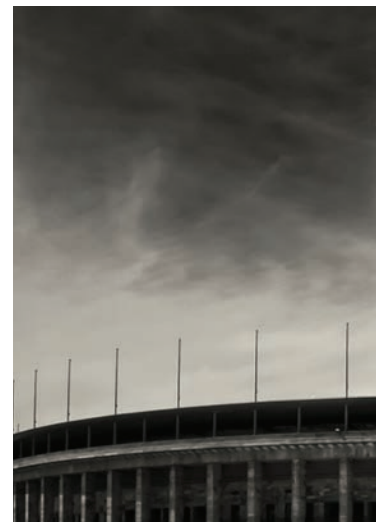
Jesse could run like the wind and jump like a kangaroo. He broke junior high school records in the high jump and the broad jump. In high school, he won every major track event in which he competed, tying or breaking world records in

the 100-yard and 220-yard dashes and setting a new world record in the broad jump. Universities showered him with scholarship offers, but he turned them all down and chose Ohio State, which wasn’t extending track scholarships at the time.

Imagine it. You come from a relatively poor family. You could go to any number of colleges for next to nothing, but you pick one you have to pay for. At 21, you have a wife to support as well. So what do you do? If you are Jesse Owens, you work your way through school as a gas station attendant, a waiter, an all-night elevator operator, a library assistant, even a page in the Ohio legislature. Owens worked, studied, practiced on the field, and set more records in track during his years at OSU.

The biography at JesseOwens.com tells the stunning story that unfolded in 1935:

Jesse gave the world a preview of things to come in Berlin while at the Big Ten Championships in Ann Arbor on May 25, 1935, [where] he set three world records and tied a fourth, all in a span of about 45 minutes. Jesse was uncertain as to whether he would be able to participate at all, as he was suffering from a sore back as a result of a fall down a flight of stairs. He convinced his coach to allow him to run the 100-yard dash as a test for his back, and amazingly he recorded an official time of 9.4 seconds, once



again tying the world record. Despite the pain, he then went on to participate in three other events, setting a world record in each event. In a span of 45 minutes, Jesse accomplished what many experts still feel is the greatest athletic feat in history—setting three world records and tying a fourth in four grueling track and field events.

Ohio wasn't the Deep South, but in the mid-1930s, it wasn't a paradise of racial equality, either. OSU required Owens and other black athletes to live together off campus. They had to order carryout or eat at "black-only" restaurants and stay in segregated hotels when traveling with the team.

The eyes of the world were focused on Berlin in early August 1936. Five years earlier and before the Nazis came to power, the German capital had been selected as the site for the summer 1936 Olympic games. An effort to boycott them because of Hitler's racism fizzled. It would be a few more years before events convinced the world of the socialist dictator's evil intentions. Jesse Owens entered the competition with Americans thrilled at his prospects but wondering how Hitler would react if "Aryan superiority" fell short of his expectations.

Jesse didn't go to Berlin with a political axe to grind. "I wanted no part of politics," he said. "And I wasn't in Berlin to compete against any one athlete. The purpose of the Olympics, anyway, was to do your best. As I'd learned long ago ... the only victory that counts is the one over yourself."

If, a hundred years from now, only one name is remembered among those who competed at the Berlin games, it will surely be that of Jesse Owens.

Owens won the 100-meter sprint, the long jump, the 200-meter sprint, and the 4 x 100 sprint relay. In the process, he became the first American to claim four gold medals in a single

Olympiad. Owens waved at Hitler and Hitler waved back, but the nasty little paperhanger expressed his annoyance privately to fellow Nazi Albert Speer. He opined that blacks should never be allowed to compete in the games again.

A side story of Owens's Berlin experience was the friendship he made with a German competitor named Lutz Long. A decent man by any measure, Long exhibited no racial animosity and even offered tips to Owens that the American found helpful during the games. Of Long, Owens would later tell an interviewer,

“HITLER DIDN'T SNUB ME; IT WAS OUR PRESIDENT WHO SNUBBED ME. THE PRESIDENT DIDN'T EVEN SEND A TELEGRAM.” —JESSE OWENS

It took a lot of courage for him to befriend me in front of Hitler.... You can melt down all the medals and cups I have and they wouldn't be a plating on the 24-karat friendship I felt for Lutz Long at that moment. Hitler must have gone crazy watching us embrace. The sad part of the story is I never saw Long again. He was killed in World War II.

Back home, ticker tape parades feted Owens in New York City and Cleveland. Hundreds of thousands of Americans came out to cheer him. Letters, phone calls, and telegrams streamed in from around the world to congratulate him. From one important man, however, no word of recognition ever came. As Owens later put it, "Hitler didn't snub me; it was our president who snubbed me. The president didn't even send a telegram."

Franklin Delano Roosevelt, leader of a major political party with deep roots in racism, couldn't bring himself to utter a word of support, which may have been a factor in Owens's decision to campaign for Republican Alf Landon in the 1936 presidential election.

"It all goes so fast, and character makes the difference when it's close," Owens once said about athletic competition. He could have taught FDR a few lessons in character, but the president never gave him the chance. Owens wouldn't be invited to the White House for almost 20 years—not until Dwight Eisenhower named him "Ambassador of Sports" in 1955.

Life after the Olympics wasn't always kind to Jesse Owens. When he wanted to earn money from commercial endorsements, athletic officials yanked his amateur status. Then the commercial offers dried up. He was forced to file for bankruptcy. He felt the sting of racial discrimination again. But for the last 30 years of his life, until he died in 1980 of lung cancer, he found helping underprivileged teenagers to be even more personally satisfying than his Olympic gold medals.

Lawrence W. Reed is the president of FEE. Read more at FEE.org/Reed.

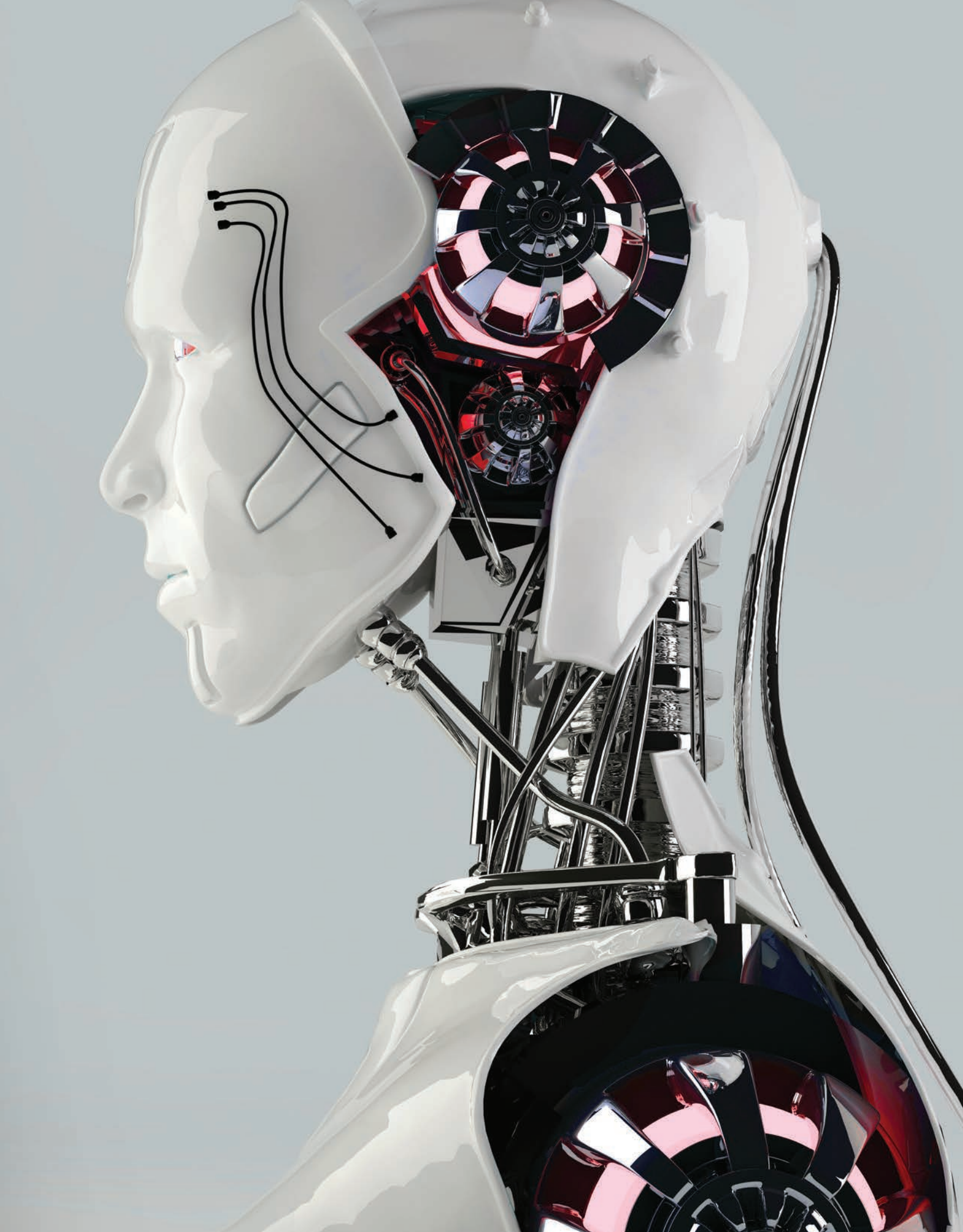


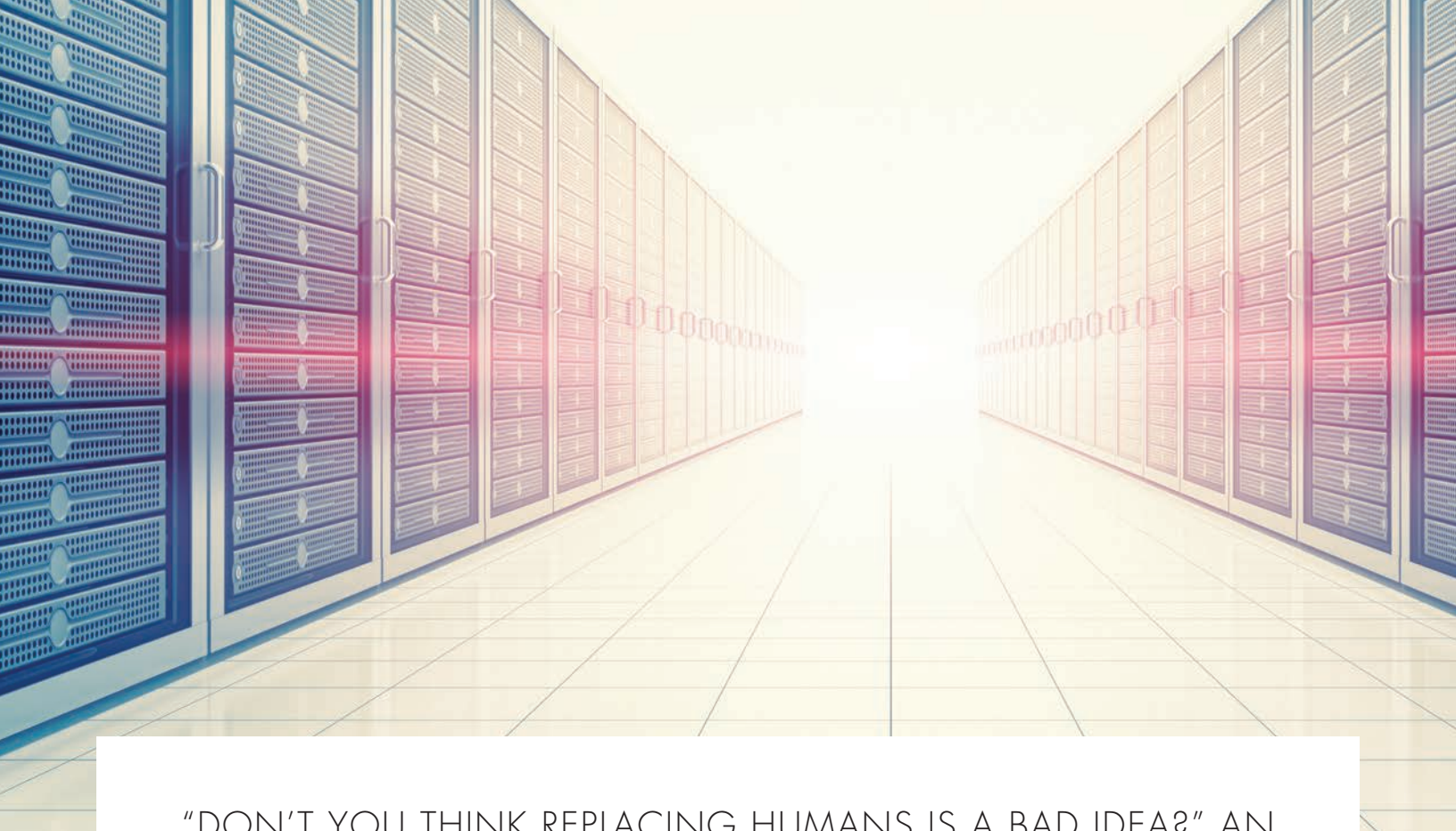
Image credit: Bjorn Scharz



**IF MEN WERE
ANGELS,
WE WOULDN'T
NEED THE
BLOCKCHAIN**

BY BK MARCUS





“DON’T YOU THINK REPLACING HUMANS IS A BAD IDEA?” AN AUDIENCE MEMBER ASKED ANDREW WAGNER AFTER HIS TALK ON THE FUTURE OF BLOCKCHAIN TECHNOLOGIES.

WAGNER’S REPLY: “GOD, NO. PEOPLE SUCK.”

Do we hear a crude echo of James Madison in Federalist No. 51?

If men were angels, no government would be necessary. If angels were to govern men, neither external nor internal controls on government would be necessary.

Wagner was giving a talk on replacing human bureaucracies with what he calls *decentralized autonomous organizations* (DAOs). His focus was not on government bureaucracies specifically, but at least one of his arguments in favor of automation is quite Madisonian.

THE WORST RISE TO THE TOP

The full title of Madison’s essay, first published in 1788, is “The Structure of the Government Must Furnish the Proper Checks and Balances between the Different Departments.” As its title suggests, Madison argued for the importance of decentralizing

coercive authority. The same human condition that calls for the existence of government—our nonangelic nature—also makes government’s existence a great danger to liberty.

As Robert Higgs writes in his own consideration of Federalist No. 51, “The most vicious people in society will tend to gain control of the state.”

Madison’s argument, Higgs contends, “does more than emphasize that human nature is something less than angelic.”

It also serves as a springboard that propels Madison directly into a consideration of “framing a government which is to be administered by men over men,” which is “but the greatest of all reflections on human nature.”

Because “people suck,” as Wagner puts it, a liberal government requires a structure that limits the unchecked concentration of coercive authority—a way to defang the vicious politicians and bureaucrats vying for power.



But what if government could be framed so that it need not “be administered by men over men”? What if blockchain technology can provide much of “the structure of the government” without allowing any faction of citizens to dominate the rest? If Wagner is right, Madison’s constitutional checks and balances could prove obsolete, and society can finally upgrade to a better system.

DECENTRALIZED AUTONOMOUS ORGANIZATIONS

Wagner’s vision challenges more than the state. A decentralization advocate and ardent techno-optimist, he champions replacing both government bureaucracies and their private-sector equivalents with DAOs.

A DAO is decentralized in the same way that bitcoin and other cryptocurrencies are decentralized: it doesn’t live in any one place online. DAOs are autonomous to the degree that they require no human decisions after the initial rules have been specified.

Some DAOs could even be independent: no single person or group would own or control them. Clients could seek their services based on the DAOs’ established rules and reputations, but no one would be compelled to use them.

Vitalik Buterin, co-founder of *Bitcoin* magazine, offers this example. Imagine “a decentralized self-replicating cloud computing service” that “would start off running an automated business on one virtual private server, and then once its profits increase it would rent other servers and install its own software on them, adding them to its network.

Buterin’s example has DAOs replacing corporations, or at least much of a company’s operations department, but the same sort of setup could supersede great swaths of government bureaucracy at all levels—from central banking to

civil courts.

“Men under government,” wrote John Locke in his *Second Treatise on Government*, should “have a standing rule to live by, common to every one of that society ... and not ... be subject to the inconstant, uncertain, arbitrary will of another man.”

Imagine rules without rulers. DAOs could finally free us from the arbitrary will of lawmakers and bureaucrats.

RELIABLE GOVERNANCE

“From New Age spiritual types to paranoid conservatives, there are many people who fear the rise of technology,” Wagner writes. “These fears are not only unfounded, but ironically counterproductive to human progress.”

He offers three reasons why:

1. Humans are slow.
2. Humans make too many errors.
3. Humans are corrupt.

Reasons one and two are primarily technical, and if decentralized software can make routine business decisions faster and more reliably, we should expect to see the profit seekers in the private sector pursuing Wagner’s vision.

Reason three is the Madisonian point. People “not only make mistakes,” Wagner says, “but often err on purpose for a variety of reasons.”

He’s not just talking about political corruption. Wagner insists that “even competitive, for-profit enterprises are mired

in patronage and nepotism.” Economists call this the principal-agent problem, in which decision makers within a company have individual goals that can conflict with the company’s overall goals, including profitability.

But private enterprise already contains a mechanism for punishing such behavior. As long as the company’s owners retain the ability to hire and fire the managers, there’s a constant pressure on management to limit the sort of mire Wagner

has in mind. Madison tried to build similar checks into the structure of the US government, but while a division of power may slow the centralization of authority, the

THE SAME HUMAN CONDITION THAT
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incentives faced by politicians and bureaucrats are fundamentally different from those faced by people in business (even though, paradoxically, business gets most of the bad press).

As *Freeman* writer Fred Smith notes,

The problem with trying to adapt business-like incentives to a government agency's overall focus is ... government. Government cannot utilize market mechanisms because it is a monopoly by definition, and that creates incentives unique to State actors. In government the distortion is built in. (*Freeman*, September 19, 2011)

But what if we could replace the state's unique incentives with straightforward rules? That's the promise of Wagner's DAOs: achieving the Lockean vision with Madisonian angels.

TAKING OUT THE MIDDLE MAN

If two people voluntarily agree to an exchange, why allow a third party to intercede?

Once upon a time, central records and central courts seemed necessary to enforce contracts and mediate disputes, but we are on the verge of a technological era that allows the services of governance to be digital—and completely independent of the state.

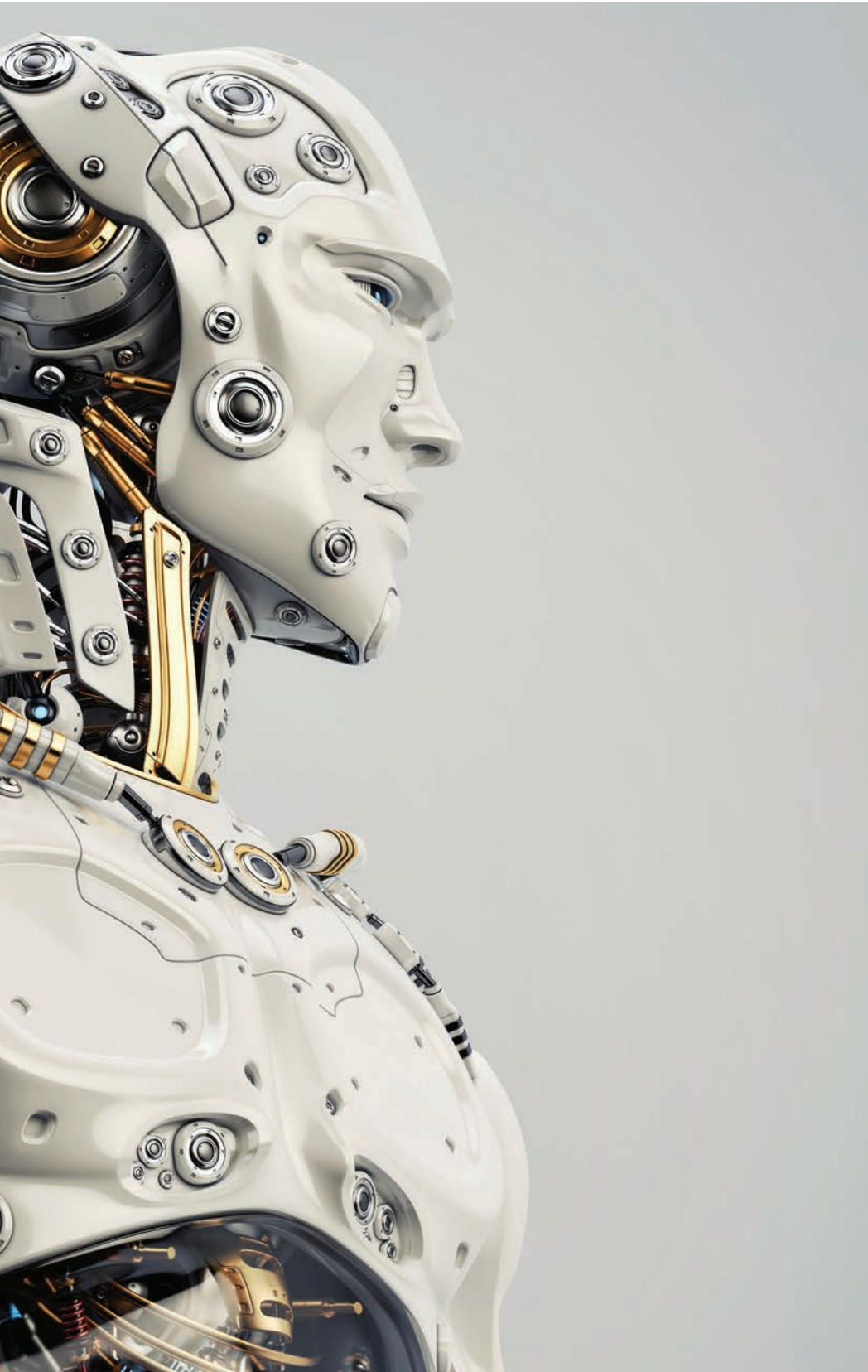
Even if scrupulous software can supplant corruptible mortals, however, we have only addressed half of Madison's concern. The blockchain may allow digital angels to prevail over human government, but what of devilry among the citizens?

Cryptocurrency and other digital technologies are already making it easier to circumvent many of the state's prohibitions. Think of markets for sex and drugs. Those may be victimless crimes—what philosopher Robert Nozick called “capitalist acts between consenting adults”—but what about real crimes? What if two people negotiate an agreement to violate a third person's rights, as with contract murders or the fencing of stolen goods?

THE WANING STATE

Blockchain technology by itself cannot replace all that we associate with government. Autonomous digital services will be able to enforce contracts, keep records, and facilitate financial exchange, but they can't protect you from aggression. In the short term, they may





prove to be the technology of the night-watchman state, reducing the government's monopoly to the direct protection of people and their property.

Humans will still have to provide security and defense. Whether or not those humans will work for the government—and how much competition they'll have—is an open question.

But all the extra activities of the nanny state could wane in a world where DAOs, the blockchain, and reputation markets allow peaceful people to make voluntary arrangements to improve each other's lives.

That sort of automation won't replace humans in everything we do, and it won't put us all out of work. It will allow us to focus on providing services that really do count as services, not bureaucratic make-work or the busybody interventions we now suffer from the public sector.

Wagner's emphasis on the private sector, however, serves an important purpose. The revolution in governance won't happen through the political process, and it won't look like political reform. Its human beneficiaries won't even necessarily see it happening. As private digital organizations outcompete the old-fashioned variety, we will simply rely ever less on human governance.

As digital technology makes it easier for strangers to trust each other in the pursuit of mutual gain, and makes it ever more straightforward to avoid or ignore interference from the strangers we don't trust, Madison's formulation could come to seem as quaint as the human republic that the Federalist Papers helped to create.

B.K. Marcus is managing editor of the Freeman. Read more at FEE.org/Marcus.

LESSONS FROM THE RICHEST DUCK IN THE WORLD

Economics in Three Duck Tales

by Robert Anthony Peters

Scrooge is an unlikely name for a hero. Since Dickens's *A Christmas Carol*, it has elicited thoughts of disagreeable skinflints. That all changed with Scrooge McDuck.

At first, Donald Duck's Uncle Scrooge was quite Dickensian in character, but creator Carl Barks knew that a churlish miser would not sustain an audience's sympathy. To really give this character legs (or wings), he would have to give him the kind of morals that resonate with readers.

It worked. Disney's Duck universe has been popular for over 60 years. My generation enjoyed *Duck Tales* on TV. An older generation avidly read *Uncle Scrooge* comics, the first issue of which has Scrooge explaining how he earned his fortune: "I made it by being tougher than the toughies, and smarter than the smarties! And I made it square!"

Barks created a wealth of economic lessons through fables that are still enjoyed around the globe today.

A MODERN-DAY AESOP

Barks was born in rural Oregon to a farming family at the turn of the 20th century. Growing up, he had a hardscrabble existence. Due to several moves, living far from schools, and poor hearing from childhood measles, he had minimal education. He worked as a farmer, cowboy, swamper, railroad worker, printer, and more. His first gig as an illustrator was for a men's humor magazine. In late 1935, he discovered an ad in the newspaper for Disney. Though the job offered only half his current pay, he decided to join the animation department and eventually the comic book publisher. Barks

was a man who was willing to work hard, work well, and take a chance on great possibilities. The storytelling in these comics featured Barks's strongly individualist outlook, his belief in the entrepreneur, and his optimism in markets resulting in human benefit.

TRADE, TRADE AGAIN

Before Barks created Uncle Scrooge, he was already exploring the beneficial nature of trade in 1947's "Maharajah Donald," an issue of the *Donald Duck* comic book series, which featured Donald and his nephews Huey, Dewey, and Louie. The story begins with the boys cleaning out the garage at Donald's behest, with the understanding that they could keep whatever he did not want. Predictably, he wanted *all the things* and was only willing to part with one stub of a pencil that's "not worth a thing." Less than thrilled, the boys keep it to trade for something else. They run into Piggy, who offers them a ball of string. Figuring it is not worse, they trade. As luck would have it, they run into a kid whose kite flying is limited by his length of string. Eager to get it really soaring, he trades them his knife for their string. One of the nephews feels a pang of guilt, but in short order, the other two chime in, "Don't let it bother you" because "he's happy!"

Eventually, they trade up to a pearl and decide to cash in. There happens to be a man in the jewelry store who was about to sail to India to obtain a pearl much like what they have in their hands. They exchange it for the steamboat ticket, which Donald promptly steals from them. Donald

boards, the nephews stow away, and they arrive in India, only for Donald to run afoul of the local magistrate to the point of being fed to the royal tigers. While wracking their brains to find ways to save him, his nephews run over their list of assets: “We don’t know a soul we could ask for help ... and we haven’t a cent for bribing the guards ... we just can’t do something that is impossible.” But lo and behold, what do they spy next but an old stub of a pencil! To which the nephews declare, “We’re rich!” They then commence trading goods until they have acquired a creative solution to free their uncle from his predicament.

The story presents a cornucopia of economics lessons: subjective value, mutual gains from trade, and entrepreneurship. What better display of subjectivity than to have your life saved by the application of market exchange to a good that you considered worthless? Mutual gains are clear by the voluntary nature and perceived benefit of each party to the trade. (Most poignant is the Kirznerian alertness to the pencil and its use in trade.)

A LAND WITHOUT GREED

“Tralla La” is the tale of an exasperated Uncle Scrooge. Tired of being hounded for his wealth and time by charities, businessmen, and tax collectors, he finally snaps, telling Donald, “I want to go someplace where there is no money and wealth means nothing!” From his physician, he hears of the land of Tralla La, a land without gold, jewels, or money, deep in the Himalayas. Scrooge, Donald, and nephews set forth, and as they fly overhead, they see a land of abundance. The leader explains, “We Tralla Lallians have never known greed! Friendship is the thing we value most!”

All is serene until a farmer discovers a bottle cap that Scrooge had carelessly tossed out of the plane window. The honest peasant attempts to return it to Scrooge, who declines it, considering it worthless. Subjective value makes its appearance here, when the farmer and his fellow villagers invest this item with great desirability, leading to a bidding war that goes from 10 sheep to 20 and finally to a year’s yield of rice. When it is discovered that Scrooge has a case of bottles, all with caps, the Tralla Lallians attempt to purchase it, to no avail. Finally, the mob declares him a “meanie” and wants his taxes raised. The only solution to this problem is to call in an air strike—not of bombs, but bottle caps.

Even a humble bottle cap can spark desire because of its scarcity. Its price will be high if it is the only one around and perceived to have value. The results of “Helicopter Ben’s” strategy are on display here as well. Though the Federal Reserve may believe that it can make people wealthier by increasing the money supply, Uncle Scrooge knows that increasing the number of bottle caps will diminish their worth.

The storytelling in these comics featured Barks’s strongly individualist outlook, his belief in the entrepreneur, and his optimism in markets resulting in human benefit.

FROM RICHES TO RAGS TO RICHES

Finally, and probably the most famous Uncle Scrooge story in economics circles, we have “A Financial Fable.” Beginning as a bucolic idyll, the story opens with the entire Duck clan working the fields and tending the livestock. The nephews sing the praises of hard work while Donald complains, wanting money for nothing.

Scrooge surveys his new bank, a corn crib, hiding his money in plain sight. This may not have been his brightest idea: a cyclone whips through and takes all of his money, scattering it over the countryside. The nephews are distraught, but Scrooge simply replies, “If I stay here and tend to my beans and pumpkins, I’ll get it all back.”

Donald and the rest of the country quit their jobs and set off to “see the world.” Meanwhile, Scrooge and the boys continue to labor on their farm. With no one else working and nothing being produced, Donald and the rest of the world come straggling back. Scrooge is happy to feed them—at new market prices. Eggs are a million dollars apiece, cabbage is two million, and ham is a bargain at a cool trillion. With each purchase, the money from Scrooge’s corn crib trickles back and he becomes, yet again, the richest duck in the world.

With another “helicopter” scenario, we see the inflationary effects of a massive injection of money. We also get a glimpse into many aspects of wealth—how it is created, how it is maintained, and what happens when we redistribute in ways that are not related to market performance. Barks knew he was creating a morality tale of capitalism, admitting, “I’m sure the lesson I preached in this story of easy riches will get me in a cell in a Siberian gulag someday.”

ECONOMIC TALES

Economics is all around us—even in our comic books.

Now cable channel Disney XD has announced plans to relaunch *Duck Tales* in 2017. As long as the show sticks to the characters and stories inspired by the great Carl Barks, it will offer us plenty to enjoy—and economics lessons that are sure to fit the bill.

Robert Anthony Peters is a proud FEE alumnus from 2000 and 2001, and is a member of the FEE Alumni Board. Read more at FEE.org/Peters.

MONEY WILL BE DIGITAL— BUT WILL IT BE FREE?

EVERY PENNY YOU SPEND COULD BE
MONITORED AND CONTROLLED

by *Andreas M. Antonopoulos*

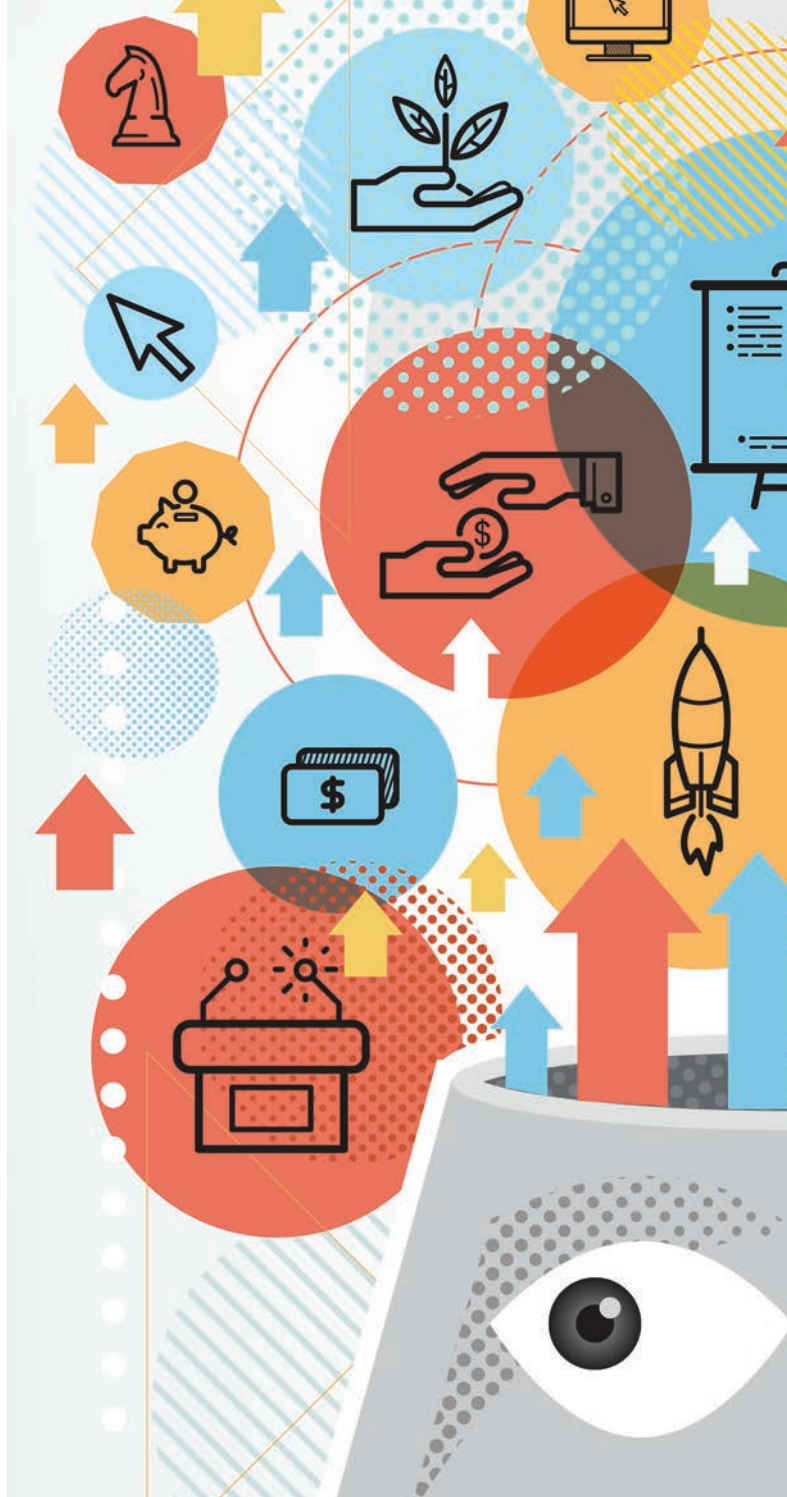
Bitcoin offers a glimpse into the future of money—a purely digital form of money that is individual, private, global, and free (free as in speech, not as in beer). Bitcoin is often compared with the existing banking system, juxtaposing its futuristic capabilities with the slow, antiquated, and cumbersome world of wire transfers, checks, “banking hours,” and restrictions.

But the future will not be a choice between “old money” and cryptocurrency. Instead, it will be a choice between two competing visions of digital money: one based on freedom and choice, the other based on control and surveillance, a dystopian totalitarian system of control from which no one can escape.

We are now at the crossroads, and we must choose the future of currency wisely.

Cash, checks, and other forms of tangible money have been gradually disappearing for decades. We are rapidly moving toward a cashless society where all money is purely digital. In the past, cash payments were expected and preferred; credit transactions were suspect. But as we turned into a debt-based society, cash became the oddity. The inscription “for all debts public and private” no longer rings as true. Today, if you try to buy a car with cash, you’ll be treated with extreme suspicion. Large amounts of cash are now associated with criminal activity, and the definition of “large” is getting smaller each day. This is how we arrive at a cashless society: by making cash itself first suspect, then criminal.

The transition from cash to digital money is not just a change in form. It is a transition from transactions that are private, person-to-person, and decentralized to transactions that are monitored, intermediated, and under centralized control. In the last two decades, digital payments have become a powerful surveillance tool. Citizens who are concerned about their government monitoring their telephone calls are simultaneously oblivious to the fact that every transaction they make with a plastic card or an online payment network can be scrutinized without suspicion of a crime, without warrants or any form of judicial oversight. Most national governments, under the guise of counterterrorism laws, have empowered their law enforcement and



intelligence agencies with unfettered access to financial data. It shouldn’t surprise you to learn that these powers are used far more broadly every day, increasingly removed from the originally stated intent.

What a strange world we now live in. Total surveillance of every citizen’s transactions, without any basis or suspicion, is not just normal but presented as a virtue, a form of patriotism. Using cash or wishing to retain your financial privacy is inherently suspect, a radical position, soon to be a crime.

A future where all payments are trackable is terrifying, but a world with centralized control over transactions would



be even worse. Digital currency with centralized control means the eradication of property as a right. Instead, your money exists only as a database entry where the balance is controlled entirely by a third party.

By managing the payment networks, a government has effective control over all participants, including banks, corporations, and individuals. Already, banks are extorted into adopting global financial blacklists for fear of being disconnected from networks like the Society for Worldwide Interbank Financial Telecommunication (SWIFT) and Automated Clearing House (ACH). This web of control

is expanding and is used more and more frequently as a weapon of geopolitics.

The future of digital central currencies will make this control entirely individualized and easy to target. Attended the “wrong” protest? Your bank balance is now zero. Bought a suspicious book? Expect a visit from the police. Annoyed someone in power? They can trawl through your transactions until they find something juicy enough to leak.

Your movements can be tracked, your friends identified, your political affiliations analyzed and cross-correlated to your reading habits. No part of your life is private when every form of money is digital and every transaction can be tracked, blocked, seized, and deleted. Your life savings are yours only as long as you don’t offend someone in power. When money is centrally controlled, ownership of anything is a privilege the government can revoke. Property is not an inalienable right but an advantage afforded to the those who acquiesce to the system. Combining surveillance of communications with complete control over money will result in tyranny the likes of which the world has never known.

Totalitarian surveillance of money is toxic to democratic institutions, and the power of surveillance erodes the social contract and corrupts those in power. There cannot be self-determination, freedom of expression, freedom of association, or freedom of conscience in a society where every penny you spend is monitored and controlled.

Even if you believe that your government is benevolent and will only use these extreme powers against “terrorists,” you will always live one election away from losing your freedoms. Even the supposedly benevolent governments in liberal democracies are already using their power over money to harass journalists and political opponents, while allowing their friendly bankers to finance tyrants, warlords, and militias across the world.

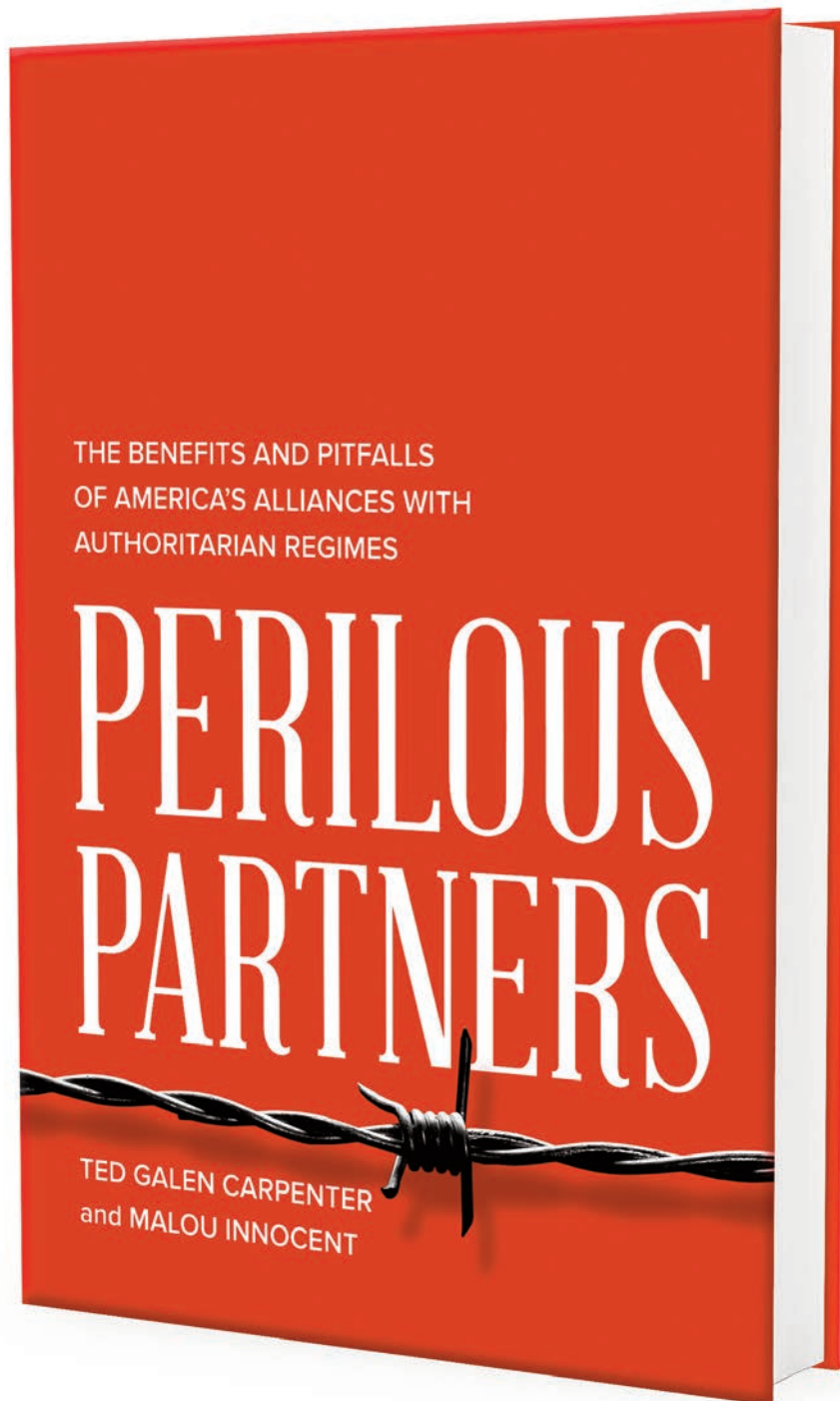
Bitcoin offers a fundamentally different future for currency. Bitcoin is digital cash; its transactions are person-to-person, private, and decentralized. It combines the best features of cash with the convenience, speed, and flexibility of a digital medium.

Bitcoin enables an alternative future of personal freedom and privacy that revokes the surveillance-state developments of the last few decades and reintroduces financial emancipation through the power of mathematics and cryptography. Through its decentralized global network, bitcoin provides no central point to control, no position of power to enable censorship, no ability to seize or freeze funds through a third party without due process, no control over funds without access to keys.

Lacking a center of control, bitcoin resists centralization. Lacking concentration of power, it resists totalitarian domination. Lacking identifiers, bitcoin promotes privacy and makes

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American leaders have cooperated with regimes around the world that are, to varying degrees, repressive or corrupt. Such cooperation is said to serve the national interest. In *Perilous Partners*, published by the Cato Institute, authors Ted Galen Carpenter and Malou Innocent offer case studies of U.S. engagement with dubious allies, and show that too often American leaders have sacrificed the moral high ground in pursuit of secondary and peripheral national interests.

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total surveillance impossible. Disregarding political borders as network-irrelevant, it eschews nationalism and geopolitical games. Dispersing power, it empowers individuals.

Bitcoin is a protocol of free commerce, just as the Internet's transmission control protocol/Internet protocol, or TCP/IP, is a protocol of free speech. Bitcoin's design can be replicated to create myriad forms of decentralized money, all superior to the dystopian future we are otherwise headed for.

We can live in a world where money operates like any other medium on the Internet, free from control or interference. In a decentralized digital future, money will be controlled by individuals, banking will be an "app," and governments will be as powerless to stop the flow of money as today they are powerless to stop the flow of truth.

In this future, money will be a tool of freedom from tyranny, an escape hatch from corrupt banks, a haven from hyperinflation. Four to six billion people without access to international financial services will be able to leapfrog the banking system and connect to the world economy

directly. Individuals will not have to choose between directly controlling their own money and participating in a global financial network. They will enjoy global peer-to-peer finance, where trusted third parties and endless lines of bankers and intermediaries are things of the past.

While the future of currency is undoubtedly digital, it can take two radically different forms. We can live in a financial panopticon, a straitjacket of surveillance and tyranny. Or we can live in an open society where our privacy is protected by cryptography, not subject to the whim of every petty bureaucrat—where our digital money is global, borderless, anonymous, and controlled by the individual. The choice between financial freedom and financial tyranny is a choice between fundamental freedom and tyranny. Choose financial freedom: choose freedom.

Andreas M. Antonopoulos is the author of *Mastering Bitcoin*, a technical book published by O'Reilly Media. Read more at FEE.org/Antonopoulos.

**THERE CANNOT BE SELF-
DETERMINATION,
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IN A SOCIETY WHERE
EVERY PENNY YOU SPEND
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We are now at the crossroads, and we must choose the future of currency wisely.





DON'T ASSUME I'M SMARTER THAN MY CONTRACTOR

WHY SCHOOLING HELPS US DEVALUE THE NONACADEMIC

KEVIN CURRIE-KNIGHT

The existence of school has conditioned us to regard what happens there as most important.

“So, I figured I’d ask you,” said my contractor. “You’re a lot smarter than me and—”

That’s when I stopped him.

Tom knows I am a college professor, and he wanted to ask my advice on his daughter’s education. He’s an ex-Marine who never went to college. It makes sense to ask an educator for advice about education, but why does that make me smarter?

I thought about all the times I’ve asked Tom’s advice about the house we are renovating, and about all the times he answered with a tone that implied, “Well, *obviously* you should...”

“Tom,” I said, “I wouldn’t say I’m smarter than you. It depends on the topic.”

He smiled politely and moved on to his question.

But even if he dismissed my objection as perfunctory, I can’t let it go. Why does our culture trivialize nonacademic intelligence and knowledge?

I think the existing structure of schooling plays a big part.

FANTASY FOOTBALL

Let me tell another story, this one from my days as a high school special educator. I was teaching a study-skills class to students with learning disabilities. Partly, this course provided students extra time on assignments for other classes. One day, I sent two students to the library to work on a written project assigned for another course. About 10 minutes later, I received a call from the school librarian.

“You should come up here and get these kids, because they are off task and disturbing others!”

When I got to the library, I didn’t want to confront my students immediately. I wanted to see how, exactly, they were being disruptive.

What were they doing? Adjusting their fantasy football rosters.

As anyone who’s *really* played fantasy football knows, adjusting your weekly roster involves contemplating a lot of statistics: What are this player’s chances against that team? How does that team do against this type of running back?

That’s what my students were doing in the library: arguing over statistics. Not bad for kids considered learning disabled in subjects like math.

Like a good teacher, I interrupted their passionate dispute and instructed them to come back to the room, where they could get going on the more important work of writing an academic paper.

Whether we mean to or not, we constantly reinforce the message that only the stuff kids are taught in school counts as serious learning. Extracurriculars are fine, but what really counts is in their textbooks and homework.

We send them to school precisely because we believe that’s where they’ll be taught the most important subjects. We grade them on those things, and in many ways we measure their worth (at least while they’re in school) by how well they do on tests and school assignments.

DESCHOOLING AMERICA

I'm certainly not the first person to notice this. Education theorist John Holt wrote about it in his frankly titled essay "School Is Bad for Children":

Oh, we make a lot of nice noises in school about respect for the child and individual differences, and the like. But our acts, as opposed to our talk, says to the child, "Your experience, your concerns, your curiosities, your needs, what you know, what you want, what you wonder about, what you hope for, what you fear, what you like and dislike, what you are good at or not so good at—all this is of not the slightest importance, it counts for nothing."

Ivan Illich made a similar point in *Deschooling Society*. Illich suggests that schooling makes us dependent on institutions for learning by convincing us that what we learn in school is important and what we learn outside is not.

Likewise, in *Shop Class as Soulcraft*, philosopher and auto mechanic Matthew Crawford bemoans the dichotomy we set up in our schools and society between knowing and doing. Schools are increasingly cancelling programs like shop class to make way for more knowing and less doing. Crawford points out that this drastically underestimates the crucial role of thinking in manual labor.

If you are still in doubt, think about this: earlier, I talked about learning disabilities. According to the *Diagnostic and Statistical Manual of Mental Disorders* (DSM), learning

disabilities can only exist in academic subjects like reading and math. If you are bad at playing music or drawing, you are not learning disabled—just bad at music or art.

There may be good reason we leave teaching biology to the schools and teaching car care to the home (or to "extracurricular" apprenticeships). There may be good reason we teach algebra in the schools but not the statistical analysis needed to adjust a fantasy football roster. But the standard segregation of subjects sends the message that what is learned in school must be more important. We send you to a special building to learn it, we grade you on your ability to learn it, and we socially judge much of your worth by your success at it.

Almost by reflex, we ask kids, "What did you learn in school today?" not "What did you learn today?" The existence of school has conditioned us to regard what happens there as important, while we relegate what happens outside of school to the dust heap of "extracurriculars."

So, no, Tom, I am not smarter than you; we're both pretty smart. It's just that our school-influenced culture wrongly tells us that what I do is more cerebral and therefore requires more intelligence than what you do. And that's a bad assumption.

Kevin Currie-Knight teaches in East Carolina University's Department of Special Education, Foundations, and Research. Read more at FEE.org/Currie-Knight.

Why does our culture trivialize nonacademic intelligence and knowledge?



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S I L L I N E S S

AS A DISCOVERY PROCESS

Six Degrees of Francis Bacon, Loki Lego Launcher, and the Social Benefit of Free-Range Kids by Sara Skwire

The Internet, like Monty Python's Camelot, is a silly place.
That's why it's valuable.

Here's what I mean.

Back in 1929, the Hungarian writer Frigyes Karinthy developed the idea of "six degrees of separation," which states that everyone is linked together by chains of connection no more than six links long. That idea was then picked up and made famous by the playwright John Guare in his 1990 play, *Six Degrees of Separation*.

In 1994, some snowbound college kids (obviously well educated and quite possibly chemically enhanced) were watching *Footloose*. They connected the popularity of lead actor Kevin Bacon with their knowledge of Guare and Karinthy, and the game "Six Degrees of Kevin Bacon" was born. For those who are unfamiliar with the game, the object is to connect any actor—through his or her films—to Kevin Bacon in fewer than six steps. The casual game became a website called OracleOfBacon.org.

So far, so silly.

But recently a group of scholars from Carnegie Mellon has released the beta version of a website called SixDegreesOfFrancisBacon.com. The website is a collaborative envisioning of the early modern social network. It tracks 13,000 early modern people, shows us who is likely to have known whom, and allows us to track the connections they have in common. But even better than that, the site's creators are calling for other scholars to add their own specialized knowledge of early

modern connections in order to expand the network and make it more accurate, more useful, and more broadly based.

This is a scholarly tool of enormous potential value. Early modernists are plagued by questions like "Is it possible that X read this book and is referencing it here?"

Those questions may well become a lot easier to answer. If we find out that X was friends with Y and that Y had a copy of the book in question, we suddenly have a link we can speculate about more productively. Who knows what connections the network will turn up?

And it all started with some college students making fun of—or paying tribute to—Kevin Bacon. Because they were bored. And they were silly. But out of that silliness came: amusement and diversion for anyone who has played the Six Degrees of Kevin Bacon game; a second career for Kevin Bacon, who has been smart enough to have fun and do some good with his status as the oddball darling of social media; and a serious scholarly project.

Maybe silliness isn't so silly.

I thought the same thing when I read the story about 8- and 10-year-old Kimberly and Rebecca Yeung,

who modified some plans they found on the web for a weather balloon to build their own "Loki Lego Launcher." They used the launcher to send a Lego R2-D2 and a picture of their cat 78,000 feet up, right to the edge of space.

A serious adult might have stopped them from such a silly project. Lego is a silly toy, after all. And cat pictures have pretty much defined Internet silliness for more than a decade. But the Yeung girls lucked into some adults who

Out of silliness came a second
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been smart enough to have fun and
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oddball darling of social media.

understood that a bit of silliness can take you to some remarkable places—like space.

The glorious and unpredictable results of silliness ought to make us fellow travelers with the economist F.A. Hayek, who wrote of the importance of competition as a discovery process, revealing to us things that we never knew, could not have imagined, and could not have even formulated questions about. In “Competition as a Discovery Procedure,” Hayek wrote,

When, however, we do not know in advance the facts we wish to discover with the help of competition, we are also unable to determine how effectively competition leads to the discovery of all the relevant circumstances that could have been discovered. All that can be empirically verified is that societies making use of competition for this purpose realize this outcome to a greater extent than do others—a question which, it seems to me, the history of civilization answers emphatically in the affirmative.

I would say the same for silliness:

When, however, we do not know in advance the facts we wish to discover with the help of silliness, we are also unable to determine how effectively silliness leads to the discovery of all the relevant circumstances that could have been discovered. All that can be empirically verified is that societies making use of silliness for this purpose realize this outcome to a greater extent than do others—a question which, it seems to me, the history of civilization answers emphatically in the affirmative.

Silliness, or what we might more solemnly call “creative play,” produces unexpected results. We can’t plan for it. We can’t force it. We can only stand back and give it room to breathe.

When Tina Fey gives her rules for improvisational comedy in her book *Bossypants*, the first rule she lists is “Agree.” The second rule is “not only to say yes but “Yes, and.” That’s what the Yeung girls did when one of them first suggested launching R2-D2 into space. That’s what the Carnegie Mellon scholars did when they ran with an idea suggested by a bit of college silliness.

When you are invited to engage in some silliness, say yes, and add something of your own. It might take you into the intricacies of the early modern literary/theological/political network. It might take you into space. It might take you into



Image credit: Ryan McGuire

Camelot. The value of it, as Hayek points out, is that we don’t know where it will take us. We can’t know until we agree—until we say, “Yes, and.”

Lenore Skenazy’s work on “free-range kids” has made all of us aware of how important unscheduled and unsupervised play—which often contains a lot of silliness—is for children. *Freeman* writer Steve Horwitz has recently written a sobering consideration of the larger societal implications of a generation that has grown up without unsupervised play and the social skills it teaches. The urge to plan is strong. The urge to stamp out silliness—in our children, in ourselves, and in our society—is even stronger.

The things we never discover because we give in to that urge are unimaginable.

Imagine some. Or say, “Yes, and” to someone who does.

Sarah Skwire is a senior fellow at Liberty Fund, Inc. Read more at FEE.org/Skwire.

HOW GREECE CAN RISE FROM THE ASHES: THE KIWI PLAN

by *Bill Frezza*

The signs of floundering entitlement democracies are everywhere these days—from poster-child Greece to bankrupt Puerto Rico.

Runaway deficit spending, calamitous monetary policies, bloated public employee payrolls, incentive-killing welfare programs, confiscatory taxation, unfunded entitlements, dishonest government accounting, corporate cronyism, and job-killing regulations have mired most Western democracies in such a deep quagmire of voters' own making that one despairs of finding a cure.

And yet, a cure has not only been found but has already been put into practice with great effect, offering practical lessons for any reformist who cares to look. New Zealand today stands as a beacon of freedom and prosperity, ranking number three in the Legatum Prosperity Index.

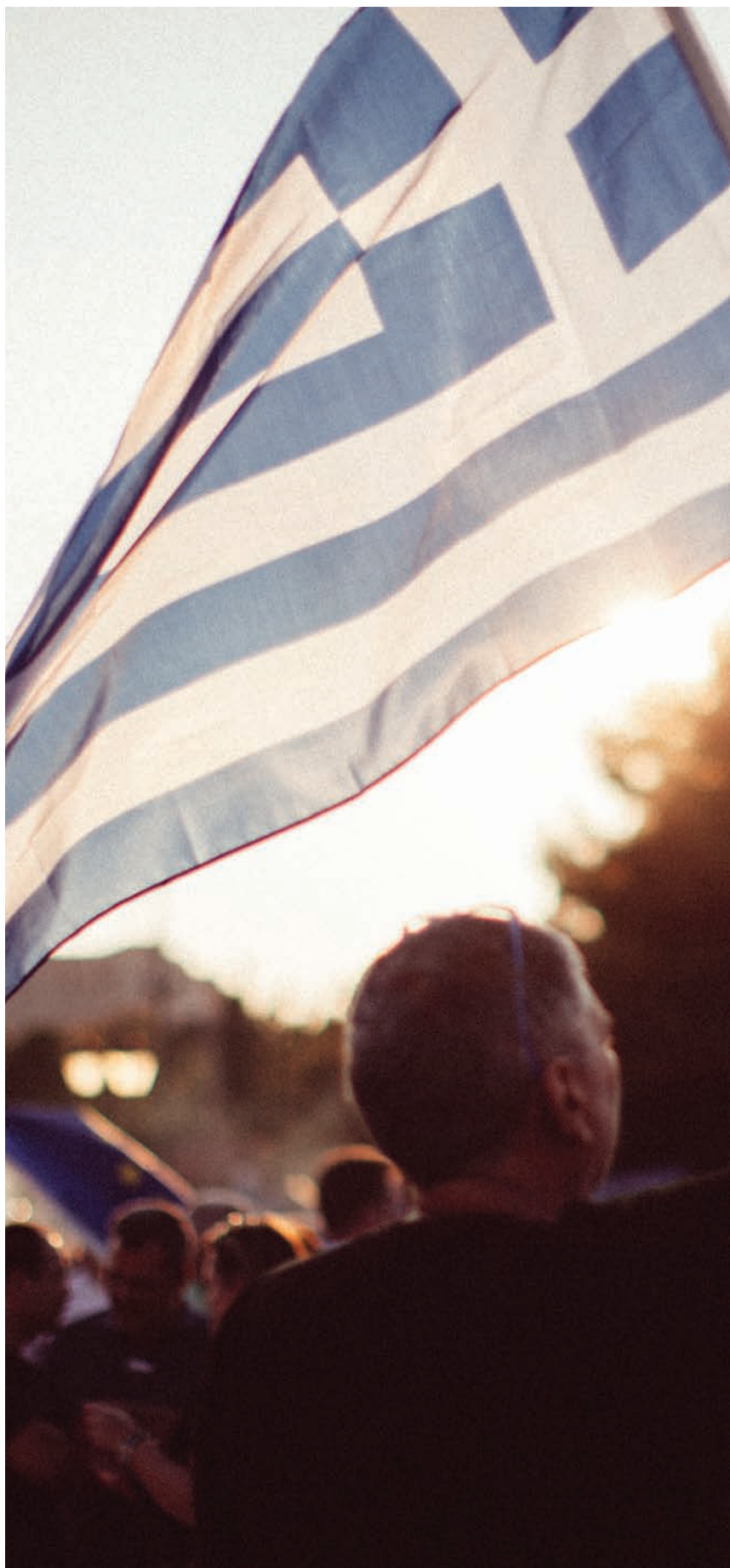
It wasn't always so. In fact, few know the story of how that country transformed itself from a socialist basket case into one of the world's most prosperous nations.

That story is updated and retold, with practical advice for activists, in my new monograph published by the Antigua Forum, *New Zealand's Far-Reaching Reforms: A Case Study on How to Save Democracy from Itself*.

Two prime movers stand out, finance ministers from opposing political parties who made common cause to rescue the country they loved: Sir Roger Douglas and Ruth Richardson. It was a privilege to interview these elder statesmen in depth, capturing their remembrances, recording their advice, and putting it all in the context of the voluminous legislation they championed together.

The story of how they defied their own party leaders and convinced voters to endorse a radical overhaul of New Zealand's body politic stands as perhaps history's greatest national transformation that didn't first involve a country being bombed into rubble. Like lifesaving surgery, it involved nothing less than cutting out the parts of democracy that had grown cancerous in order to save the whole.

What Douglas, Richardson, and their allies bequeathed us was a virtual how-to recipe for saving a government that had, as Margaret Thatcher so aptly





put it, “run out of other people’s money.” Their accomplishments are too many to list in depth, but here is a brief rundown. While it took years of hard work, at the end of the day, they

- privatized most state-owned enterprises, allowing competition to both stop the fiscal bleeding and raise the level of service;
- ended phony accounting practices designed to hide the truth from voters by shifting reporting of government finances to the standards of *generally accepted accounting principles* (GAAP) used in private industry;
- opened the government’s books, publishing monthly departmental income statements and balance sheets for all to see;
- repealed protective tariffs and eliminated farm subsidies, ushering in an era of free trade and a boom in agricultural productivity and export prowess;
- put the civil service bureaucracy on pay-for-performance contracts, while giving career administrators a free hand in hiring, firing, compensation, and outsourcing;

- broke the public-education monopoly by shifting to an all-charter-school system that allows any child to attend any school, determined only by parental choice.

These changes took a decade to enact across the 1980s and early ‘90s, a decade of political upheaval that nonetheless delivered results that have stood the test of time.

Most remarkably, predictions that voters would rebel when special privileges, subsidies, and entitlements were taken away were all proven wrong when New Zealanders were presented with a coherent plan boldly executed by competent leaders. The study reveals the precise political tactics used to overcome the fierce opposition from entrenched special interests.

The results remain clear for all to see. GDP increased fourfold, while the government debt-to-GDP ratio dropped to 30 percent (despite a short-term debt spike in the aftermath of the 2007–08 global recession).

Today, New Zealand operates under a system described as being designed by Hayekians, run by pragmatists, and populated by socialists. But because the rules of the game were permanently changed, there has been little backsliding to the electoral malaise described by H.L. Mencken as “a sort of advance auction sale of stolen goods.”

In fact, thanks to the fiscal transparency brought about

Today, New Zealand operates under a system described as being designed by Hayekians, run by pragmatists, and populated by socialists.

- halved top marginal income tax rates from 66 percent to 33 percent, while eliminating capital gains and estate taxes and shifting to a growth-friendly consumption tax regime;
- eliminated foreign exchange controls, allowing the New Zealand dollar—popularly known as the “kiwi”—to float;
- put the central bank under contract with the finance minister to deliver a published, targeted level of inflation;
- gave every employer and employee the right of free contract by eliminating forced-unionization labor laws and industry-wide multiemployer contracts;

by GAAP accounting and open books, most elections since the mid-1990s have seen the unusual—and pleasing—spectacle of both parties trying to outdo each other over who will be more fiscally responsible.

There is no reason why the same remedies couldn’t be applied across the bankrupt southern zone of the European Union, or even in the United States. All it takes is the will to make it happen, the courage to stand up to politicians and cronies devoted to protecting the status quo, and a little Kiwi know-how.

Bill Frezza is a fellow at the Competitive Enterprise Institute. Read more at FEE.org/Frezza.

WE HIDE OUR FACES FROM THE WIND

WILLIAM KELLEY WOOLFITT

If the Pères Blancs send money,
I will ransom more slaves. Jean, now free,
believes that the wind pursues him; he crouches
in burrows, old wells. We plug our ears

when the wind sputters and moans. I hear
the panting of boys with bands of scar
and bruise on their backs, two colors of tattoo.
Jean says the wind of harmattan burns

his ankles, his neck. The wind of simoom
flings sand at our hut, and scours the mothers
who lose their babies to thieves, and hardens
their tears to shards of salt, slivers of glass.



A MOTORCYCLE SALESMAN LOOKS BACK

JONATHAN TRAVELSTEAD



Gone are the post-war dinosaurs whose death roars leaked from their slash-cut pipes like twenty-weight crude. Gone, too,

is friction's golden age, and the epoch of hub and greased axle when the sprocket's teeth were chained, worn smooth

as the piston's wearisome slap. Machines are passing from our lives. The new models have been disburdened

of the instrument cluster's messy syntax so enlightenment comes stock with the hardware's removal. We've turned from

the Pythagorean nightmares of metric and standard systems, shirked the dynamo for axion and joule. Thoreau,

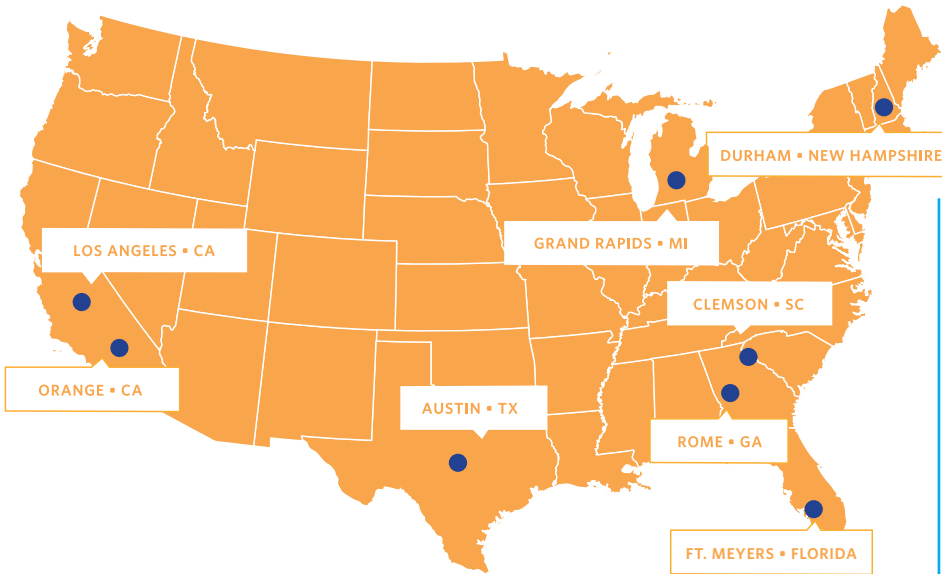
even Sir St. Stephen Jobs III would beam at the godliness of this simpler living. Take any body before this one.

Unfasten its cowling, peer inside at the horror of wet tines and pinions, then tell me you prefer a musket to a laser beam.



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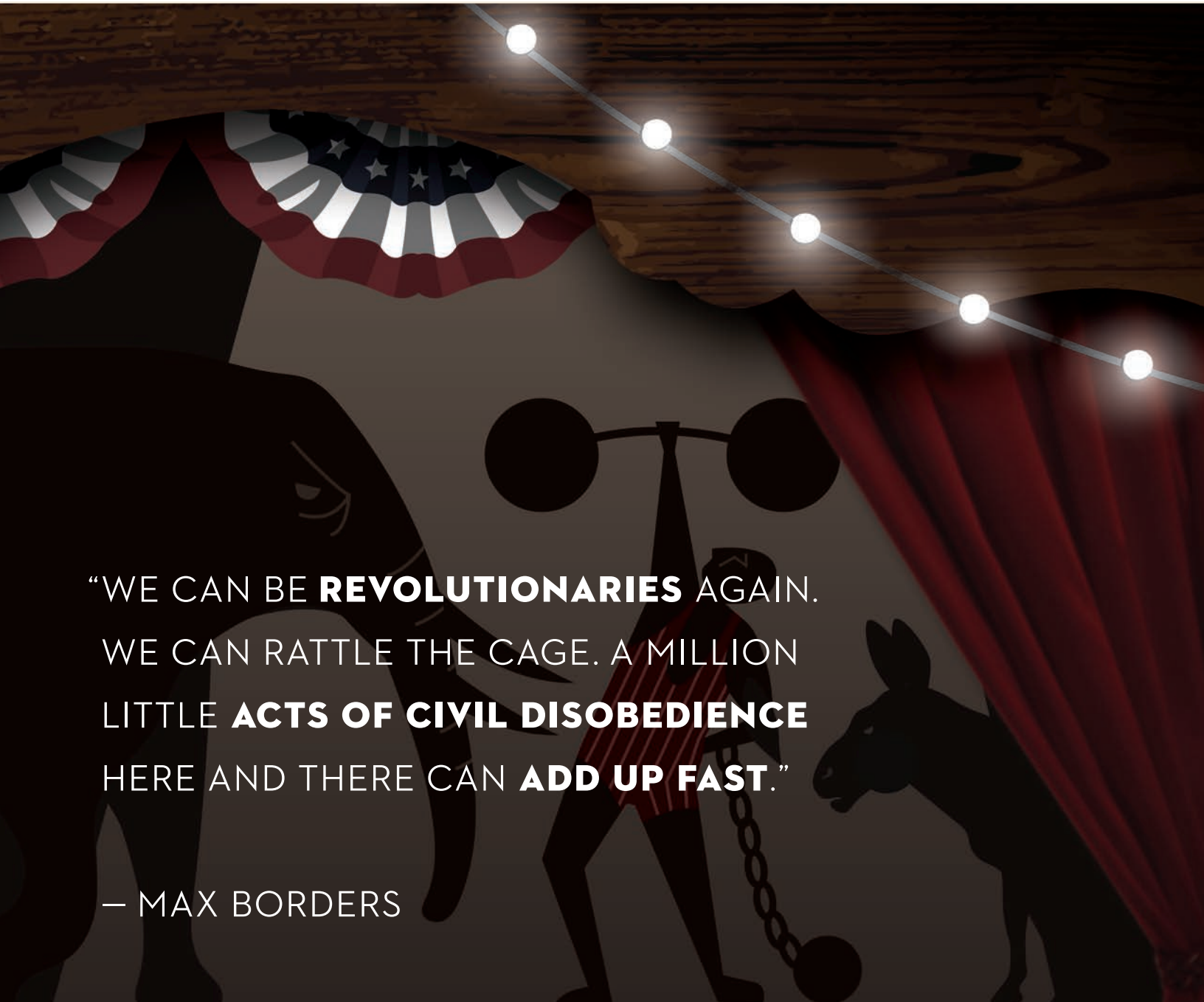
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