

THE FREEMAN

IDEAS ON LIBERTY

TSA eyes only!

Whole-Body
Imaging: Intrusion
Without Security

by Becky Akers

X-RAY FILM
DO NOT F



GDP: Who Needs It? by Warren C. Gibson

Do We Really *Want* a Right to Health Care? by Theodore Levy

What do...

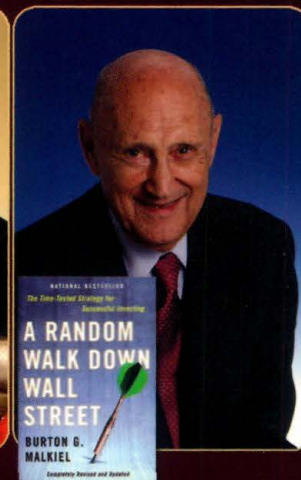
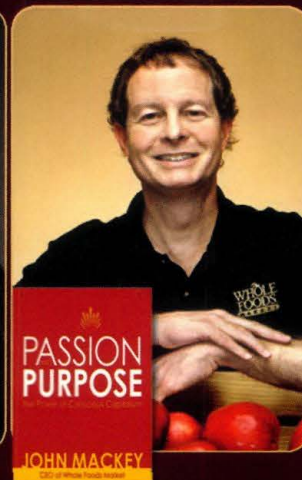
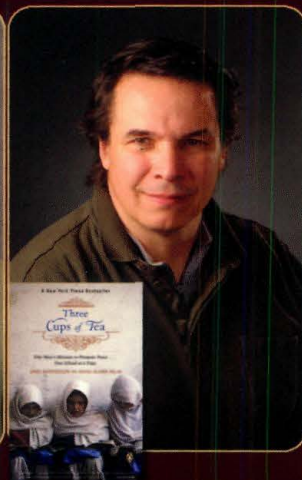
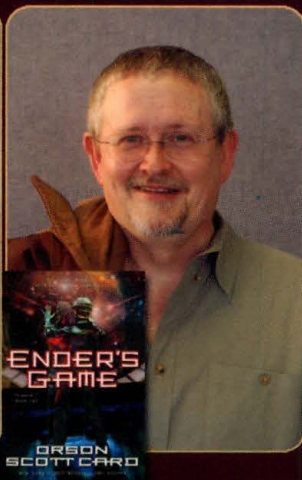
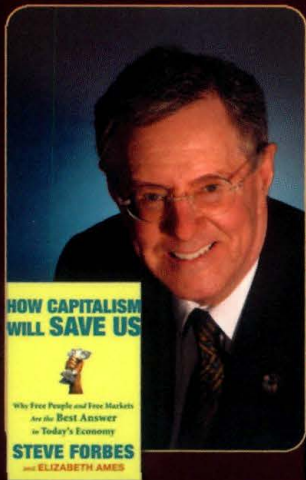
Publisher
Steve Forbes

Writer
Orson Scott Card

Humanitarian
Greg Mortenson

Entrepreneur
John Mackey

Professor
Burt Malkiel



Have in Common?

They're all coming to


Freedomfest
2010

"The world's largest gathering of free minds."

Las Vegas, July 7-11, 2010

*Declare your
own independence...*



"So good I changed my schedule to attend all three days."--Steve Forbes

Come join us and 2,000 other libertarians, with over 100 speakers, including Lawrence Reed and all major free-market think tanks. Only \$495 per person/\$795 per couple.
Special rates at Bally's are only \$97 per night.

To register call 1-866-266-5101 or go to www.freedomfest.com

THE FREEMAN

IDEAS ON LIBERTY

VOLUME 60, NO 4

MAY 2010

Features

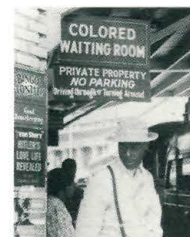
- 8 The Census: Vehicle for Social Engineering *by Wendy McElroy*
- 11 Government: More Incompetent than Ever *by Jim Powell*
- 19 Whole-Body Imaging: Intrusion Without Security *by Becky Akers*
- 22 Sowing and Reaping Devastation in Haiti *by T. Norman Van Cott*
- 26 GDP: Who Needs It? *by Warren C. Gibson*
- 29 Do We Really Want a Right to Health Care? *by Theodore Levy*
- 34 Common Versus Government Property *by Kevin Carson*
- 38 Obama and the Bankers: "Doin' What Comes Natur'lly" *by Bruce Yandle*
- 41 I, Slide Rule *as told to Richard W. Fulmer*



Page 26

Columns

- 4 Ideas and Consequences ~ How We'll Know When We've Won *by Lawrence W. Reed*
- 17 The Therapeutic State ~ The Shame of Medicine: Acquittal by Psychiatry *by Thomas Szasz*
- 24 Our Economic Past ~ Football and Spontaneous Orders *by Stephen Davies*
- 32 Peripatetics ~ Corruption in Government? Shocking! *by Sheldon Richman*
- 43 Give Me a Break! ~ Big Government's Cronies *by John Stossel*
- 51 The Pursuit of Happiness ~ Forgotten Lines *by David R. Henderson*



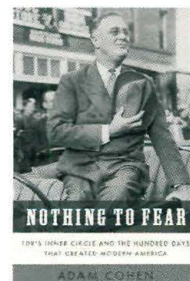
Page 51

Departments

- 2 Perspective ~ Obama and the Public *by Sheldon Richman*
- 6 Anti-Populists Made America Great? It Just Ain't So! *by Joseph R. Stromberg*

Book Reviews

- 45 Nothing to Fear: FDR's Inner Circle and the Hundred Days that Created Modern America
by Adam Cohen reviewed by Roger W. Garrison
- 46 The Power of Freedom: Uniting Human Rights and Development
by Jean-Pierre Chauffour reviewed by Rosemarie Fike
- 47 Liberty and Tyranny: A Conservative Manifesto
by Mark Levin reviewed by George Leef
- 48 Globalization: The Irrational Fear that Someone in China Will Take Your Job
by Bruce C. Greenwald and Judd Kahn reviewed by Phil Murray



Page 45

THE FREEMAN

IDEAS ON LIBERTY

Published by

The Foundation for Economic Education
Irvington-on-Hudson, NY 10533
Phone: (914) 591-7230; E-mail: freeman@fee.org
www.fee.org

President	Lawrence W. Reed
Editor	Sheldon Richman
Managing Editor	Michael Nolan
Book Review Editor	George C. Leef

Columnists

Charles Baird	David R. Henderson
Donald J. Boudreaux	Robert Higgs
Stephen Davies	John Stossel
Burton W. Folsom, Jr.	Thomas Szasz
Walter E. Williams	

Contributing Editors

Peter J. Boettke	Dwight R. Lee
James Bovard	Wendy McElroy
Thomas J. DiLorenzo	Tibor Machan
Joseph S. Fulda	Andrew P. Morriss
Bettina Bien Greaves	James L. Payne
Steven Horwitz	William H. Peterson
John Hospers	Jane S. Shaw
Raymond J. Keating	Richard H. Timberlake
Daniel B. Klein	Lawrence H. White

Foundation for Economic Education

Board of Trustees, 2009–2010

Wayne Olson, Chairman	
Harry Langenberg	Walter LeCroy
William Dunn	Frayda Levy
Jeff Giese	Kris Mauren
Ethelmae Humphreys	Roger Ream
Edward M. Kopko	Donald Smith



The Foundation for Economic Education (FEE) is a nonpolitical, nonprofit educational champion of individual liberty, private property, the free market, and constitutionally limited government.

The Freeman is published monthly, except for combined January–February and July–August issues. Views expressed by the authors do not necessarily reflect those of FEE’s officers and trustees. To receive a sample copy, or to have *The Freeman* come regularly to your door, call 800-960-4333, or e-mail mnolan@fee.org.

The Freeman is available electronically through products and services provided by ProQuest LLC, 789 East Eisenhower Parkway, PO Box 1346, Ann Arbor, Michigan 48106-1346. More information can be found at www.proquest.com or call 1-800-521-0600.

Copyright © 2010 Foundation for Economic Education, except for graphics material licensed under Creative Commons Agreement. Permission granted to reprint any article from this issue, with appropriate credit, except “Big Government’s Cronies.”

Perspective

Obama and the Public

Barack Obama says the people have a growing sense that “something is broken” in Washington. He attributes this to hyper-partisanship and a consequent lack of civility, and thinks public disillusionment can be reversed through better manners, bipartisanship, compromise, and cooperation. But to what end? Presumably greater government management of medical care, finance, education, and energy. In a skillful act of question-begging, he identifies this with “serving the people.”

Before you know if something is broken you need to know how it’s supposed to look or work when it’s intact. If you don’t know that, you also won’t know what “fixing” it means.

Some people who think government is broken mean it’s not doing nearly enough. Others mean that it’s doing far too much already. Those two sides won’t agree on what would constitute a “fix.”

But Obama has a third notion of “broken.” He takes it as given that government should do more. In his view, what’s broken is the mechanism that produces more government. If he can’t get the votes to do what he wants, then the system is malfunctioning. It never occurs to him that by some standards, successfully thwarting the growth of government shows that at least at that time and in that narrow respect the system worked. Broken is in the eye of the beholder.

For those in power (and their patrons and clients), compromise is the great good—but only if it runs in one direction. In the case of medical care, for example, it requires people who want less or even no government interference to accept more. The compromise lies in the fact that it won’t (initially) be all the intervention the staunchest interventionists want. Compromise never consists in the interventionists’ moving in a noninterventionist direction. That can’t be an accident.

The ruling party can get away with this because the official opposition is not really an opposition at all at the level of basic premises. It’s the party, after all, that delivered a huge, open-ended expansion of an already-broke Medicare, the Wall Street bailouts, outrageous spending increases, and frighteningly large budget deficits when it was in charge. It, like the current majority party, is cozy

with Big Pharma, Big Insurance, and Big Finance, all of which are what they are today because of years of political privilege. So when the opposition suddenly objects to “socialized medicine” or fiscal irresponsibility, or when it cries that the “free market” is being violated, it has so little credibility that its intransigence is easily portrayed as petty partisanship. Who can truly say it isn’t? Politicians live to win elections.

This is sad because the rest of us get caught in the crossfire.

But let’s have no sympathy for the “good government” types who bemoan public cynicism. It is they who created unfulfillable expectations by touting the blessings of the omnipotent State. They have only themselves to blame. Yet they seem to have learned nothing. Rather, they plunge ahead, bringing to mind Bertolt Brecht’s line: “The people have lost the confidence of the government; the government has decided to dissolve the people, and to appoint another one.”

Broken or not, government at the moment is not inspiring confidence in the majority of people. That’s good news for those who look to government for neither inspiration nor solutions (to problems it itself has created). Thus there’s no more urgent task than to encourage the people in their political cynicism, emphasizing that what’s wrong with health care, finance, education, and energy won’t be fixed by electing the “right” person or party next time around but rather by removing the obstacles to bottom-up, decentralized solutions.

The year ends in a zero, which it means it’s time for the constitutionally authorized decennial census. As usual, government has something more in mind than simply counting heads, as Wendy McElroy makes perfectly clear.

No matter who rules, the national government gets bigger, more intrusive, more expensive, more disruptive—and more incompetent. Jim Powell has the grisly details.

The people in charge of “homeland security” are moving ahead with full-body-scan technology at the airports. Examiners will get the virtual strip shows, but will the machines make us safe? Becky Akers has the answer.

Haiti was devastated by an earthquake last winter. While the event itself was natural, the extent of the death and damage was the responsibility of human beings. T. Norman Van Cott discusses how deadly the lack of property rights can be.

Open any newspaper and you’re sure to find a story reporting on the state of the GDP. What is GDP really and does it tell us very much about anything? Warren Gibson goes behind the magic letters.

The premise of the leading approaches to health care “reform” is that everyone has a right to medical services. But everyone needs to realize, as Theodore Levy shows, that having a government-decreed right to something is not nearly the same as actually having access to the thing you supposedly have a right to.

There’s a tendency to think that control of land comes in two flavors: individual ownership of parcels and government ownership. However, Elinor Ostrom’s recent Nobel Prize-winning work reminds us that another form exists: common ownership without the State. Kevin Carson explores the theory and practice.

If government sets up perverse incentives for the banks by rewarding bad behavior, we can expect more bad behavior. The Obama administration has still not learned the lesson, so Bruce Yandle goes over it one more time.

Many years ago a slide rule had great value for those who needed it. Today the same slide rule has about zero value for such people (except perhaps as a collector’s item). What happened? Richard Fulmer relays an explanation from one who knows.

Laboring at their word processors, our columnists have produced this batch of goodies: Lawrence Reed says we’ll know when we’ve won. Thomas Szasz indicts psychiatry for helping people escape responsibility for their crimes. Stephen Davies sees spontaneous order in sports. John Stossel describes a case of crony capitalism. David Henderson finds freedom in an unfree world. And Joseph Stromberg, hearing a pundit claim that anti-populism made America great, retorts, “It Just Ain’t So!”

Our reviewers report on books covering FDR’s first hundred days, the relationship between freedom and development, a conservative manifesto, and globalization.

—Sheldon Richman
srichman@fee.org

How We'll Know When We've Won

BY LAWRENCE W. REED



“Are we winning?” That’s a query I hear almost every time I speak to an audience about liberty and the battle of ideas. Everyone wants to know if we should be upbeat or distraught about the course of events, as if the verdict should determine whether or not we continue the fight. Too many friends of liberty rely on the prevailing wind to tell them whether, when, and how to proceed—and even how to feel about it at any given moment.

Personally, I take a long-term, optimistic, even-tempered, and self-directed approach that doesn’t depend upon the rest of the world. Each of us ought to do all we can to advance the cause and then let the proverbial chips fall where they may, taking comfort in the fact that we did our best as individuals, regardless of the outcome. Moreover, I remain supremely confident that, as FEE’s Leonard Read put it, “truth will out” and liberty will indeed triumph *because it is right*. Pessimism is a self-fulfilling opiate anyway, so I never let it enter my mind.

But this begs an even more important question, one posed to me recently when I cited powerful intellectual trends as evidence that we are indeed winning. The question was, “How will we know when we’ve won?”

In the largest sense, “winning” means achieving a civil society in which people both preach and practice respect for life and property. It means we each mend our own ways and mind our own business. It means we rely upon voluntary association and individual compassion, not coercive arrangements and political redistribution. It means minimal government and maximum self-reliance. And when we get there, the battle of ideas will still not be over because people, being less than perfect, can always *unlearn* the truths they’ve learned.

In a narrower, more concrete sense, we’ll know we’ve won when very specific changes—in thought and policy—have come about. I’ve compiled a few here in a list that is by no means complete. Consider it nothing more than a beginning.

We’ll know we’ve won:

- When “liberalism” once again is synonymous with liberty.

In his *History of Economic Thought*, Joseph Schumpeter noted that liberalism initially described the view of those who believed that “the best way of promoting economic development and general welfare is to remove fetters from the private enterprise economy and to leave it alone.” In today’s American parlance, it means quite the opposite. Schumpeter regarded it as “a supreme, if unintended, compliment” that “the enemies of the system of private enterprise have thought it wise to appropriate its label.”

Liberalism is too good a term to allow it to be the booty of statist. Let’s retake it, and let those who fight to preserve the failed big government status quo be known as the real “conservatives.” When that happens, we’ll have won much more than just the semantic high ground.

- When “public service” is regarded as what one naturally does in the *private* sector.

Government employment, even when the employee is running roughshod over the rights and property of others, wears the prestigious mantle of selfless service to humanity, a cut above what motivates people who *don’t*

Liberalism is too good a term to allow it to be the booty of statist. Let’s retake it.

Lawrence Reed (lreed@fee.org) is the president of FEE. This article originally appeared in the October 1997 Freeman.

work for the government. But in many cases, a government worker's genuine *public* service actually begins when he secures an honest living in the *private* sector—producing goods and providing services that improve the lives of others who patronize him because they choose to, not because they're forced to.

Conquering diseases, inventing labor-saving devices, feeding and clothing millions, and countless other private, often profit-motivated activities are no less indicative of service to the public than just about anything the government does. The next time someone tells you he's running for office or seeking a government job, ask him if this means he is planning to leave public service.

- When an "entitlement" is a paycheck, not a welfare check.

My hat's off to whoever started the bad habit of calling government hand-outs "entitlements." The term cleverly solidifies and perpetuates the very programs it labels—programs that take something of value from those who earned it and bestow it on those who didn't earn it and may even value it less.

A paycheck for work performed is a genuine entitlement. A claim against that paycheck by those who would rather vote for a living than work for one is neither genuine nor something to which one is entitled in a free society. Let's correct the thought patterns that allow the current misuse of the term to undergird the modern welfare state.

- When citizens muster at least as much interest in a *spending* revolt as they often exhibit for a tax revolt.

Almost everyone favors lower taxes, at least for himself, but that doesn't necessarily mean everyone also favors less government spending. Sometimes, the same people who advocate lower taxes are in line for whatever they can slurp from the public trough.

It's not enough to ask your congressman not to take from you. You must also demand that he not *give* you anything either, at least nothing that isn't rightfully yours in the first place.

- When government stops distributing its coercive powers to special interests.

Government isn't the only outfit that employs legal and often unwarranted force against people. Others do it, too, if government first grants them the power.

The best example is today's labor unions. With special privileges given them by government, they force millions into their ranks or into financially supporting causes to which they may object. For instance, the U.S. Supreme Court affirmed in its 1988 *Beck* decision the right of each and every worker not to be assessed a penny by his union for political activities without his consent, but almost no one at any level of government seems interested in enforcing that ruling.

We should work for the day when a citizen's *Beck* rights are widely regarded to be as important as his *Miranda* rights.

- When self-improvement is understood to be the indispensable first step to reforming the world.

If every person set about to make himself a model citizen, he would have a full-time, lifetime job on his hands. Many succumb, however, to the temptation to meddle in the

affairs of others—and even the best of intentions often end up yielding conflict and harm.

The steady progress of mankind derives from the progress of *individual* men and women who, one at a time, decide to make the best of what God gives them. Be a model, not a burden, and watch how quickly you encourage others to be the same.

A pretty tall order, you say? Yes, it is, and there are plenty of other benchmarks I could have added to this list to make the order even taller. Few things that are worthwhile are attained or retained easily. Winning the battle for liberty is among the most animating contests I can imagine, in part because the benchmarks along the way are as right as is the ultimate objective.

FEE

Government employs legal and often unwarranted force against people. Others do, too, if government grants them the power.

Anti-Populists Made America Great? It Just Ain't So!

BY JOSEPH R. STROMBERG

N*ew York Times* neoconservative columnist David Brooks dislikes populism (“The Populist Addiction,” January 25; www.tinyurl.com/y9yahha). “Trust your betters and criticize not their deeds,” he says in effect. After all, when you become a billionaire, you’ll expect others to treat you thus. That any one of us might strike it rich stems, apparently, from the wonderfully open, competitive, and dynamic American *political* economy, when not hamstrung by socialists and pointy-headed intellectuals. Above all, Brooks warns us to avoid simplistic analyses and solutions offered by populists of left or right, who always “lose.” Listen up for your own good.

And, continues Brooks, it was those the earlier populists attacked who made us what we are. We owe America’s greatness to “anti-populists” like Hamilton and Lincoln, who “rejected [populism’s] zero-sum mentality” and fostered “one interlocking system of labor, trade and investment.” Hamilton promoted financial markets and Lincoln banks to “maximize opportunity for poor boys like themselves,” since strong financial institutions could “channel opportunity to new groups and new people. . . .” Their ideals were “development, mobility and work. . . .”

Here a sidelong glance at two comparable Moments of Progress Unleashed may be in order. Let us begin

with the Federalist Party’s role model, Great Britain. In *Whigs and Hunters*, the English historian E. P. Thompson calls eighteenth-century England a “banana republic,” and adds, “The Whigs, in the 1720s, were a curious junta of political speculators and speculative politicians, stock-jobbers, officers grown fat on Marlborough’s wars, time-serving dependants in the law and the Church, and great landed magnates.”

Everything was fundamentally for sale, even if for social reasons not everyone with money could buy certain of them. With the Hanoverian kings, Thompson wrote in “Eighteenth-century English Society,” came “a new set of courtier-brigands . . . [with] real killings . . . made in the distribution, cornering and sale of goods or raw materials . . . manipulation of credit, and in the seizure of the offices of State” (*Journal of Social History*, May 1978).

Now let us fast-forward to Mexico, 1880–1910. There, the once-Liberal dictator General Porfirio Díaz, advised by “scientific” Positivists, handed over natural resources wholesale to deserving entrepreneurs foreign and domestic in the name of economic development. If this meant overturning peasant and village land titles and water rights dating back to the Spanish viceroyalty, so be it. In the



GRAL. PORFIRIO DIAZ.
A. ESCOBAR C.
ARCHIVO 2006

Mexico’s Porfirio Díaz set off Emiliano Zapata’s revolution by seizing peasant property in the name of economic development.

Aurelio Escobar Castellanos Archive

Joseph Stromberg (strombergjr48@gmail.com) is an independent historian and writer living in northern Georgia.

southern state of Morelos, the defense of small-scale property and social relations called forth the famous peasant movement led by Emiliano Zapata. Some people find such outbursts regrettable, but there is no question of who started it. (John Womack, Jr., *Zapata and the Mexican Revolution*, 1968, chapters 2 and 3.)

These cases provide rough parallels to what Brooks is offering us: Here, too, were labor, capital, and money intertwined in a system, and (no doubt) growth, mobility, and employment, and even (quite possibly) opportunities for poor boys and sundry new groups. With all of this assisted—and indeed imposed—by the State, and with some folks actually getting “zero,” it is hard to render an unequivocal endorsement. Some of us are past believing that growth itself justifies much of anything. As John Taylor of Caroline asserted, Federalists wanted a complete English political economy in the United States. For good reasons, he did not welcome this prospect. The Whig and Republican parties inherited the Federalist outlook, which sheds much light on their ideas. In this light Brooks’s calls to reinvigorate the Republican mercantilism (“How to Reinvent the G.O.P.,” *New York Times Magazine*, August 29, 2004; www.tinyurl.com/ycjvarl) do not seem very benign.

Faced serially with the mercantilist policies of Federalists and Whigs, the Jeffersonian and Jacksonian movements provided opposition. They knew in detail what was at stake. Taylor and his successors like William Leggett and Condy Raguet were their organic intellectuals. They did not buy Hamilton’s or Henry Clay’s ideology of balanced development and national growth. Instead, these insurgent Americans saw national debt, national banking, tariffs, excises, and business subsidies largely at their expense—which, taken together, looked a lot like interests working hard to get vested. (In itself the Common Good is a defensible concept, but see William T. Cavanaugh, “Why the Nation-State Is Not the Keeper of the Common Good,” *Modern Theology*, April 2004.)

The roots of American populism lie in these two mass movements. To the extent that they acted in self-defense, they can be defended without embarrassment. But Brooks doesn’t even acknowledge their existence; it would spoil his claim that populists always lose. And perhaps he finds them unconstructive.

If we could believe certain theorems about income trickling up or down, we might pay more heed to neo-mercantilist arguments. But the theorems are not especially plausible. We are left with Brooks’s warnings about divisiveness and class conflict. Yet it appears to be a fairly consistent lesson of history that class struggle comes from the top. People at the top—the Federalists in 1787–1789, say—have cohesion, a shared vision of a State they control, and the means to network. They use these to dominate the system. Some-

Outright demagoguery will likely fail—for example, the Tea Parties now cynically hijacked by Republicans.

times by moving too quickly and pushing too hard, they create a unified opposition that did not previously exist. Now they invoke the sacred rights of property (theirs), fulfillment of contracts (held by them), order and deference (to them), and the duty to pay debts (to them), and they denounce their opponents as leveling, agrarian radicals. Quite suddenly they have emerged as honest friends of free

markets. Of course if mercantilist special pleading really makes the case for “free” markets, then everything is just fine in a country “built” by Hamilton, Lincoln, and those impeccably “sharp” Union war contractors Jay Cook, Cornelius Vanderbilt, Philip Armour, and J. P. Morgan, along with more recent imitators—and precisely *because* of that building. Skepticism seems warranted.

Brooks has a point, however: Outright demagoguery will likely fail—for example, the Tea Parties now cynically hijacked by Republicans. Those gatherings suggest how unintelligent populism can serve its ostensible enemies. An intelligent populism rooted in real American traditions might be another matter. Whether such a populism exists or can exist is an open question. **FBE**

The Census: Vehicle for Social Engineering

BY WENDY MCELROY

In his book *Seeing Like a State*, James Scott commented on the role played by census data in the rise of the modern State: “If we imagine a state that has no reliable means of enumerating and locating its population, gauging its wealth, and mapping its land, resources, and settlements, we are imagining a state whose interventions in that society are necessarily crude.” Enumeration not only facilitated “a more finely tuned system of taxation and conscription” but allowed the state to intervene effectively throughout society. Although it is often viewed as a benign or annoying process, the census can be used as a powerful tool of social control and social engineering.

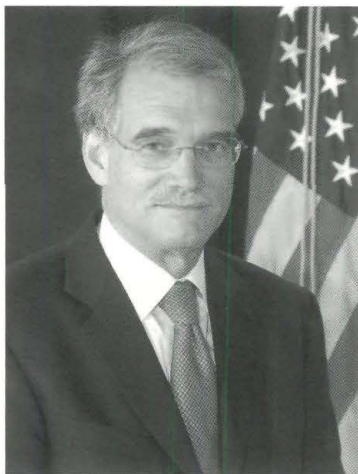
The U.S. government recognizes that power. It is currently engaged in an unprecedented push to count the people, citizen and noncitizen alike, living in the country. In preparation for the 2010 census, state employees even took GPS readings for every front door in America so that individuals can be located with computer accuracy.

On January 25 Census Bureau Director Robert Groves officially launched the 2010 Census when he arrived in the Alaskan fishing village of Noorvik, population 650. A symbolic dogsled run over the frozen tundra emphasized that no community was too remote or too small to escape the government’s head count. By mid-March 450 million census forms began arriving by mail in less exotic zip codes; census assistance centers were established to help people complete the ten-ques-

tion form. April 1, also known as April Fool’s Day, was officially recognized as “Census Day.” In late April another mailing either thanked people for responding or reminded them to do so. Then census workers knocked on the GPSed doors of nonrespondents; they were to do so repeatedly, if necessary.

In January the *San Jose Mercury* reported, “The U.S. Census Bureau has created a hiring boom. Expecting to hire up to 1.5 million Americans this year. . . . The federal government expects to spend \$14.7 billion to count every man, woman and child living in the country.” The jobs range from office clerks to supervisors and door-knockers.

Compliance is required by law; Section 221 of Title 13 of the U.S. Code, Chapter 7, Subchapter II spells out several types of illegal responses to the census:



He just has a few questions for you.
Answer them—or else.
census.gov

- Refusal or neglect to answer questions; false answers
- Giving suggestions or information with intent to cause inaccurate enumeration of population
- Refusal, by owners, proprietors, etc., to assist census employees
- Failure to answer questions affecting companies, businesses, religious bodies, and other organizations.

Wendy McElroy (wendy@wendymcelroy.com) is an author, the editor of *ifeminists.com*, and a research fellow for the Independent Institute in Oakland, California. This article first appeared at *TheFreemanOnline.org*.

Fines can range from \$100 to \$5,000. Nevertheless, the law is rarely enforced, and the Census Bureau relies heavily on public cooperation. To gain widespread voluntary compliance, authorities must overcome two major obstacles: apathy and a suspicion of how government will use the data. This article addresses the latter.

Opposition to the 2010 census has been less active than in 2000. (The Constitution mandates a census every ten years.) In 2000 approximately 16 percent of households received a “long form,” which contained more than 100 questions, many of which were highly personal. By some reports, in the first week after the 2000 mailing, the Census Bureau received over half a million calls, most of which complained about the length and intrusiveness of the questionnaire.

This year the long form has been eliminated. There are only ten questions. The comparative brevity does not reflect a new government respect for privacy, but merely a shift in strategy. The decennial census data are now supplemented by the American Community Survey (ACS), which is distributed yearly to select households.

Nevertheless, many people consider the 2010 form to be a violation of privacy. For example, one question asks, “Is this house, apartment or mobile home owned by you or someone in the house with a mortgage? Owned free and clear? Rented? Occupied without payment of rent?”

After that the form asks the sex, age, relationship, and race of each person living at the home and whether he or she is of Hispanic origin. For each person it must be specified whether he or she “sometimes live[s] or stay[s] somewhere else.”

Why the does the government need to know that? It also wants your phone number in case your answers are unclear.

Other than privacy, what other objections commonly arise?

One objection is constitutional. The Census Bureau draws on constitutional authority but the questions have little connection with the original intention, which was to apportion representatives and direct taxes. Critics ask why the government needs to know if they

rent or own. They claim the census is not an expression of the Constitution but the creation of a bloated government abusing a limited mandate.

Certainly the history of the census is one of “mission drift.” The first census (1790) consisted of six questions: the name of the head of the family and the number of people in the household broken down into free white males 16 or older, free white males under 16, free white females, and slaves.

How did the census evolve into a vehicle for social engineering?

Expanded Data Collection

Starting in the nineteenth century statisticians urged the federal government to expand the type of data collected. Since then the census has been used more and more to facilitate government goals that far exceed apportionment. For example, both sides of the Civil

War used the 1860 census to plan military strategy. When Union General William Tecumseh Sherman made his notorious “scorched earth” march through Georgia, he used census data to locate the farms he looted for provisions. During World War I the Justice Department used census

data to locate males within a certain age range who had not registered for the draft; during World War II the data were used to locate Japanese-Americans and target them for internment. More recently, the IRS has compared census data to privately purchased lists to detect tax evaders.

Local governments also scrutinize census data for their own purposes. In a *Wall Street Journal* column in 1989, “Honesty May Not Be Your Best Census Policy,” James Bovard explained that those responsible for building-code enforcement often used the data “to check compliance with zoning regulations” and to find violations such as “illegal two-family dwellings.”

The government responds to privacy concerns by assuring the public that the data are confidential. “Wrongful disclosure” by employees carries a fine of up to \$5,000 and/or a prison term of up to five years. Other federal laws reinforce confidentiality protections, including the Confidential Statistical Efficiency Act and

Certainly the history of the census is one of “mission drift.”

the Privacy Act. Confidentiality is “guaranteed” for 72 years.

Unfortunately, the government has a history of sharing specific data with enforcement agencies, especially during crises. Government assurances can have a short shelf life. The original Social Security cards explicitly stated that they were not for identification purposes. Yet today the number is virtually a national ID without which you cannot so much as open a bank account. The government is constructing a huge national database with the goal of including detailed racial, age, financial, medical, educational, and relationship information on every American. It is naive to assume that bureaucrats can resist the temptation of dipping into the rich information on census forms.

Dividing up the Booty

The government predominantly uses one argument to elicit compliance, which the Census Bureau website states clearly: “Each question helps to determine how more than \$400 billion will be allocated to communities across the country.” The money will be used to fund hospitals, job training centers, schools, senior centers, emergency services, and public-works projects.

In other words, tax money will be doled back out to communities based on how many residents return the form. An October *Newsweek* article, “Census Maps Out Strategy to Snare Elusive,” quoted a census official on the effect of promised entitlements and peer pressure on potential noncompliers: “What helps persuade the cynical to participate is stressing the count’s benefits for their children, such as planning for schools and hospitals.” And, if the “cynic” has no children or is willing to waive personal benefits to maintain privacy, he is

The census establishes a situation in which everyone is encouraged to police everyone else at the behest of the State.

reminded that noncompliance “steals” from his neighbors and their children. Thus exercising his right to privacy is said to deprive his community of benefits and the neighborhood kids of a good education. Compliance has been converted into a civic duty. But since the census determines how \$400 billion is to be divided among communities, doesn’t compliance constitute stealing from others, depriving them of benefits and their children of a good education?

Several years ago I discussed the Canadian census with a neighbor after she had signed up to be a census taker. Like many rural women, she is proudly independent and openly suspicious of authority, especially of government “suits” and bean counters. I asked what

she would do if a neighbor refused to answer her questions. “I’d report them to my boss,” she replied without hesitation. When I frowned in disapproval, she indignantly protested against people who refused to pull their weight in the community by answering “some simple questions.”

Note the political sleight of hand. My neighbor would never trespass on my property or steal vegetables from my garden. But she would turn me in

to the authorities for not answering questions. Instead of the “natural harmony of interests” that comes from all people minding their own business, the census establishes a situation in which everyone is encouraged to police everyone else at the behest of the State; indeed, many are paid to do so.

The census in a welfare state, then, creates a dynamic in which the exercise of one person’s rights ostensibly damages the interests of others. It thus has become a powerful symbol of social control over civil society.

FEE

Government: More Incompetent than Ever

BY JIM POWELL

Most intellectuals support big government, and millions of people depend on it. So why, with thousands of laws, millions of employees working to carry out those laws, and trillions of dollars spent, is it in trouble?

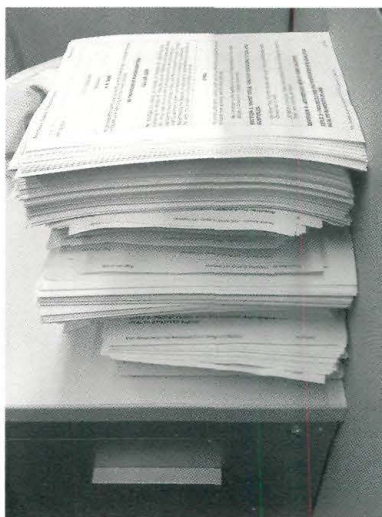
The most popular big-government programs—like Social Security, Medicare, and Medicaid—are going broke. These entitlements account for more than half of annual federal spending. In 2009, *spending on all federal entitlements exceeded all federal tax revenue*. As Cato Institute economist Richard W. Rahn explained, this means “virtually all of the other government spending programs, including defense and interest payments on the debt, will be funded by more borrowing.”

The escalation of spending for the entitlements is politically unstoppable because they’re defended by powerful interest groups that benefit from them. These and other federal programs—guarantees for home mortgages, commercial bank deposits, credit union deposits, veterans benefits, import/export deals, student loans, and private and government-employee pension benefits—involve financial commitments that currently exceed \$70 trillion. In addition, more than \$12 trillion in U.S. Treasury debt is outstanding, much of which is held by Chinese and other foreign investors. Incredibly, President Barack Obama’s administration risked a trade war with China by blocking Chinese imports, a political payoff for labor unions that had supported Obama during the 2008

presidential campaign, even though such action could complicate U.S. efforts to continue selling its debt.

For years, the government has spent more money than it has had. It’s constantly going deeper into debt.

In spending all this money, members of Congress commonly don’t read the bills they vote on. They keep passing more laws even though they have limited understanding of the effects of previous laws. Many laws are so complicated—over a thousand pages—that government officials themselves are among the most notorious violators. Government is bigger than anything else in our society and far more complicated than the derivatives and other toxic bank assets nobody knew how to value after the financial meltdown of 2008. Managing the federal government well is beyond the capability of any human being. It’s beyond the capability of the 535 members of Congress. It’s too big to succeed.



They voted on it, they’ll take credit for it, they have no idea what’s in it.

Listener 42 (flickr.com)

You Need a Form for That Form

One thing the federal government does as it gets bigger is require people to fill out more bureaucratic forms. In 1978 Congress passed the Government Paperwork Elimination Act, when it was estimated that people spent almost a billion hours a year filling out federal forms. Not surprisingly, a new federal bureau-

Jim Powell (powellj@optonline.net), a senior fellow at the Cato Institute, is the author of The Triumph of Liberty, FDR’s Folly, Wilson’s War, Bully Boy, Greatest Emancipations, and other books.

cracy—the General Services Administration’s Forms Policy and Management Team—was established just to deal with federal forms. Creating, changing, or eliminating a form requires that somebody fill out a two-page SF152 form with 27 questions. For those who might have difficulty filling out the form, the government produced a 23-page booklet explaining how. Unfortunately, things don’t seem to have been going well with the Forms Policy and Management Team. Now it’s estimated that people spend about *ten billion hours a year* filling out some 8,000 different federal forms. Both political parties are responsible for the colossal waste of time that could have been used to create more growth and jobs. Republicans reportedly have excelled at multiplying the number of defense-related forms. Democrats have excelled at forms related to social spending. Obama’s so-called stimulus bill authorized bureaucrats to churn out still more forms in an effort to determine where all the money went.

Taxing Forms

Perhaps the most aggravating forms have to do with taxes. The tax code has become hideously complex, a consequence of trying to extract trillions of dollars for social and military spending and trying to do good through *thousands* of different tax breaks. Lindy L. Paull, who served as chief of staff for the Joint Committee on Taxation, told the Senate Finance Committee: “The Internal Revenue Code consists of nearly 1.4 million words and includes 693 separate sections that impact individual taxpayers. The Treasury Department has issued some 20,000 pages of regulations containing over 8 million words. Individual taxpayers who file an annual Form 1040 must deal with its 79 lines, 144 pages of instructions and 11 schedules totaling 443 lines plus instructions to go with them. There are 19 separate worksheets imbedded in the Form 1040 instructions, and the possibility of filing numerous other forms, depending on the circumstances.”

The U.S. Treasury has estimated that individuals, employers, and nonprofits spend more than *six billion*

hours a year dealing with their taxes. This is the equivalent of full-time work by 2.8 million people—more people than are employed in the auto-manufacturing, petroleum-refining, electric-power generation, computer-hardware, computer-software, pharmaceutical, medical-devices, steel, and chemical industries *combined*. In addition to the cost of this time is the money spent for tax-planning and tax-accounting services, not counting the taxes themselves. All this is a stupendous waste of resources that would be better spent adding value to the economy.

Bloated Mass of Contradictions

Big government is a bloated mass of contradictions that often have unexpected, harmful consequences. Politicians scold citizens for consuming too much sugar, but the government provides subsidies for producing high-fructose corn syrup that’s widely used in sodas, cookies, and other sweets. Government subsidizes farmers for growing crops and no crops at all. Government subsidizes homeownership and restricts the number of homes that can be built. Officials criticize business executives who take on too much debt, but government encourages debt by providing tax deductions for interest (but not for equity capital), and of course

Both parties are responsible for the colossal waste of time that could have been used to create more growth and jobs.

the government itself is deeper in debt than anybody else. Officials complain that companies invest so much money overseas, but the government imposes a 35 percent tax on earnings brought back to the United States. Officials bemoan our dependence on foreign oil, while restricting U.S. oil drilling. Businesses can be prosecuted for “predatory price cutting” if they charge too little, “price gouging” if they charge too much, and “price fixing” if they charge the same as their competitors. By providing billions of dollars of federal aid for attending college, the government subsidizes demand, which has had the effect of making college more expensive and more difficult to pay for than it otherwise would be. Officials promote the virtues of small, high-mileage cars, and they enforce laws that make it almost impossible to produce such cars profitably in the

United States. There are laws that make it more difficult for employers to hire people and laws that provide income for the unemployed. Officials encourage more couples to get married, but there are higher taxes on married people than on single people, providing incentives not to get married. Officials say they want more doctors while enforcing laws that limit the number of students who can enter medical schools. Government probably does more than anyone else to cause health care inflation by channeling about a trillion dollars a year into that sector, enabling people to bid up prices—and then the government tries to limit health care price increases with rationing, such as excluding more treatments from Medicare.

Mismanaging the Economy

Politicians expanded the power of the federal government to watch over the economy, but this has backfired badly. President Woodrow Wilson and Congress established the Federal Reserve System to prevent economic catastrophes. After inflating, misguided Fed officials tried to limit what they viewed as excesses of the Roaring Twenties stock market boom, but they overplayed their hand and triggered the 1929 crash. Not realizing what they had done, they presided over a severe monetary contraction, a major cause of the Great Depression. President Franklin D. Roosevelt signed the 1935 Banking Act to centralize power at the Fed, and officials there soon stumbled again, doing much to bring on the depression within a depression of 1938. In 2002 Ben S. Bernanke, a governor of the Federal Reserve Board before becoming chairman, acknowledged the Fed's role in the Great Depression: "We did it. We're very sorry. We won't do it again."

Unfortunately, in the early years of this decade, Fed officials stumbled yet again. They promoted an easy money policy that had the effect of subsidizing borrowing. The apparent intention was to make sure the economy fully recovered from the dot-com crash of 2000, but in the process they encouraged individuals

and businesses to load up on debt, contributing to the bubble that burst in 2008.

Nobody has a crystal ball, certainly not Fed officials. They're always trying to make sense of conflicting and incomplete data. Naturally they focus on avoiding the mistakes made the last time around. They can't be sure what the effects of their policies will be in the future because it takes many months for them to play out through a large and complex economy. By the time Fed officials realize they have accelerated monetary expansion for too long, they're tempted to hit the brakes too hard, jolting the economy with a more severe recession. Fed officials are human and bound to make errors. Their vast power means that when errors occur they will harm not just a city or state or region. They will

Fed officials are human and bound to make errors. Their vast power means that when errors occur they will harm the entire country and beyond.

harm the entire country and beyond. Disastrous errors are an unavoidable risk of big government, which turns out to be a principal source of instability in our economy.

Government: Bad Business

We have been told that only government has enough resources to make our economy work, but it's too big to succeed. There's long experience with government-run businesses that don't work. They cannot control costs. When

President Richard Nixon launched the government-run Amtrak passenger railroad system in 1970, he promised it would be profitable. Since then, however, it has hit taxpayers with 40 consecutive years (and counting) of losses amid soaring costs. Perhaps the most notorious government-run enterprise is the U.S. Postal Service, with its bloated workforce of some 800,000 unionized employees, declining mail volume, slower service, rising postal rates, annual losses in the billions, and some \$15 billion of debt.

Defense Department weapons development programs often run more than 70 percent over budget. The Government Accountability Office reported that the Defense Department "is not receiving expected returns on its investment in weapon systems. Our analysis does not show any improvements in acquisition outcomes as

programs continue to experience increased costs and delays.”

New York City’s government-run betting parlors gross nearly \$1 billion a year but lose money and are more than \$40 million in debt. Former Mayor Rudolph Giuliani called it “the world’s only bookie that loses money.” Burdened by costly contracts with the United Food and Commercial Workers Union, the Washington State Liquor Control Board has struggled to avoid losses by enforcing a state-run liquor store monopoly that extorts above-market prices for booze—“price-gouging,” as the practice is known. The Pennsylvania Liquor Control Board, which also enforces a state monopoly, has found it necessary to pay a consulting firm \$173,000 to give its sullen employees smiling lessons.

Letting the Poachers Run the Zoo

One has to wonder about Obama as he struggles for more power over the economy, since the government has had trouble running a zoo. Donald K. Nichols, a pathologist at the National Zoological Park in Washington, reported that “because of incompetence in management and veterinary medicine, the operations of the National Zoo have been in such a state of disarray that it has led to poor animal care, animal suffering, and even animal deaths.”

Again and again hopes for big government turn out to be illusions. Reuters reported, “Within weeks of taking office, Obama rode to the rescue of homeowners resigned to financial ruin. Eight months later, the plan is plagued by delays and red tape. Just 17 percent of eligible borrowers have had their loans modified and monthly payments cut.” Obama promoted the Cash for Clunkers program that promised to repay auto dealers who gave consumers \$4,500 for their trade-ins, but the federal government proved to be a notoriously slow payer, making it harder for cash-squeezed dealers to survive. Car sales dropped after the program ended. And of course Obama promoted government-run health insurance for all, even though government-run

medical facilities have been rocked by scandals. Veterans have had to wait as long as 200 days for an appointment with a Veterans Administration doctor. The *Cleveland Plain Dealer* reported that mortality for heart surgery patients was significantly higher at VA hospitals than at private hospitals. In 2009 the VA notified more than 11,000 veterans in Florida, Georgia, and Tennessee that they might have been exposed to HIV or hepatitis because of unsterilized equipment used for colonoscopies. Apparently VA employees sterilized equipment once a day rather than after each procedure! The result, of course, has been a flurry of lawsuits from veterans who claim they were infected by dirty equipment. In another scandal the VA agreed to a \$20 million settlement because its sloppy security procedures jeopardized the confidentiality of medical records for more than 26 million veterans.

The more money government spends, the more it wastes. Politicians spend other people’s money, and it’s no secret that no one is as careful with other people’s money as he is with his own. Medicaid was started in 1965 to provide medical care for poor people, and spending skyrocketed. It reached \$1 billion within a year, \$6 billion in five years, and exceeds \$300 billion annually now, but often the money doesn’t seem to buy very much. New York State has the most costly Medicaid program, yet a quarter of the most needy patients with chronic illnesses must wait a year to see a doctor, and two-thirds of these people end up in an emergency room. Overall, tens of billions of dollars of Medicaid funds are believed to be lost each year because of fraud that government employees seem unable or unwilling to stop. Some Medicaid doctors submit bills suggesting that they work as much as 24 hours a day. Medicaid has paid the cost of prescribing drugs for dead people. When fraud is discovered, government employees can’t be counted on to recover much. An Ohio Medicaid enforcement agency accepted \$409 to settle a \$500,000 overbilling case that involved an ambulance service. The same agency accepted a \$155,000 settlement from speech

Politicians spend other people’s money, and it’s no secret that no one is as careful with other people’s money as he is with his own.

therapy centers that had improperly billed Medicaid for \$3.4 million. A Florida Medicaid enforcement agency didn't know what happened to \$133,000 in fines it claimed to have collected from various violators.

In an effort to enhance their prospects for reelection, members of Congress spend other people's money on all kinds of crazy things that might appeal to key constituents. For instance: \$1.7 million for research to find out why pigs smell; \$800,000 for oyster rehabilitation in Mobile, Alabama; \$7 million for Hawaiian sea turtles; \$400,000 for the American Treasures Program, to save the Iowa home of cosmetics pioneer Carl Weeks; \$238,000 for the Polynesian Voyaging Society; \$1.9 million for the Pleasure Beach water taxi service; \$4.8 million for various research projects about wood, including one on "the technology for laminated veneer lumber"; \$1.35 million for the Obesity in the Military Research Program; \$500,000 for the Sparta Teapot Museum; \$1 million for the Water-free Urinal Conservation Initiative; and \$13.5 million for the International Fund for Ireland, which financed the World Toilet Summit. There are about 10,000 such wasteful projects in each federal budget. None of them serve the general interest.

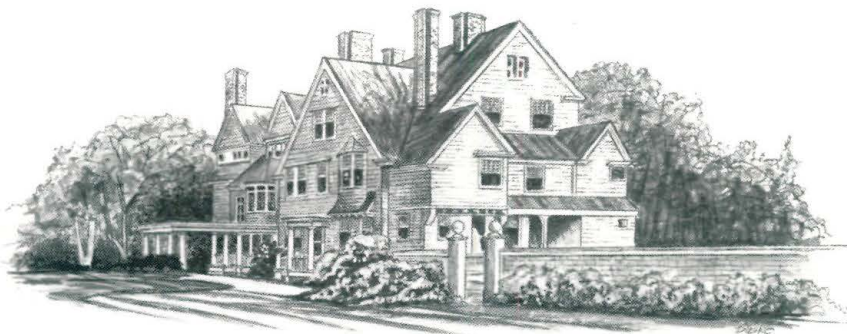
Political power tends to corrupt. As long as trillions of dollars flow through the federal government every

As long as trillions of dollars flow through the federal government every year, corruption will flow like the mighty Amazon.

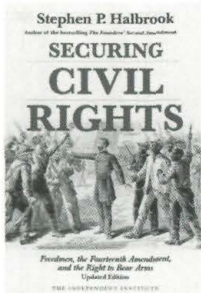
year, corruption will flow like the mighty Amazon. There are some 35,000 registered lobbyists in Washington, and the *Washington Post* reports that "half the former members of Congress are lobbyists." Entertainment industry lobbyist Hilary Rosen spoke candidly about influence peddling: "When I gave \$1,000 or \$2,000 to a lawmaker, I wanted him to listen to my business proposition. And when I helped organize an event that raised \$50,000 or \$100,000, you bet I expected their vote. Why else do it? Members of Congress are *consumed* with raising money for their re-elections (or if they have a safe seat, they raise money to give to colleagues to increase their internal power). Anyone, including lobbyists, who lessens that anxiety, is considered a better friend than those who don't. No lobbying reforms will change that fact."

Duke Cunningham, a Republican congressman from California and a member of the Defense Appropriations Subcommittee, was among those who cashed in until he was caught. He accepted \$2.3 million in bribes to help win more than \$230 million of defense contracts for his pals.

Someday, perhaps sooner than we think, people will contemplate the wreckage of big government and wonder what ever gave anybody the idea that it could possibly be our salvation. **FEE**



Books for People Who Think



Securing Civil Rights

One of the most dangerous doctrines to infiltrate libertarian thinking has been the idea that the Bill of Rights doesn't apply to the States. Conservatives, fearful that too much "social freedom" will lead to disaster, have claimed that the states are immune from things like the First

Amendment. In the name of "state's rights" they have argued that there is separation of church and state is a fiction—at least at that level of government. Ditto for rights like freedom of speech. Surprisingly they often do a complete about-face when it comes to the Second Amendment. But legal scholar Stephen Halbrook debunks this theory.

He looks at what it means to take civil rights seriously—especially the "right to bear arms"—in the years following the abolition of slavery. By quoting legislative debates, Congressional hearings on Ku Klux Klan violence, and newspapers and law books of the time, constitutional scholar Stephen Halbrook shows that both supporters and opponents of the Fourteenth Amendment (1868) believed that it protected ALL Bill of Rights guarantees—especially the Second Amendment—from infringement by the states.

Paperback, 156 pages, list price \$22.95; Laissez Faire price, \$17.95.



Free with every order!

The House that Uncle Sam Built
by Steve Horwitz & Peter Boettke.

Also a free copy of *Laissez Faire* magazine.

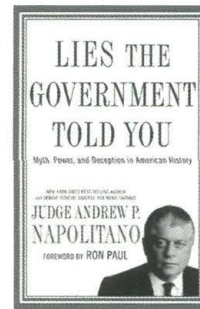
Lies the Government Told You Judge Andrew Napolitano

What new crisis will the federal government manufacture in order to acquire more power over individuals? What new lies will it tell?

Throughout our history, the federal government has lied to send our children off to war, lied to take our money, lied to steal our property, lied to gain our trust, and lied to enhance its power over us. Not only does the government lie to us, we lie to ourselves. We won't admit that each time we let the government get away with misleading us, we are allowing it to increase in size and power and decrease our personal liberty.

In acquiescing to the government's continuous fraudulent behavior, we bear partial responsibility for the erosion of our individual liberties and the ever-expanding federal regulation of private behavior. This book attacks the culture in government that facilitates lying, and it challenges readers to recognize that culture, to confront it, and to be rid of it.

Among the lies exposed: "Judges Are Like Umpires;" "Congress Shall Make No Law... Abridging Freedom of Speech;" "We Are Winning the War on Drugs;" "America Has a Free Market" and "I'm From the Government and I'm Here to Help." Hardback, 256 pages, list price \$24.95. Our price, \$14.95.



Laissez Faire Books

Telephone Orders:

866-686-7210 (toll-free)

Daily: 9am to 9pm (Mountain Time)

On-line Orders:

www.lfb.org

Mail Orders:

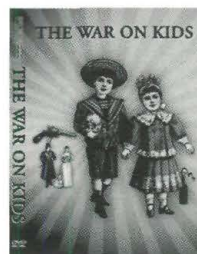
Send checks to:

Laissez Faire Books

835 W. Warner Rd. #101-617F

Gilbert, AZ 85233-0904

Add \$3.50 for first item for U.S. shipping and \$1 for each additional item.



The War on Kids

The *New York Times* calls this documentary "a shocking chronicle of institutional dysfunction, *The War on Kids* likens our public school system to prison and its disciplinary methods to fascism. At least now you know why little Johnny won't get out of bed in the morning.

Arranged in sections that range from merely interesting to downright horrifying, this provocative documentary suggests a system regulated by fear and motivated by the desire to control. Tracing the evolution and application of zero-tolerance policies on drugs and violence, the director, Cevin Soling, amasses overwhelming evidence of institutional overreaction. When an 8-year-old can be suspended for pointing a chicken finger and saying "Pow," we know that common sense has officially left the building. DVD, 95 minutes. \$19.95.

The Shame of Medicine: Acquittal by Psychiatry

BY THOMAS SZASZ



When a pathologist gives expert testimony in a murder case, he may be able to say why the victim died. The pathologist-physician would not be expected to express an opinion about the defendant's guilt or innocence; were he to express an opinion about it, it would not be attributed to his medical expertise.

When a psychiatrist gives expert testimony in a murder case, neither the identity of the killer nor the cause of the victim's death is in doubt. What is in doubt is the killer's "criminal responsibility" for the crime: Did he or did he not possess "mens rea" (guilty mind) at the time of his offense?

Pro forma, the psychiatrist testifies about whether the killer was or was not insane at the time of the killing. De facto, because of the function of the term "insanity," especially in the context of a murder trial, the psychiatrist-physician testifies about the defendant's guilt or innocence. Moreover, his "expert opinion" is attributed to his medical expertise.

Law, psychiatry, and the public treat the term "insanity" ("mental illness") as if it were a property inherent in, or attributable to, a person, a moral agent; that is, as if it were a phenomenon or fact, like having brown eyes or a broken arm. However, the insanity defense—like any courtroom defense against an accusation—is a tactic, not a fact. Debating the "validity" of insanity defenses is shadowboxing: The "experts" argue about dispositional tactics as if they were empirically verified or verifiable medical observations or facts; they disagree about how the criminal justice system ought to deal with the defendant, not about what the defendant did to his victim.

Murder trials are stages for the enactment and resolution of real-life tragedies. They are not settings devoted to truth-seeking. The script defines what the actors must say, and the play must end in acquittal, conviction, or a psychiatric verdict of "not guilty by reason of insanity"/"diminished capacity."

In July 2008 a Welsh couple—Brian Thomas, 59 and his wife, Christine, 57—were vacationing in their camper. One night Brian strangled Christine, then called the police and told them he did it while he was sound asleep "dreaming" he was defending himself

from an intruder. At Thomas's criminal trial in November 2009 the court was told that "the couple had been asleep in their camper van in a car park when they were disturbed by youths in cars performing wheel spins and so moved elsewhere. However, Thomas then had a nightmare that one of the youths had broken into the van and later woke to find himself next to his wife's body, at which point he called the police." Court, prosecution, and defense agreed that Thomas suffered from "a sleep disorder and so had no control over his body when he attacked his wife of 40 years while they were both asleep."

Thomas, we learned from press accounts, "regularly took anti-depressant drugs which made him impotent," and the couple slept in separate bedrooms at home. He had stopped his medication before the holiday, allegedly to be able to have intercourse with his wife. Medical experts testified that "the sudden withdrawal of the drugs could have led to him having very vivid dreams."

Thomas Szasz (tszasz@aol.com) is professor of psychiatry emeritus at SUNY Upstate Medical University in Syracuse. His latest book is Antipsychiatry: Quackery Squared.

Law, psychiatry, and the public treat the term "insanity" ("mental illness") as if it were a property inherent in, or attributable to, a person, a moral agent.

The defense claimed that Thomas was suffering from the “non-insane” form of automatism and asked for an acquittal. The consequences of finding Thomas “not guilty by reason of insanity,” explained Chief Crown Prosecutor Iwan Jenkins, “would have meant Mr. Thomas’s detention in a psychiatric hospital, but it is now clear that the psychiatrists feel that that would serve no useful purpose. . . . It is only because of highly sophisticated tests carried out by sleep experts that Mr. Thomas’s condition could be confirmed.”

According to reports, the jury was “directed to return a not-guilty verdict, allowing Mr. Thomas to leave court an innocent man.” The judge reassured Thomas “that in the eyes of the law he bore no responsibility for what he had done” and added that “he was a decent man and devoted husband.” If any words of praise were offered about Mrs. Thomas, they were not reported.

After the trial one defense expert—Dr. Chris Idzikowski, director of the Edinburgh Sleep Centre—was reported to have been “still unsure which form of sleep disorder caused Thomas to kill his wife, but he supports the court’s decision. . . . ‘I’m sure there are people who have the disorder, commit a crime, and try to lean back on it to get away with it. . . . I’m convinced he was not guilty. That said, you never know. Maybe he’s a genius who’s tricked me and everybody else and is now going to claim lots of insurance money for his wife’s death.’”

Prosecutor Jenkins alleged that “the circumstances of this case are almost unique in the UK.” Well, not quite. Under the heading “Homicidal Somnambulism,” Wikipedia lists 68 similar cases, many from Britain (www.tinyurl.com/l6eou).

Sleep Driving

Kenneth Parks, a 23-year-old married man, lost money gambling, stole from his in-laws and employer, and was fired from his job. On Sunday, May 24, 1987, he planned to confess his misdeeds to his in-laws. But while he slept, he got up early, drove

more than 14 miles to his in-laws’ home, broke in, assaulted his father-in-law, and stabbed his mother-in-law to death. He then drove himself to the police station, saying, “I think I have killed some people.”

“Sleep driving,” anyone?

A. F. kept loaded firearms in his room. His father slept in the adjoining room. Hearing a bump against the connecting door early one morning, A. F., allegedly still asleep, hollered. “You dog, what do you want here?” and fired the gun near to his hand, killing his father.

Willis Boshears, an American army sergeant stationed in England, was drinking in a pub, returned to his apartment with a young couple, and went to sleep on the floor. When he woke up, he found he had killed the woman. He then hid her body miles away.

All these “sleepwalkers” were acquitted.

Sleep involves a general relaxation of the voluntary neuromuscular system, including the part of it necessary for keeping a person standing upright.

Let us put ourselves in the position of a person charged with the duty of determining a defendant’s responsibility for killing while allegedly asleep. What information would help us arrive at a correct determination? Mainly, we would want to know as much as possible about the defendant’s relationship to his victim. The accounts of the Thomas case tell us very little about this. Instead, they dwell on the defendant’s alleged “sleep disorder,” his abnormal EEG, his being on and off “antidepressant” drugs, and his

impaired sexual potency. None of this information helps a jury determine whether Thomas should be held responsible for killing his wife.

I am not an expert on sleep. What I do know is that sleep involves a general relaxation of the voluntary neuromuscular system, including that part of it necessary for keeping a person standing upright. Horses can sleep standing because their legs can lock, but human beings cannot do so. And horses too need to lie down to sleep deeply. The idea that a person may be able to rape and murder while asleep and not be responsible for his behavior is a product of the modern technology-based misunderstanding of the brain, the mind, sleep, and responsibility. **FEE**

Whole-Body Imaging: Intrusion Without Security

BY BECKY AKERS

Every time the Transportation Security Administration (TSA) fails to protect aviation, as it did when it allowed Umar Farouk Abdulmutallab to board a plane last Christmas Day, it punishes passengers with further restrictions and humiliations. Now the agency wants to virtually strip-search us with whole-body imagers. These gizmos peer through clothing to the skin beneath so that we appear naked on the monitor.

Even passengers who most fear terrorism might object that exposing ourselves and our children to government agents is too high a price for safe skies. But whole-body imaging, like all technology, ultimately relies on human operators—such as the ones who missed the many obvious signs that Abdulmutallab wasn't planning a fun-filled vacation in Detroit.

The TSA already subjects your carry-on bags to X-ray scanning that penetrates the "skin" to show what's beneath. Yet screeners routinely fail to discern the guns, knives, and other contraband their monitors show. Sometimes undercover federal investigators are smuggling those weapons to test screeners; other times, passengers who've forgotten the pistol or ammunition in their knapsack turn themselves in when they reach their gate. Expecting screeners who overlook the hunting knife beside a paperback novel to find the explo-

sives taped near a woman's . . . well, let's just say the distractions of whole-body imaging are considerably greater than anything in the average carry-on.

And those distractions will be the stars of the show since scanners are "unlikely" to highlight the plastic and liquid explosives terrorists prefer. That's according to a British MP and "ex Army officer" who once worked for a manufacturer of whole-body imagers. Ben Wallace told BBC Radio 4 that "the scanners would probably not have detected the failed Detroit plane plot of

Christmas Day[,] . . . the 2006 airliner liquid bomb plot and . . . the 2005 bombings of three Tube trains and a bus in London." He continued: "[T]here is a big but, and the but was in all the testing that we undertook[. It] was unlikely that [this technology] would have picked up the current explosive devices being used by al-Qaeda. . . . This

is not necessarily the big silver bullet that is somehow being portrayed."

The TSA has been aiming that bullet at us since 2002. (Abdulmutallab simply provided the latest excuse for denuding passengers.) To that end, it has long insisted that it protects our privacy even as it virtually strips us naked. But its spurious fig leaves also work against the success of its peep show.

Becky Akers (libertatem@aim.com) is a freelance writer in New York City. This article originally appeared at TheFreemanOnline.org.



For starters, the agency asserts that the “facial features [of the] three-dimensional image” are “blurred for privacy.” It’s sung a similar song since at least 2006, when *USA Today* claimed “the machines will show only blurred outlines of travelers but will enable screeners to see weapons.” Supposedly, “‘edge detection’ technology looks for changes in density or molecular structure on the person and draws outlines around those areas [while] eras[ing] anatomical details.” So “a metal object, far more dense than human tissue, is highlighted by a heavy black line. But body contours, if they register at all, appear as faint gray lines because ‘they don’t have edges,’ said Daniel Strom, a scientist at Pacific Northwest National Laboratory. ‘It only shows anomalies, like metal and ceramics.’”

Alas, those “modifications could create problems in detecting some plastic explosives that have a density similar to human tissue, said Andrew Karam, a physicist and fellow at the Center for Advanced Defense Studies, a national-security think tank. ‘I can smooth [plastic explosives] out like spackle so there really is not a sharp edge. That’s something I think is going to be really hard to find,’ Karam said. [Whole-body imaging] ‘will find obvious stuff,’ Karam added. ‘I don’t know if it will find anything else.’”

Ogling naked passengers is as unnecessary as it is ineffective.

Sharper Images Coming

Nonetheless, we can expect sharp pictures to replace blurred ones. Richard Mastronardi, a vice president at American Science and Engineering (AS&E) in Billerica, Massachusetts, another manufacturer of this equipment, explained, according to a press report, that “the modifications made for the TSA ‘trade off detection for a level of privacy’. . . . When the machine is programmed to maximize privacy protection, ‘you start to lose the ability to see’ plastic explosives.” Regardless of how thoroughly the TSA searches us, prohibited items will still surface aboard planes thanks to human error and corruption. Look for the agency to cover its rear by uncovering ours: It will blame “privacy protection” and push for full clarity.

The TSA has long denied that its gadgets retain the pictures they snap of us. Amy Kudwa is one of the TSA’s many spokespeople insisting that the machines “have zero storage capability, so the images cannot be stored, transmitted or printed.” She told *technews-world.com* in 2007 that “once the image is determined to be clear of any threat, it is deleted from the screen forever.” But Marc Rotenberg, executive director of the Electronic Privacy Information Center (EPIC), set the record straight: “TSA saying these machines cannot store images is a little like saying a camera can produce pictures without storing an image. . . . We know from the [website of] one of the vendors that these machines can indeed store images.”

We also know they store images from the specs EPIC’s Freedom of Information Act lawsuit pried from the TSA last January. “In the documents,” CNN reported, “The TSA specifies that the body scanners it purchases must have the ability to store and send images

when in ‘test mode.’” CNN noted that these “written requirements . . . appear to contradict numerous assurances the TSA has given the public about the machines’ privacy protections.”

How long before images of famous passengers, or buxom, expectant, or terribly obese ones, find their way to the Internet, blackmail schemes, or court, as cops try to prove their case against a high-flying drug dealer? Celebrities who cheerfully doff all or some of their clothing for Hollywood’s megabucks may object to doing it gratis at the TSA’s command. The resulting lawsuits may very well sideline these contraptions—but only after the TSA has wasted billions of our taxes on them.

Then there’s the agency’s assurance that “The officer who views the image is remotely located in a secure resolution room and never sees the passenger.” But journalist Charles Leocha of *Consumer Traveler* “had an opportunity to step into the small video viewing room manned by a single TSA officer” at Reagan National Airport. He estimates the space as measuring “5-feet by 5-feet, a big telephone booth really . . . one wall [was lined] with a table with a monitor, keyboard and communications equipment and a government-issue desk

Look for the TSA to
cover its rear by
uncovering ours.

chair. The monitor being used had about a 17-inch screen. . . .” He concludes that fatigue will be an overwhelming occupational hazard: “For me a half-hour shift in this cell would be 30 minutes alone in hell.”

Still, the TSA should have no shortage of eager applicants. Being paid to view naked men, women, and children certainly reverses the usual arrangement and will no doubt appeal to a great many folks—the sort Leviathan otherwise locks up. Indeed, one of the TSA’s employees at Orlando International was “arrested in connection with the molestation of a girl, Orange County sheriff’s deputies said. The man told investigators he planned to make her his ‘sex slave,’ according to a [sic] arrest report uncovered by *Florida Today* news partner Local 6” earlier this year. Naturally, “TSA takes the allegations very seriously,” TSA spokeswoman Sari Koshetz wrote. “We will take all appropriate action to address this situation.” The agency has since gone mum on the matter.

Meanwhile, Britain’s *Guardian* reported that “Ministers now face having to exempt under 18s from the scans or face the delays of introducing new legislation to ensure airport security staff do not commit offences under child pornography laws.” How long until American parents demand similar exemptions? And when they do, will that rescue the rest of us from our compulsive striptease since terrorists would then naturally recruit kids? Or will the TSA continue to humiliate us out of bureaucratic inertia and power lust?

There’s a far simpler, constitutional, and less offensive way to protect aviation than photographing two million passengers in their birthday suits each day: Free the airlines from the federal government’s stranglehold on security. Let each company determine what works

best for its routes, customers, and specific risks. Does anyone seriously believe that politicians and bureaucrats know more about securing planes than pilots and executives who’ve spent their lives in the industry? Even baggage handlers could give Congress a lesson in preventing terrorists from hiding bombs in checked luggage—yet the Feds dictate to them instead.

Indeed, federal regulations enabled the 9/11 attackers to kill thousands in the first place. Screeners working that tragic day were “private,” it’s true, but only in the sense that private companies hired them and issued their paychecks. Everything those screeners did, from wandling passengers to confiscating knives while permitting box cutters, came from the Federal Aviation

Administration’s (FAA) playbook. Had each airline set its own policies, had it relied on serious security rather than the charade that satisfies political pretenses, 3,000 people might be alive today.

Returning responsibility for protecting its customers and inventory to the airlines also keeps everyone happy. Passengers who will rest easy only when we all fly naked can patronize

See Everything Airways, with its motto *No Place to Hide . . . Anything*. Those who prize dignity and convenience over safety may prefer Tough Guy Air, where pilots not only arm themselves but also welcome passengers to pack heat as well. Since profits nosedive after any attempted skyjacking, let alone terrorism, airlines have all the incentive we could ask to institute practical, effective security.

The government failed to prevent 9/11, failed to thwart shoe-bomber Richard Reid, and failed to intercept Umar Farouk Abdulmutallab even after his own father reported him. Isn’t it time we entrusted our safety to professionals rather than politicians? **FEE**

Let each company determine what works best for its routes, customers, and specific risks.

Sowing and Reaping Devastation in Haiti

BY T. NORMAN VAN COTT

Pictures and accounts of Haiti's earthquake devastation remind me of a November 1987 *National Geographic* photograph of Haiti's border with the Dominican Republic—the two nations “share” the Caribbean island Hispaniola. The photo showed a heavily forested Dominican Republic and a barren Haiti. The caption noted that Haiti was once heavily forested.

I bet some of you are thinking, “Oh no, here comes an ivory tower academic telling us that cutting trees down causes earthquakes. He's probably a tenured geology professor who couldn't make it in the real world.” Rest easy, I'm not offering earthquake theories, and while I'm tenured, I'm a professor of economics not geology.

My point is that Haitian land stripped of its trees and Haitian land covered with earthquake debris trace to a common cause. That cause is the dysfunctional state of Haitian private property rights. “Dysfunctional” is charitable—a property-rights vacuum is more apt. The vacuum promotes economic myopia among Haitians. Future benefits—from preserving trees to constructing longer-lived buildings—figure less importantly in economic calculations when the benefits' recipients are uncertain.

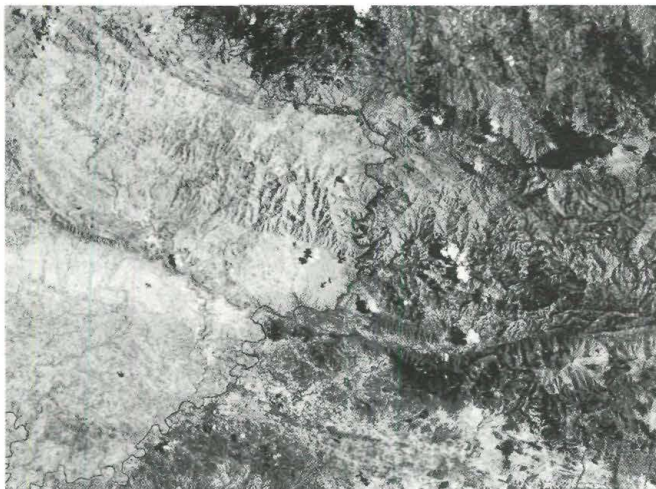
Haiti's heritage is not a good one. A brutally ruled, slave-centered colony, its independence brought a series

of home-grown tyrants. Nevertheless, Haitians necessarily bear the responsibility for the state of Haitian property rights. If not the Haitians, who else, pray tell? Does that mean I'm “blaming the victims” of the landscape devastation for the devastation, be it land stripped of trees or land covered with earthquake debris, including thousands of bodies? Yes.

Haitians sowed devastation's seeds by trashing private property rights. They reaped the consequences.

Don't forget that the Haitians' Dominican neighbors didn't strip their land, even though the Dominican Republic comes nowhere close to being a property-rights paradise. Likewise, earthquakes of Haitian-like intensity don't necessarily kill tens of thousands—the 1994 southern California earthquake, with a similar magnitude, hitting an area of higher population density, killed fewer than 100 people.

The state of property rights in a country is not an “either/or” proposition. Rather, it lies on a continuum, from very secure to very insecure. The Heritage Foundation regularly publishes an “Index of Economic Freedom,” which ranks nations based on several factors,



The border between Haiti (left) and the Dominican Republic (right). Haiti is lighter because of deforestation.

Nasa

T. Norman Van Cott (tvancott@bsu.edu) is a professor of economics at Ball State University in Muncie, Indiana. This article first appeared at TheFreemanOnline.org.

including security of private property. In the 2010 Index the Dominican Republic ranked 86th (“moderately free”) and Haiti 141st (“mostly unfree”) out of 179 countries. (The United States is eighth and Hong Kong first).

The Dominican Republic and Haiti both rank below average on security of property rights. However, the Dominican Republic’s property-rights score is higher than Haiti’s, exceeding that of 41 other countries and tied with 34. Haiti, on the other hand, is near the bottom, tied with 12 other countries (including Cuba, Iran, and Libya) and exceeding only Burma, North Korea, and Zimbabwe.

Economist Hernando de Soto’s celebrated book, *The Mystery of Capital*, gives some specifics about the pathetic state of private property rights in Haiti. He estimates that 68 percent of Haitian city dwellers and 97 percent of their rural counterparts live in housing for which *no one* has clear legal title.

Tell me, if you were building a house for which you have no legal title, how interested would you be in using your resources to build a more durable structure? Not very, I’m sure. Certainly less interested than if you had clear title. After all, you’re unsure about whether someone can come along and take away “your” house, and you’re unsure about your ability to sell the house in

the future. The resulting shabby construction won’t cause earthquakes, but it’ll make earthquake-related damage more extensive—even fatal.

Government Landlord

This lack of property title in Haiti is not surprising, says de Soto. For Haitians to settle legally on government (!) land, they must first lease it from the government for five years. Finalizing a lease requires 65 bureaucratic steps, taking two years on average. Then things get worse. Subsequent purchase requires another 111 bureaucratic steps, taking 12 more years—19 years of red tape in a country where, to compound the problem, illiteracy is pervasive.

The 1987 National Geographic photograph was a predictor of the earthquake devastation we have witnessed. A people who have little incentive to delay cutting trees—and when they do cut, to replant new trees—will also end up constructing buildings

that crumble like a house of cards in the stress of an earthquake.

The larger lesson is that any effort to “rebuild” Haiti that doesn’t include eliminating this property-rights vacuum will be a case of throwing good money after bad, leaving the seeds of future devastations to germinate. An easy job? Forget it. International “do-gooders” with their quick fixes need not apply. **FEE**

If you were building a house for which you have no legal title, how interested would you be in building a more durable structure?

THE FREEMAN ONLINE
www.thefreemanonline.org

Cut through the thicket of political confusion. Visit us at thefreemanonline.org to comment on stories, join or launch discussions, follow conversations, and search 60 years’ worth of Freeman’s uniquely clear, engaging, and insightful analysis of the issues.



Football and Spontaneous Orders

BY STEPHEN DAVIES

One of the most profound and difficult insights of the economic way of thinking is that free association can produce complex, rule-governed institutions and social orders that no single person or small group designed. Professional sports illustrates this insight dramatically.

Today professional sports is an important business and a major social phenomenon. It is a staple of casual conversation, a topic that most people have opinions about (even if only that they hate it), and a large part of both television and print media. The Super Bowl is America's most-watched television program, and the World Cup and Olympic Games attract a truly worldwide audience. There are many kinds of organized competitive sports, with no fewer than seven widely played kinds of football, for example. Most of these have formal governing bodies and elaborate rules both for playing and for settling disputes. There is even a sporting "world court," the Court of Arbitration for Sport in Lausanne. Typically sports have a complex technical language, which is often impenetrable to someone not familiar with the game in question—as generations of Englishmen have discovered when trying to explain cricket to baffled Europeans and Americans.

This vast array of practices, institutions, and rules is generally taken for granted: Few ever ask how it came about. The story, however, is fascinating. While there certainly was purposeful action, and many rules and institutions were consciously created, organized sports are not cases of straightforward, "top down" planning.

Take football. In the Middle Ages most parts of Europe had a game that was usually called "football"; it was played on major feast days such as Shrovetide.

Typically there were no limits on the number of players on either side or on what could be done with the ball; the aim was to get the ball over an agreed line. The events were often extremely violent and were closer to what we would regard as a melee or riot rather than a sporting event. Sometimes variants had more precise rules, such as Calcio Fiorentino in Florence. Generally speaking each locality or small region had its own variant, and there was no code of rules applied over a wide area.

Then a crucial innovation occurred in England. From the later sixteenth century on, schools began to play a more organized form of the game with specific numbers of people on each side and more elaborate rules. These initially evolved informally, on a case-by-case basis, but eventually were codified and written down. Thus in 1845 the famous Rugby school had three of its pupils codify the rules of the variety of football played there. Typically in the eighteenth and early nineteenth centuries each school would have its own set of rules. During this time, however, two other things

began to happen. First, more and more sporting clubs formed to play varieties of football on a regular basis outside of academic institutions. These were purely free associations. Again, each one would typically have its own agreed set of rules.

Second, when the turnpikes and railroad lowered the cost of transport, games were arranged between different schools and clubs. But each side had its own rules. Games could have been played according to one of the sets of the rules, but this was unsatisfactory for

While there certainly was purposeful action, organized sports are not cases of "top-down" planning.

Stephen Davies (sdavies@ihs.gmu.edu) is a program officer at the Institute for Humane Studies.

more than occasional games. So quite spontaneously, on a local and ad hoc basis, two solutions appeared. The first was for all teams involved to agree to use the rules of an outside club or school. Thus the rules produced by the Rugby school were widely adopted, leading to the appearance of “Rugby football.”

The second solution was for a number of teams to get together and voluntarily agree to a common set of rules in what we might call a “sporting contract.” This happened in the case of “Association football” (hence “soccer”).

Next came competition among rules (“codes”). The more teams that agreed to adopt a particular set of rules, the more incentive there was for others to do so because it increased the range and number of possible competitors. On the other hand, since the precise content of any set of rules would produce a particular kind of game, some preferred one set over the others. So some school- or club-based rules became widely adopted while others never caught on. At the same time, the variation among different codes led to increased differentiation and eventually the clear emergence of several distinct kinds of football.

The next stage of the evolution was the formation of national or (in the United States) regional leagues in which clubs would agree to play each other in organized competition. This in turn led to the appearance of a permanent organization both to run the competition and to define and enforce the common rules. Subsequently international regulatory bodies were set up, such as FIFA in 1904. All of these were created not by governments but by free association among the sport-

ing clubs or associations that agreed to be governed by the body they had established.

Racket Games, Too

The same kind of story could be told for other sports, including racket games, hockey in both its major forms, and cricket. The development of each shares some noteworthy features: It was spontaneous, unplanned, and bottom-up, with large, complex organizations produced by free association and agreement—and with a secession option. There was competition among different rule systems. In many cases a key role was played by particular entrepreneurial individuals or organizations. Thus the distinctive American form of football came about largely because of the innovations made by the Yale football coach Walter Karp. Innovation in the rules of the games, their organizational structure, and the tactics employed within those rules have remained a constant feature. One of the most striking phenomena is the way that rule changes can have dramatic and unexpected effects. Thus, the introduction of the forward pass in American football in 1906 led to a radical change in the nature of the sport, which was not anticipated or intended when it was introduced.

Sport is a major part of many people’s lives today all over the world and a significant social phenomenon. It is perhaps the biggest simple example of social order based on and produced by free spontaneous processes. Is it any wonder that, generally speaking, modern sport is far better run than the political order? **FEE**

Free association and agreement produced large, complex organizations in each sport.

GDP: Who Needs It?

BY WARREN C. GIBSON

“For so it is, oh my Lord God, I measure it, but what it is that I measure I do not know.”

—St. Augustine

Gross Domestic Product (GDP) gets a lot of attention these days. It’s fair game for bloggers, talking heads, perhaps your local barber. While most agree that higher GDP is better than lower, there are problems, some better-known than others. Some theorists have considered the concept hopeless, such as Austrian economist Oskar Morgenstern, who called GNP (the predecessor to GDP) “primitive in the extreme and certainly useless.” Lamenting the idea that the whole of a nation’s economic activity could be captured in a single number, he said that “very few men, even few economists, or should I say regretfully, especially economists, have a real appreciation and understanding of the immense complexity of an economic system.”

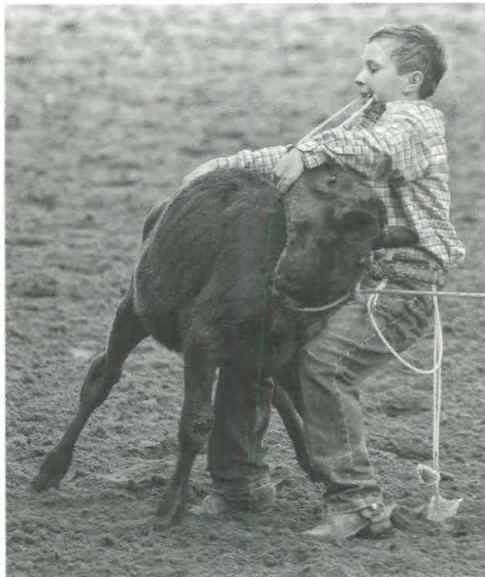
Let’s get the formal definition out of the way. GDP is the market value of all final goods and services produced in a particular country in a given year. The federal Bureau of Economic Analysis computes this number and releases it quarterly. The level of GDP is used as a basis for evaluating other things, like the national debt, which currently stands at about 85 percent of one year’s GDP in the United States. GDP

growth rates are closely followed. These are inflation-adjusted, seasonally adjusted, and annualized, and are of course supposed to tell us how well the economy is doing.

Simon Kuznets gets credit for the first serious attempt to calculate national income figures, publishing his first work on the subject in 1941. Following in his footsteps, calculation of GDP and other “national income accounts” has become a core area of the economics profession. The explosion of economic and financial news has thrust GDP into the limelight in recent years.

If high GDP growth is good, low is bad and negative is worse. A recession is informally defined as two consecutive quarters of declining real GDP. We had four quarters of declines during 2008 and 2009, the low point being negative 6.4 percent annualized in the first quarter of 2009. The third quarter figure was positive 2.2 percent and the revised fourth quarter figure was 5.9 percent, suggesting that the recession is ending. But as was widely reported, much of the third quarter figure was due to the

Cash for Clunkers program, which has earned widespread scorn for its wastefulness. The fourth quarter figure was boosted by inventory replenishments.



One of these young’uns increased per capita GDP upon birth. The other decreased it.
Jeffrey Edwards (flickr.com)

Warren Gibson (warren@gibson2.com) teaches engineering at Santa Clara University and economics at San Jose State University.

Robert Kennedy had this to say about GNP in a 1968 speech: “The Gross National Product does not allow for the health of our children, the quality of their education, or the joy of their play. It does not include the beauty of our poetry or the strength of our marriages, the intelligence of our public debate or the integrity of our public officials. It measures neither our wit nor our courage, neither our wisdom nor our learning, neither our compassion nor our devotion to our country; it measures everything, in short, except that which makes life worthwhile.”

Kennedy had a point, even if he overstated it. Indeed, GDP excludes household production, charitable services, bartered goods, and illegal production. If a mother stays at home to care for her children, her services don't count. If she takes a job, both her production and the daycare services that she buys are counted. Production of marijuana, a good that many people value, is not counted—not in the United States, though it is in Canada. Economist Peter Bauer used to say that the birth of a cow increases per capita GDP, while the birth of a child lowers it.

Further problems arise in tracking GDP over time. One is inflation, which can be accounted for by using a price index to adjust the figures—though price indices are themselves problematic. Price indices are skewed by the introduction of new goods and services and by improvements in quality. For example, we get a lot more personal computer for our money than we did even five years ago. Statisticians use sophisticated techniques called “hedonic adjustments” to try to account for such developments, none of which can fully overcome the inherent subjectivity of things like quality.

Overblown adjustments of computer quality may have misled former Fed chairman Alan Greenspan into an exaggerated view of productivity gains during his tenure. In fact, the BEA quietly dropped hedonic adjustments for computers in 2003.

Comparisons of GDP per person between different countries raise different kinds of problems. Even in Guinea-Bissau, for example, can anyone really live on \$461 per year, the per capita GDP figure reported by

the International Monetary Fund? People in that impoverished West African country are much more likely to grow their own food and to barter among themselves, and because money is not involved, such production isn't counted. If it could be counted, the \$461 figure—about \$1.25 per day—would likely be a lot higher, though still far short of the U.S. figure. Another problem is that the exchange rates that must be used in translating Guinean GDP from CFA francs into U.S. dollars may be unrealistic.

Government purchases are counted in GDP. The problem here is that because these are not market-tested transactions, their contribution to general welfare is dubious. Thus GDP soared during World War II due to production of war materiel. This production did not benefit citizens directly, though one might argue that it provided future welfare by helping to win the war. But because wartime GDP numbers shot up, almost everyone believes the war ended the Great Depression. In fact, as Robert Higgs showed in his book *Depression, War, and Cold War*, the war brought shortages, controls, rationing, prohibitions, conservation and limitation orders, and endless propaganda—hardships difficult to quantify but nonetheless real. Genuine recovery came only after the war, when the economy was substantially decontrolled.

In fact, reservations about GDP date back to Kuznets himself. “The welfare of a nation can scarcely be inferred from a measure of national income,” he once said. Although that's exactly what people have tried to do, a backlash has been growing, more so since the recent economic crisis began.

Gross National Happiness?

Recognizing the shortcomings of GDP, many smart people are trying to invent better measures of human welfare. The Organization for Economic Cooperation and Development (OECD) is leading this effort. It is trying to devise measures that go beyond GDP to include health, knowledge, arts and leisure, and interpersonal relationships, among other good things. The OECD is expending a great deal of effort on this

Price indices are skewed by the introduction of new goods and services and by improvements in quality.

project, staging international conferences and producing many publications. It will be interesting to see how it proposes to attach numbers to some of these highly subjective matters and to do so in a way that will stand up to comparisons over time and across national boundaries.

The remote Himalayan kingdom of Bhutan has been attempting to define and apply “gross national happiness” for some years. “Happiness takes precedence over economic prosperity in our national development process,” the king declared in 1971. To this end, a bureaucracy has grown up and five-year plans have been produced. But it is not clear that this attempt to graft a form of socialist planning onto the Buddhist traditions of Bhutan will in fact bring smiles to the faces of the ordinary people of that country. The authorities did find one way to increase average national happiness: They simply expelled thousands of unhappy ethnic Nepalese who were said to be residing illegally in the Kingdom.

Consumption constitutes about 70 percent of GDP (the rest consists of investments, government purchases, and net exports). The predominance of consumption seems to have spawned the bizarre notion that if we can only get consumer spending up, GDP will rise and everything will be fine. Thus we have gimmicks like the

\$600 checks the Bush administration sent to most households. But consumption is an end in itself—it is the purpose of all economic activity, not a means to boost GDP. If people believe they need to save more, they will have to forgo some present consumption, and this may lower GDP temporarily. Savings, wisely invested, boost future consumption. But that future may not arrive until after the next election.

Savings, wisely invested, boost future consumption. But that future may not arrive until after the next election.

GDP has become a report card for the president. It's his job, says conventional wisdom, to make the economy work. We must trust him, the Fed chairman, and all their expert advisers to manipulate the levers of fiscal and monetary policy so that things will come out just right. Never mind the stagflation of the 1970s that the experts said couldn't happen. Never mind that unemployment remains high despite all the “stimulus” spending. Keynes is back from the dead.

Perhaps it's time to quit trying to improve or replace GDP numbers and instead focus on the timeless principles that promote human welfare. “There is but one means to improve the material well-being of men, viz., to accelerate the increase in capital accumulated as against population,” Ludwig von Mises said. Capital accumulation requires saving, saving requires confidence, and confidence flourishes amid objective law, low taxes, and minimal regulation. **FEE**

Start your weekday morning with

In brief

One click of the mouse ... and FEE's popular news e-commentary will come to your computer five days a week.

Subscribe online: www.thefreemanonline.org or e-mail: Inbrief@fee.org!

Do We Really *Want* a Right to Health Care?

BY THEODORE LEVY

Do you have a right to health care? People want a right to health care because they think it will guarantee them the services they need. But might obtaining health care as a political right rather than a market commodity have a downside?

The government cannot produce or purchase an infinite amount of health care. Decisions have to be made about what the right to health care includes: Does it include free visits to the doctor anytime you want? MRIs and CTs to check out every pain? Dialysis and kidney transplants for all? Free paid leave for every bout of depression? Experimental therapy? Any and all preventive screening tests? We could spend the entire federal budget on health care and not provide all of that to every American. A right to health care does not guarantee you'll have all you might want or need.

It's not only knowing how much to produce, but what types of things to produce. We treat K-12 education as a right and expect the government to provide it. As a result, over the last 40 years the amount of money taken by government at all levels to run K-12 educa-

tion has almost tripled on an inflation-adjusted per capita basis. But national testing in math, science, and reading skills shows no improvement, according to the National Center for Education Statistics, *Digest of Education Statistics 2008*.

Here's a quiz:

1. You have an explicit constitutional right to keep and bear arms. You do not have an explicit constitutional right to own an iPod. Which is easier to purchase: A gun or an iPod?
2. For good or ill, you have a right recognized by the Supreme Court to have an abortion in the first trimester. You do not have a right recognized by the Supreme Court to eat in a restaurant. In 20 years, which is more certain: that you will be able to eat in a restaurant or that you will be able to have a legal abortion?
3. You have a widely understood and respected right to protest—to petition the government for redress of grievances. You do not have a widely understood and respected right to drive two miles over the speed limit. Which is more likely to get you locked up in jail: attending a large protest rally or driving two miles over the speed limit?

Clearly, while the government provides something it calls "education," it is not particularly successful at educating students. Making central decisions on how to educate—such as the "see-say" method versus phonetics or having the same teacher for all classes versus different teachers for every subject—leads to everyone's suffering if good choices aren't made. There is a lesson here for the more complicated provision of health care, as we talk about "expert

panels" determining "the" way to diagnose and treat various medical ailments.

Just because something is a right doesn't mean in practice it can't be restricted. The "right" to K-12 edu-

Theodore Levy (ted_levy@me.com) is a physician practicing in the Southwest.

cation doesn't include home tutoring or guarantees of tasty lunch choices in the cafeteria. Even if health care is viewed as a right, it may not include the coverage you hope to have.

Rights Don't Guarantee Access

The Supreme Court clarified, in the 2008 *District of Columbia vs. Heller* case, that the right to have a gun to protect your own home is an individual right. The Supreme Court was interpreting the Second Amendment, but the amendment had been operative for over 200 years. A right doesn't guarantee easy access. Plaintiff Heller had to spend several years and over \$1 million to clarify what that right meant. And such clarification is by no means over. While you have a right to own a loaded gun in your own home in a federal enclave like the District of Columbia, the Supreme Court has yet to rule whether that right extends to the states—whether, in the vernacular, it is an incorporated right. Chicago has a total gun ban, and it's taken two years post-*Heller* for the Supremes to clarify the Second Amendment's further extent. DC is still arguing that while people may “keep” guns in their home, post *Heller*, District residents may still not “bear” them, take them beyond their homes. That requires yet further adjudication. So while Americans have a Second Amendment right, and have had it for over two centuries, it's not yet clear what is included. And of course in the future, depending on the political makeup of the Court, *Heller* could always be overturned, as *Brown* overturned *Plessy*. Or an amendment could be added to the Constitution to nullify the Second, as the 21st nullified the 18th.

A right to health care faces similar challenges. Getting needed care through the political process takes time. Imagine you have a disease with a cure the government thinks is too experimental, too risky, or not sufficiently cost-effective. You have a right to health care, they say, just not *that* health care. But you need

it, so you do what is typically done to defend your rights in the United States: You lobby the government; you write letters to your congressman; you speak before government committees; you encourage friends and relatives to help; you take time off from your job to do all this. You devote your remaining time on earth to getting the coverage; you raise money for candidates who say they'll support such coverage. And you're successful. A decade after your quest began, eight years after you died, the government starts to cover the treatment you needed. You had a right to health care, but wouldn't it have been easier just to buy it (even if it took some charitable donations to help you)?

Imagine you have a disease with a cure the government thinks is too experimental, too risky, or not sufficiently cost-effective. You have a right to health care, they say, just not *that* health care.

The last paragraph is more than hypothetical. In April 2005 England's National Institute of Clinical Excellence (NICE) issued a press release, “NICE Lifts Restrictions on Access to Bowel Cancer Treatments.” It announced that English and Welsh patients could soon receive the same chemotherapy for advanced colorectal cancer that European and American patients had already been receiving for three years.

The bottom line: Expensive medical therapies are typically available in the United States years before they are available in countries with universal health care. Politicizing health care by making it a “right” simply pushes health care decisions into the political process, routinely leading to delays.

The Right to iPods?

People don't have a right to iPods. They just have iPods. People who want them buy them. They were once expensive, but have come down dramatically in price in a remarkably short time; now much better units—more memory, more functions, smaller—cost less than half what the original units did. Some claim health care is special, that similar price drops can't happen there. But when the market is allowed to work—in Lasik eye surgery or cosmetic surgery or when patients with

health savings accounts shop around—similar price drops are seen. It's only when third parties, like the government or large, highly regulated insurance companies, pay for health care that prices go up every year.

Is health care a right? Do we even want it to be a right? People fight about rights. Abortion has been recognized as a right since the 1973 *Roe* decision, but most Americans want restrictions on that right and many want it taken away. That is a risk of making things rights; rights can be modified, restricted,

Rights can be modified, restricted, curtailed, or eliminated, depending on the political climate.

curtailed, or eliminated, depending on the political climate. Do we want people to be fearful that their right to liver transplants—or hair transplants—might also be someday taken away? Do we really want people feeling they must man picket lines on a regular basis to protect their “right to health care”?

Rights are like money. Both are good to have, but inflating them—believing that every good thing must be a right—makes them less valuable.

Is health care a right? I hope not.

FEE

FEE

FOUNDATION FOR
ECONOMIC EDUCATION



The House that Uncle Sam Built,

a new monograph by Steven Horwitz and Peter Boettke, explains how policymakers created the housing bubble, the recession of 2008, and, if they keep on compounding their mistakes, could be setting us up for a lost decade of our own.

Read it now online at www.fee.org

To order a hard copy, call 1-800-4FEE (4333)

30 SOUTH BROADWAY, IRVINGTON-ON-HUDSON, NY 10533

Corruption in Government? Shocking!

BY SHELDON RICHMAN



It's funny how the people who push hardest for government intervention in more and more areas are the first to gripe that everything has become politicized. What were they expecting? Did they forget that government is a political institution?

Paul Krugman and Chris Matthews, among other Progressives, are apoplectic because two senators of the minority party held up votes on Obama appointments in order to win pork-barrel projects for their states. This reminds me of Captain Renault's reaction on learning that people gamble in Rick's gin joint.

Krugman acknowledges that this sort of thing is old hat, but he is upset that it's become more common. Perhaps, but it was only a matter of time before the device known as the "hold" would be more widely used. The stakes have gotten higher over the years.

Nasty Fights over the Honey Pot

How in the world could the central government commandeer \$3.8 trillion—about a third of it borrowed—without reelection-hungry politicians being willing to walk over their mothers to get at that honey pot? Government is a transfer machine. Do you expect everyone to pretend that it isn't?

When someone insists he can square the circle, you know you're looking at a demagogue or a zealot. Same goes for someone who insists you can have a government that exercises plenary power over our lives without generating *politics* in the most unsavory sense of the word. Today we have two broad political divisions that hold that power and agree on fundamentals. Sure, they have public disagreements over how power (and wealth) should be distributed at the margin between the bureaucrats and the significant interests in the "pri-

vate sector." There is no way we can have that sort of system without those disagreements at least occasionally turning bitter.

I suspect that people like Krugman and Matthews know you can't have big government without nasty politics, but they want to have it otherwise so badly that they feign shock when a senator holds up a vote until he gets a government contract and some superfluous building for his state. Of course, they might genuinely get angry when the faction they dislike behaves this way. However, when their side indulges in such strategies, it's good Progressive politics. Objectivity is not their strong suit.

People of this ilk showed the same shock when the Supreme Court ruled recently that corporations (for- and nonprofit) and unions cannot be barred from spending political money during election campaigns. (McCain-Feingold outlawed so-called independent expenditures by all incorporated entities, except media companies, 30 days before a primary and 60 days before a general election. The Court said that is unconstitutional.) Progressives

are appalled that such entities would try to influence the selection of officeholders in a government that holds life-and-death power over so many aspects of life. Did they think people with interests at stake would just stand by passively? Apparently so, and when the affected organizations refused to do so, the "good-government" crowd opted for gagging them, showing unmistakably how devoted that crowd is to free speech when the

How in the world
could the central
government
commandeer \$3.8
trillion without
politicians being
willing to walk over
their mothers to get
at that honey pot?

Sheldon Richman (srichman@fee.org) is the editor of *The Freeman* and *TheFreemanOnline.org*.

chips are down. Now they (and Barack Obama) blast the five Supreme Court justices for saying the gag is unconstitutional.

One need not love big corporations or big unions—both of which derive significant power from the State—to be offended by this restriction on freedom of speech. Remember the slippery slope! Whose speech might next be deemed *too* influential and in need of restricting? Besides, it's not as though corporations and unions have no other ways to influence politicians and policies. I suspect that spending during campaigns is the weakest method of influencing the government. Voters still have to go into the booth and mark the "right" ballots, and politicians can't risk alienating the median voter. As Tyler Cowen pointed out in the *New York Times*:

For all the anecdotal evidence, it's hard to show statistically that money has a large and systematic influence on political outcomes. That is partly because politicians cannot stray too far from public opinion. (In part, it is also because interest groups get their way on many issues by supplying an understaffed Congress with ideas and intellectual resources, not by running ads or making donations.) It is quite possible that the court's decision won't affect election results very much.

So memo to Krugman, Matthews, et al.: You can't have the kind of government you want *without* people inside and outside the halls going to great lengths to get their hands on that power. You know it, and so does anyone who spends five minutes thinking it through. Enough whining already.

If there were no
privileges to sell,
there would be no
privileges to buy.

Of course, what I just said suggests a way to end the power brokering, logrolling, and influence peddling:

Don't let government commandeer our resources and manage our lives!

If there were no privileges to sell, there would be no privileges to buy. If I may adapt something musical satirist Tom Lehrer sang about the New Math years ago, "It's so simple, so very simple, that only a child can understand it."

I'm sure the Progressives are saying right about now, "Gosh, why didn't we think of that?"

Progressive Coercion

Well, no, not really. They apparently would rather sacrifice anything to preserve the machinery of social engineering, which they need to realize their grand designs.

They rhapsodize about democracy, but their words betray their true preferences. Why else would they insist that Obamacare be passed despite the opposition of a majority of the public? Why do they smugly insist that the only reason the people are against it is that Obama did not explain the 2,700-page plan clearly enough in dozens of speeches?

When will the Progressives realize that although they claim to despise corporate influence in government (check out who supports Obamacare), it is their Progressive ancestors who helped forge the implements of power to which the corporate world has ready access.

This government doesn't merely *breed* corruption. It *is* corruption. **FEE**

Common Versus Government Property

BY KEVIN CARSON

A central contribution of Elinor Ostrom, which earned her a share of the 2009 Nobel Prize in economics, was to reclaim the commons as a legitimate form of property. (For more detail, see Peter Boettke's December 2009 *Freeman* article, www.tinyurl.com/ydnaodo.) Organization theorist Dick Langlois always makes it a practice in his European economic history class to reiterate Ostrom's point that, as he puts it, "the medieval open fields were not an example of the tragedy of the commons and were not over grazed."

Ostrom also denied that there was anything inherently unstable about commons and argued that they were actually well governed by traditional regulations that specified individual grazing rights. (Garrett Hardin himself later expressed regret that he had not titled his famous essay "The Tragedy of the Unmanaged Commons" and repudiated much of the use that had been made of it.)

As economist Joseph Stiglitz put it, "Conservatives used the tragedy of the commons to argue for property rights, and efficiency was achieved as people were thrown off the commons. But the effects of throwing a lot of people out of their livelihood were enormous. What Ostrom has demonstrated is the existence of social control mechanisms that regulate the use of commons without having to resort to property rights."

But in fact—a fact ignored by those on both the left and right who equate "private property" to individual property and contrast "property" with the commons—the commons *were* a form of property rights. And the eviction of peasants from the commons was not simply an efficiency loss; it was a case of the State expropriating property rights.

Libertarian scholar Roderick Long of Auburn University has argued that public (as opposed to government) property is entirely legitimate (www.tinyurl.com/yb6gdd9):



The Pilgrims' story relates more to the English commons than the usual capitalism-vs.-socialism parable.

wikimedia.org

Consider a village near a lake. It is common for the villagers to walk down to the lake to go fishing. In the early days of the community it's hard to get to the lake because of all the bushes and fallen

branches in the way. But over time, the way is cleared and a path forms—not through any centrally coordinated effort, but simply as a result of all the individuals walking that way day after day.

Kevin Carson (free.market.anticapitalist@gmail.com) is the author of *Organization Theory: A Libertarian Perspective* and a research associate at the Center for a Stateless Society. He blogs at *Mutualist Blog: Free Market Anti-Capitalism* (www.mutualist.blogspot.com).

The cleared path is the product of labor—not any individual’s labor, but all of them together. If one villager decided to take advantage of the now-created path by setting up a gate and charging tolls, he would be violating the collective property right that the villagers together have earned.

Ostrom’s contributions, and Stiglitz’s attempted summary of them, point to an unfortunate tendency among many libertarians: the tendency to conflate the individual-commons distinction with the private-State distinction, and to equate common property to State property.

A good example of this tendency is the received version of the early settlement of Plymouth Plantation, as recounted by Governor Bradford. In the received version the Puritans, motivated by a misguided idealism, initially set out to restore the primitive Christian communism of the Book of Acts, “holding all things in common.” When the obvious incentive problems entailed in this practice led to starvation, the settlers accommodated themselves to reality and divided up the land and worked it individually. Output skyrocketed, starvation was averted, and everybody was happy.

Unfortunately, in the words of a recurring feature in this magazine, the received version “just ain’t so”—or at least it’s incomplete.

Richard Curl’s recent history of cooperatives in America, *For All the People*, fills in some missing details that change the meaning of the story entirely. Curl supplements Bradford’s history with material from J. A. Doyle’s *English Colonies*. According to Doyle, the agreement between the Pilgrim Separatists and the Merchant Adventurers corporation provided that

[a]ll settlers . . . were to receive their necessaries out of the common stock. For seven years there was to be no individual property or trade, but the labor of the colony was to be organized according to the dif-

ferent capacities of the settlers. At the end of the seven years the company was to be dissolved and the whole stock divided.

Two reservations were inserted, one entitling the settlers to separate plots of land about their houses, and the other allowing them two days in the week for cultivation of such holdings. The London partners, however, refused to grant these concessions, and the agents of the emigrants withdrew them rather than give up the scheme.

In the conventional narrative the apostolic zeal of the Pilgrims, who desire to recreate the communism of the early Church, is confronted by hard reality. But according to Curl, relations between the Puritan settlers and the Merchant Adventurers make more sense in

Many libertarians, unfortunately, conflate the individual-commons distinction with the private-State distinction.

light of an entirely different subtext—the English peasantry’s relations with the landed classes in the Old Country: “The colonists, most of them tenant farmers in the open fields of an old manorial hunting park in Nottinghamshire, considered that the investors’ demand essentially reduced them to serfdom. The settlers were asking for no more than was normal under England’s manorial system in effect since the Middle Ages. Peasants worked in the lord’s fields but also

had time to work with individual plots for their household needs.”

Soviet Parallel

The Plymouth story is sometimes treated in parallel with that of agriculture in the last days of the Soviet Union, where the majority of food consumed came from private family plots—essentially kitchen gardens with some small livestock thrown in. Had the entire Soviet population been forced to subsist on the output of the State and collective farms alone, the result would have been mass starvation—exactly like that of the Plymouth settlers. This parallel is entirely accurate. What the received version of the Plymouth story leaves out, however, is that the role of the “collective farm” in the little drama is played not by the naive Puritan

zealots seeking to “hold all things in common” but by a private corporation.

As Curl describes it, the system of private plots adopted after the rebellion against the Merchant Adventurers wasn’t much like modern fee simple ideas of “private property.” It sounds a bit like the open-field system, which we already saw the settlers had experienced in Nottinghamshire: The family plots were ad hoc and not subject to inheritance. And the open-field system as it existed in Europe had had significant elements of private family possession: Individuals worked plots individually (although doing some work in common, like plowing, that was impracticable on one narrow strip of land at a time) and harvested the full crop produced by a year’s labor, but redivided the plots as changes in population made it necessary.

“Privatizing” by Expropriation

Until a few centuries ago the village commune persisted in most areas in a form much like before the rise of the State, but with a parasitic apparatus of State bureaucrats and feudal landlords superimposed on it.

And historically most attempts to “privatize” the common lands have in fact been expropriations by privileged landed classes. Common lands were simply handed over to nobles and everyone else was locked out. The conflict between the plebeians, with their demands for traditional rights of access to the public lands, and the patricians who had taken advantage of their control of the State to “privatize” those lands in violation of the peasantry’s legitimate property rights, is the main theme of Livy’s history of the early Roman Republic. The central focus of every popular movement in the Republic was a demand to “tear down the enclosures” and open up vacant land to be worked by land-poor peasants. That’s essentially what happened with the enclosure of the open-field system and the Parliamentary Enclosures of commons in England. In India under British rule, village headmen were transformed into land-owning “gentlemen” on

the European pattern, and the villagers from common owners into tenants, so the headmen could be made responsible for collecting rents on behalf of the British authorities. We see it today with corrupt village leaders in China acting in collusion with the central government and foreign corporations to transform village common property into industrial parks.

The reflexive tendency on much of the right to equate all *de jure* individual property with “private property,” without regard to questions of just acquisition, and to view communal property as something tainted or unnatural and to be grudgingly tolerated at best, is quite dangerous. To see why, we need only compare the rhetoric used to defend the “efficiency” of enclosures with that used today to defend

eminent domain in cases like *Kelo vs. New London*.

Historically, most attempts to “privatize” the common lands have in fact been expropriations by privileged landed classes.

The Trouble With Muddy Waters

Unmuddying the waters with regard to the tendency to confuse the individual-communal distinction with the private-State distinction may also add clarity to some other questions. This is especially true in the field of organization theory. Genuine collective or communal property, in which the governance system ties reward to effort and knowledge, may be better at addressing Hayekian issues

of tacit knowledge than the kinds of “private” property in which corporate hierarchies divorce effort from responsibility.

Take, for example, the shareholder model of corporate ownership. Despite their theoretical status as “owners” of the corporation, shareholders have little genuine control over management. In fact, management’s responsibility to shareholders is a legitimizing myth comparable to the claim of the State industrial bureaucracy in the old Soviet Union to represent “the people” or “the workers.” The management of most large corporations is actually a self-perpetuating oligarchy in control of a mass of unowned capital. But their claimed status as representatives of the shareholders, as little basis as it has in fact, serves a useful purpose

in insulating management from internal political challenges—especially from internal stakeholders.

As organization theorist Luigi Zingales has pointed out, the main source of corporate book value is shifting increasingly from physical capital to human capital. That means that an increasing share of profit and equity results from the contributions of the workforce—specifically, their tacit, job-specific knowledge and skills. Whether workers are willing fully to invest these skills and knowledge in the firm depends, to a large extent, on whether the governance system recognizes their stakeholder status and rewards them for their contribution to the bottom line. Without contractually defined stakeholder claims to the revenue stream that reflect their contribution to value, workers know it's quite likely that in a mixed economy with State impediments to free competition, management will expropriate whatever productivity gains result from their special situational knowledge and skills via management bonuses, downsizing, or both. Consequently they are likely to keep to themselves any knowledge that might increase efficiency.

On the other hand, the typical worker cooperative requires about a quarter of the front-line supervisors as a traditional hierarchical firm. The reason is that the workers do not exist in a zero-sum relationship with management and they are confident that their contributions to productivity will be internalized in their own personal bottom lines.

Take, for example, what a worker at a plywood cooperative in the Pacific Northwest told Edward Greenberg:

If the people grading off the end of the dryer do not use reasonable prudence and they start mixing the grades too much, I get hold of somebody and I say, now look, this came over to

me as face stock and it wouldn't even make decent back. What the hell's goin' on here?

[Interviewer: That wouldn't happen if it were a regular mill?]

That wouldn't happen. [In a regular mill] . . . he has absolutely no money invested in the product that's being manufactured. Any knowledge he has on the side, he is not committed or he is not required to share that.

So ironically, management's professed status as representatives of shareholders, by blocking the creation of corporate governance systems that reflect the real

sources of value added, actually works against the interests of both workers and shareholders.

The central lesson of Ostrom's work—that there is a rich variety of property forms and governance mechanisms, and not just a choice between the self-aggrandizing central State and the large corporate enterprise—is one we can all benefit from. Karl Hess put it aptly 40 years ago:

Libertarianism is a people's movement and a liberation movement. It seeks the sort of open, noncoercive society in which the people, the living, free, distinct people, may voluntarily associate, disassociate, and, as they see fit, participate in the decisions affecting their lives. This means a truly free market in everything from ideas to idiosyncrasies. It means people free collectively to organize the resources of their immediate community or individualistically to organize them; . . . Liberty means the right to shape your own institutions. It opposes the right of those institutions to shape you simply because of accreted power or gerontological status.

Amen.

FEE

There is a rich variety of property forms and governance mechanisms, and not just a choice between the State and large corporate enterprise.

Obama and the Bankers: “Doin’ What Comes Natur’lly”

BY BRUCE YANDLE

Speaking to a very receptive Elyria, Ohio, crowd a few months ago, President Obama took off the gloves and promised that he was ready to fight to provide more jobs, improved education, and security from the threat of bankruptcy for homeowners. Turning his attention to the Wall Street bankers, who had just announced another round of large executive bonuses and high profits made from managing their excess reserves, he said: “I just want to have rules in place so that when these guys make dumb decisions, you don’t end up having to foot the bill. I don’t mind having a fight.” Earlier, referring to TARP funds invested in banks, Obama had said: “If the big financial firms can afford massive bonuses, they can afford to pay back the American people.” A White House spokesman had said the bankers just don’t “seem to get it.” At the time, two-thirds of the TARP money had been repaid early with interest.

Maybe they do get it. Maybe, just maybe, we, the electorate, and our political representatives are the ones who don’t get it.

Bailout Incentives

The current outrage about banker behavior coming from Obama and the White House brings back memories of my own behavior when my two teenage boys were regularly coming home late at night in the family’s second car with just enough gas fumes left in the tank to make it down the driveway. “When are you going to understand?” I would shout the next morning after being frustrated in an attempt to get a car out of

the driveway to get to work. “Why do you have to be so selfish? Don’t you know there are other people in the family who need to be able to get around, too? Don’t you get it?”

After giving one more sanctimonious lecture to them about caring for others, we would go our separate ways—until the next time, when the car ran out of gas with one of the boys halfway home from town.

You see, trying to be a providential father, I had a rule about gasoline. I provided one tank of gas a week for my two sons’ use. And they used every drop of it.

After a few more gas-outs, I began to get it. Instead of ranting and raving about their selfish behavior, I changed the rule. I began giving them the dollar equivalent of a tank of gasoline each week. Guess what? No more out-of-gas car in the driveway. No more running out of gas on the way home. In

fact, they pretty much quit using the car. They walked or called a friend to pick them up.

They had money, and money was better than gasoline. And when there was a gas-out, they paid. Finally, I really got smart. Welfare turned to workfare. Many of my problems about gas and cars went away.

The problem for Obama with the bankers is a lot like the situation I faced with my sons. It’s about bailout incentives. This is not a story about good and evil, or

Bruce Yandle (yandle@bellsouth.net) is Alumni Distinguished Professor of Economics Emeritus, Clemson University; Distinguished Adjunct Professor of Economics, Mercatus Center, George Mason University; and Senior Scholar, PERC. He is coauthor with Andrew P. Morriss and Andrew Dorchak of Regulation by Litigation. This article first appeared at TheFreemanOnline.org

selfish and unselfish behavior at all, even though casting it that way plays well on the hustings.

Cousin Jack's Shack

Economists and others call the problem "moral hazard," but let's not get caught up in jargon. The essence of the problem is captured in the lyrics of Irving Berlin's 1940s' song, "Doin' What Comes Natur'ly." The relevant refrain goes like this:

Cousin Jack insured his shack
And now he plays with matches
He'll collect just wait and see
Doin' what comes natur'ly
Doin' what comes natur'ly

Of course, no fire insurance company will write a policy that covers the full replacement cost of a home or shack. The owner must bear a substantial part of the risk; he must co-insure. Insurance companies are also pretty careful about writing a policy in the first place. Casualty insurance contracts are short, and if the risks are high and the exposure large, the insurance folks will be around frequently to inspect and give instructions about how to behave. (But of course, all this tends to change when the insurance companies get government bailouts.)

Consider some of the institutions surrounding consumer banking. Yes, there is FDIC insurance, and yes, FDIC regulators check frequently in attempts to make certain the car does not run out of gas. But no bank voluntarily buys deposit insurance; banks are required to buy it. And there is no competition for the business. Before the days of government deposit insurance, the owners of the banks were personally liable to depositors; they often listed their personal guarantees in bank advertisements. Then, up until the 1980s, there were state-operated deposit insurance companies as well as the federal program that began in

the Great Depression, but the state programs got in trouble too.

Government insurance companies are usually not price-savvy; they do not respond to shareholders; they pay no shareholder dividends; they hardly ever modulate insurance premiums to reflect risky behavior; they do not run the risk of being taken over by other firms as a result of financial market monitoring. In short, these institutions are not bottom-line driven; they face no bankruptcy constraints. The FDIC is a political creature living in a commercial halfway house.

When the deposit institutions got in trouble in the 1980s, the politicians gave them another tank of gas, and they tended to use it. To make matters worse, following the great 2007 credit-market meltdown, the politicians doubled the gas allocation. And deposit institutions responded accordingly. They wanted to drive a bit faster and more often, which is to say they tended to take on more risk. In an effort to offset the risky behavior, the regulators came around more frequently and frowned a lot more. Now the FDIC is mandating higher premiums paid three years in advance in an effort to cover Cousin Jack's adverse behavior.

The presence of government-provided deposit insurance is the alpha, but certainly not the omega, of all that is troublesome with banking. In fact, even though deposit insurance guarantees the bulk of deposit institutions' liabilities, the effects on Cousin Jack's

careless behavior begin to pale when compared with TARP and TARP-related events.

An Odd Kind of Regulated Public Utility

As noted, once the credit-market crisis came, government responded first by upping the ante on deposit insurance. That quieted the depositors' panic, and Cousin Jack relaxed a bit. Then the politically elected and appointed rolled out a green carpet to trou-

Government insurance companies are usually not price-savvy; they do not respond to shareholders; they hardly ever modulate premiums to reflect risky behavior; they do not run the risk of being taken over by other firms; they face no bankruptcy constraints.

bled institutions with injections of cash, arranged marriages between strong and weaker firms—and, to make matters worse, began paying interest on the reserves provided. The banks got a 100 percent sure thing with interest. Cousin Jack was assured that gas would be no problem. So why not take the family on a much-needed vacation? Bonuses and pay became an issue.

With incentives askew and bankers responding predictably, Obama frowned, gave the bankers sanctimonious lectures, and ordered his pay czar and the Federal Reserve chief to put the screws on executive pay. He then said the bankers needed to pay a tax on their uninsured liabilities, just to keep them honest. U.S. banks now face a complex of regulatory spaghetti. What they can lend, how they lend, and to whom they

lend are regulated with greater stringency. How they pay and how much they pay is regulated. How much and what kind of debt they incur are regulated. And most recently, what they do with excess capital to increase earnings is further regulated. Yet while the spaghetti thickens, there is a lot of uncertainty as to which financial institutions will get caught in the mix, when, and how. Regulatory uncertainty takes its toll on decision-makers: If in doubt, keep quiet, lay low, and avoid risk. The banks are on the way to becoming a strange breed of regulated public utilities without the benefit of due process.

There is talk about financial institution reform, but so far, I've heard no conversation about letting the boys buy their own gasoline. **FEE**

While the regulatory spaghetti thickens, there is a lot of uncertainty as to which financial institutions will get caught in the mix, when, and how.



Introducing the FEE Library on DVD!

The FEE Library delivers over 50 years of The Freeman, books by Leonard E. Read, Ludwig von Mises, Frédéric Bastiat, and others to your desktop.

There is a comprehensive subject index that brings together all of the indexes from the December issues of The Freeman. Even the page numbers in the indexes are hyperlinked to the respective page.

It uses a powerful searching interface that allows you to search by author, article, volume, year or book. You can also search by word stem, thesaurus lookup, or with wildcards. All page references are even preserved for finding references or citations.

Visit the FEE online store at <http://fee.org/store> to buy yours today!

I, Slide Rule

AS TOLD TO RICHARD W. FULMER

I am a slide rule. For nearly three and a half centuries, my ancestors and I commanded the western scientific and engineering worlds. We could be found in humble shops, helping carpenters reckon areas and volumes; we fought on battlefields calculating trajectories for artillery officers; we were engineers' constant companions, determining stresses, flow rates, velocities, and countless other things; we flew to the moon with the astronauts.

Slide rules were more than mere calculating tools; we were icons. Just as stethoscopes symbolize the medical profession, we came to symbolize engineering and science. We were works of art—precision-tooled pieces of etched wood, metal, and ivory. We helped build the modern world, *yet not a single person on the face of the earth knows our worth.*

Sounds impossible, doesn't it? But for over two centuries even the world's great economists argued over how value was to be determined. Some believed it came from the labor employed to make us. Others thought that our "absolute utility" dictated our value, while still others believed that our value was based on our cost of creation. There is nothing in such notions. But before I reveal the truth, let me tell you more about the wonder that is me.

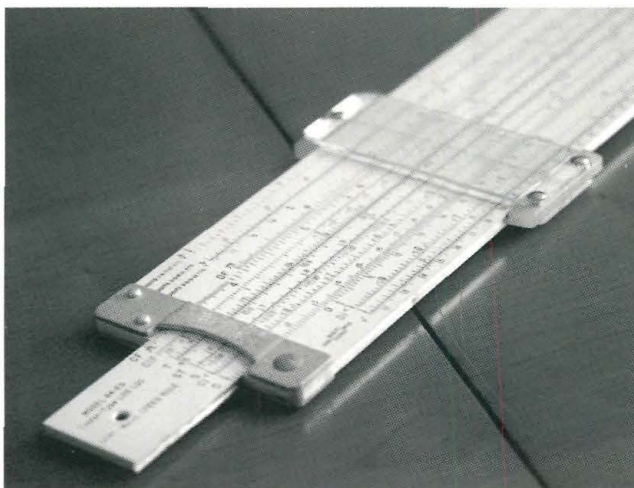
My life was made possible through the genius of Scotland's John Napier, baron of Merchiston. Napier invented the concept of the logarithm. A number's logarithm is the power to which 10 must be raised in order to produce the number. For example, the logarithm of 100 is 2, because 100 is 10^2 , where 2 is the number of 10s that must be multiplied together to get 100. Slide rules are based on a special feature of logarithms: The sum of the logarithms of two numbers is equal to the logarithm of the two numbers' product. That is:

$$\log x + \log y = \log(xy)$$

This feature can be used to simplify computation by converting the relatively complex calculations of multiplication and division into addition and subtraction.

Soon after Napier published his discovery, Edmund Gunter of Oxford realized that two rulers etched with logarithmic scales could be used to

add or subtract two numbers' logarithms and thereby multiply or divide the numbers. For example, adding the logarithm of 2 on the bottom scale (represented below) to the logarithm of 3 on the top scale yields the logarithm of 6:



Useful tool, worthless artifact, collectible artwork? Depends who's looking.

John Allspaw (flickr)

Richard Fulmer (richard_w_fulmer@hotmail.com) is a senior fellow with the Institute for Energy Research and coauthor (with Robert L. Bradley, Jr.) of Energy: The Master Resource. He won the 2009 Eugene S. Thorpe writing competition.

	1		2		3
1	2	3	4	5	6

Division is performed by reversing the process. This same slide rule setting also shows other multiples of 2:

$2 \times 1.5 = 3$, $2 \times 2 = 4$, $2 \times 2.5 = 5$, and so on.

In addition, the setting would be used for calculations involving 2 multiplied or divided by multiples of 10, such as:

0.02, 0.2, 20, 200, and 2000.

It is my user's job to keep track of the decimal point.

Clearly, our simple yet elegant design is the work of genius. Imagine my surprise, then, when in the early 1970s, electronic calculators appeared and my brothers and I became worthless nearly overnight. Not only that, but the machines and factories that made us also became worthless. They had value only as long as we did, and any equipment that could not be used for other things became just so much scrap metal. Worse, the knowledge needed to make us lost its value as well. Craftsmen who had spent their lives creating us became unemployed when the factories they worked in closed.

Calculators were mere boxes filled with wires, chips, and garish red lights that flashed out numbers. They took no skill or flair to operate; they were soulless lumps of plastic that worked only as long as their batteries lasted. Yet these lumps replaced us. Thousands of my brothers were discarded. I was lucky; I was merely

shoved into a drawer and forgotten for nearly four decades.

I had been purchased, along with a sturdy leather case, for \$20, but suddenly I had no value at all. I had not changed in any way, I could still calculate as well as ever. The labor that had gone into me had not changed, nor had my materials, nor my cost of manufacture, nor the knowledge needed to make me. I was the same as I had always been, except that now I was unneeded, unwanted, and forgotten.

As the years passed, however, a strange thing happened. People wanted us again—not as calculating devices but as “memorabilia.” Amazingly, slide rules just like me have been sold for well over a hundred dollars!

Whole websites have been built extolling my virtues and selling my brothers, fathers, grandfathers, and even some of my few surviving great-grandfathers. Even more remarkable is that, in another 60 years, I will be a hundred years old, an antique, and my value will be multiplied manyfold.

How can it be that I started out life worth \$20, but was worthless within a few years? How can it be that decades later, I am valued more than I had been when I was new—even though I am no longer wanted as a calculator but as an “object of art”?

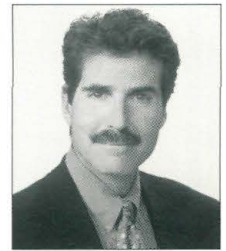
Well, it's because my value never had anything to do with inputs or objective calculations. Nor, once determined, is it established for all time. Value is, instead, subjective. It is based on the needs and desires of the moment, which vary by person and even for the same person as times and circumstances change. My worth will fluctuate through the coming years, even though I will not change. What will change is people's perception of me, and therefore what they are willing to pay for me.

FEE

My value never had anything to do with inputs or objective calculations. It is based on the needs and desires of the moment, which vary by person and time.

Big Government's Cronies

BY JOHN STOSSEL



Many window-making companies struggle because of the recession's effect on home building. But one little window company, Serious Materials, is "booming," says *Fortune*. "On a roll," according to *Inc.* magazine, which put Serious's CEO on its cover, with a story titled: "How to Build a Great Company."

The Minnesota Freedom Foundation tells me that this same little window company also gets serious attention from the most visible people in America.

Vice President Joe Biden appeared at the opening of one of its plants. CEO Kevin Surace thanked him for his "unwavering support." "Without you and the recovery ("stimulus") act, this would not have been possible," Surace said.

Biden returned the compliment: "You are not just churning out windows; you are making some of the most energy-efficient windows in the world. I would argue the most energy-efficient windows in the world."

Gee, other window makers say their windows are just as efficient, but the Vice President didn't visit them.

Biden laid it on pretty thick for Serious Materials: "This is a story of how a new economy predicated on innovation and efficiency is not only helping us today but inspiring a better tomorrow."

Serious doesn't just have the Vice President in his corner. It's got President Obama himself.

Company board member Paul Holland had the rare honor of introducing Obama at a "green energy"

event. Obama then said, "Serious Materials just reopened . . . a manufacturing plant outside of Pittsburgh. These workers will now have a new mission: producing some of the most energy-efficient windows in the world."

How many companies get endorsed by the President of the United States?

When the CEO said that opening his factory

wouldn't have been possible without the Obama administration, he may have known something we didn't. In January Obama announced a new set of tax credits for so-called green companies. One window company was on the list: Serious Materials. This must be one very special company.

But wait, it gets even more interesting.

On my Fox Business Network show on "crony capitalism" (www.tinyurl.com/yb4vau4; note: audio begins immediately at high volume), I displayed a picture of administration officials and so-called "energy leaders" taken at the U.S. Department of Energy. Standing front and center was Cathy Zoi, who oversees \$16.8 billion in

stimulus funds, much of it for weatherization programs that benefit Serious.

The interesting twist is that Zoi happens to be the wife of Robin Roy, who happens to be vice president of "policy" at Serious Windows.



Cathy Zoi doles out stimulus funds for the Department of Energy; she's also married to the VP of a company that's gotten a lot of them.

John Stossel hosts Stossel on Fox Business Network and is the author of Myths, Lies, and Downright Stupidity: Get Out the Shovel—Why Everything You Know is Wrong. Copyright 2010 by JFS Productions, Inc. Distributed by Creators Syndicate, Inc.

Of all the window companies in America, maybe it's a coincidence that the one that gets presidential and vice presidential attention and a special tax credit is one whose company executives give thousands of dollars to the Obama campaign and where the policy officer spends nights at home with the Energy Department's weatherization boss.

Or maybe not.

There may be nothing illegal about this. Zoi did disclose her marriage and said she would recuse herself from any matter that had a predictable effect on her financial interests.

But it sure looks funny to me, and it's odd that the "liberal" media have so much interest in this one company. Rachel Maddow of MSNBC, usually not a big promoter of corporate growth, gushed about how Serious Materials is an example of how the "stimulus" is working.

When we asked the company about all this, a spokeswoman said, "We don't comment on the personal lives of our employees." Later she called to say that my story is "full of lies."

But she wouldn't say what those lies are.

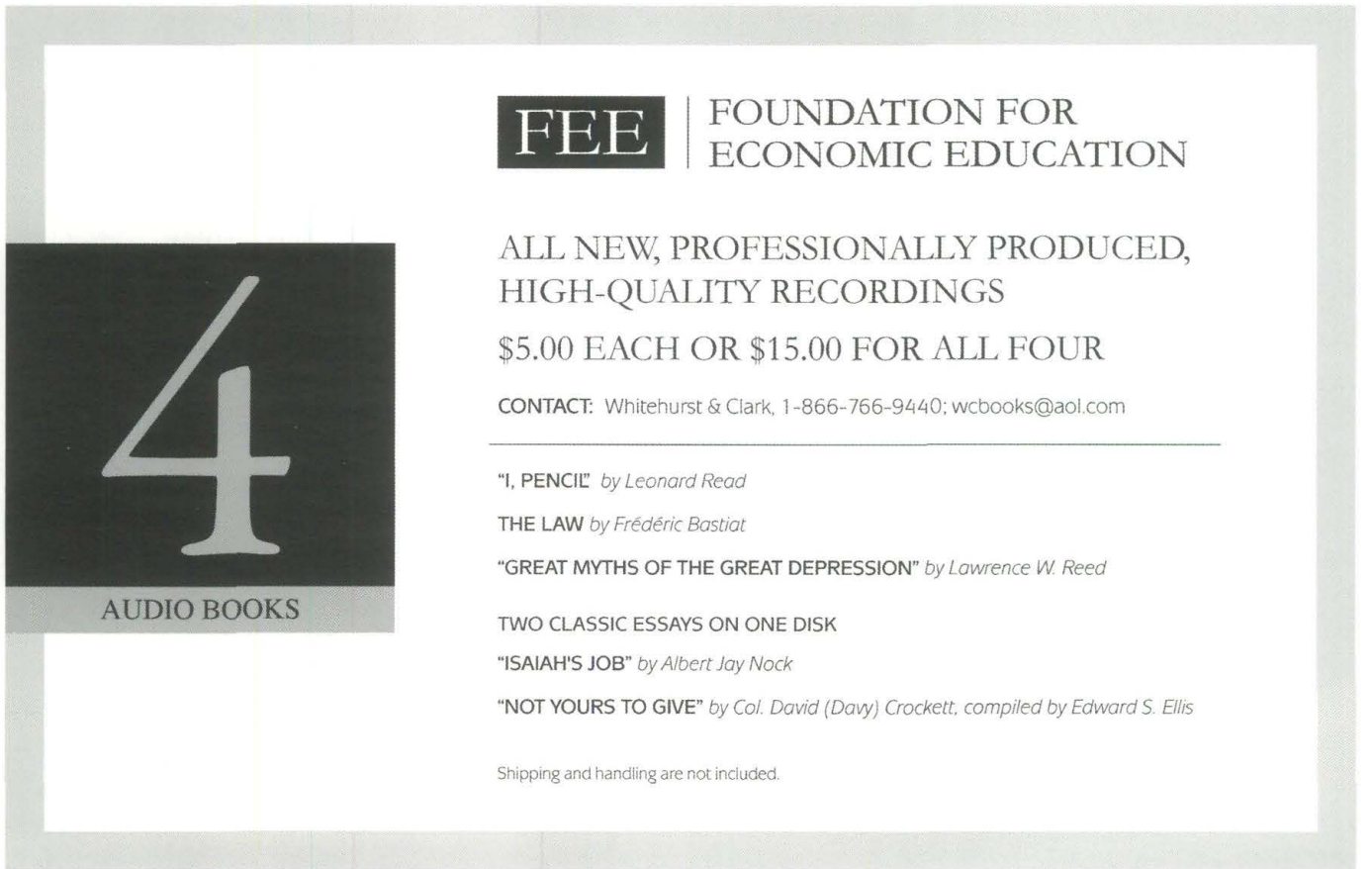
Government is as manipulative with selective tax credits as it is with cash subsidies.

On its website Serious Materials says it did not get a taxpayer subsidy. But that's just playing with terms. What it got was a tax credit, an opportunity that its competitors did not get: to keep money it would have paid in taxes. Let's not be misled. Government is as manipulative with selective tax credits as it is with cash

subsidies. It would be more efficient to cut taxes across the board. Why should there be favoritism?

Because politicians like it. Big, complicated government gives them opportunities to do favors for their friends.

FEE



FEE | FOUNDATION FOR ECONOMIC EDUCATION

ALL NEW, PROFESSIONALLY PRODUCED, HIGH-QUALITY RECORDINGS

\$5.00 EACH OR \$15.00 FOR ALL FOUR

CONTACT: Whitehurst & Clark, 1-866-766-9440; wcbooks@aol.com

"I, PENCIL" by Leonard Read

THE LAW by Frédéric Bastiat

"GREAT MYTHS OF THE GREAT DEPRESSION" by Lawrence W. Reed

TWO CLASSIC ESSAYS ON ONE DISK

"ISAIAH'S JOB" by Albert Jay Nock

"NOT YOURS TO GIVE" by Col. David (Davy) Crockett, compiled by Edward S. Ellis

Shipping and handling are not included.

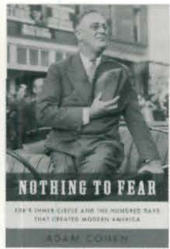
Book Reviews

Nothing to Fear: FDR's Inner Circle and the Hundred Days that Created Modern America

by Adam Cohen

Penguin • 2009 • 384 pages • \$29.95 hardcover; \$16.00 paperback

Reviewed by Roger W. Garrison



History buffs who focus on the world between the wars will find plenty to ponder in Adam Cohen's *Nothing to Fear*. Openly critical books—from *The Roosevelt Myth* by John T. Flynn (1948) to *FDR's Folly* by Jim Powell (2003)—have laid bare the politics and economics of Franklin Roosevelt's New Deal, showing us how *not* to deal with a depressed economy. The minimum wage, rent control, administered prices, trade barriers, and the cartelization of industry all made matters worse. The tax on undistributed profits dimmed entrepreneurial spirits, while the crop-destruction program added insult *and* injury. Make-work projects prolonged the hard times by forestalling market adjustments.

Roosevelt dominates the dust jacket of the book but is the background throughout most of its nine chapters. Cohen puts the spotlight on the key operatives during the first hundred days—Raymond Moley, Lewis Douglas, Henry Wallace, Frances Perkins, and Harry Hopkins. These are the people who had Roosevelt's ear. As Cohen suggests, what Roosevelt knew was whatever he'd heard most recently. The hard left turn that America took during those days didn't come from any top-down planning of the administration but rather from the decisive triumph of the socialist-minded secretary of labor (Frances Perkins) and others over the ultraconservative budget director (Lewis Douglas). Douglas's defense of fiscal responsibility was no match at all for the pre-Keynes Keynesianism touted by Perkins. And in matters of economic theory, Roosevelt himself was completely out of play. Perkins was accustomed to addressing issues on a theoretical level, or so Cohen reports, while FDR, in Perkins's assessment, was "illiterate in the field of economics."

But where did Perkins get her own economic literacy? Not from Keynes, although his ideas were in the air. Perkins's belief that spending is the key to prosperity came from her studies at the University of Pennsylvania under Simon Nelson Patten, whom Cohen calls a "renowned economist." Though Cohen doesn't dig further into the Patten-Perkins connection, we can note that Patten (1852–1922) had studied abroad, becoming immersed in the ideas of the German Historical School. Hence, the views he imparted to Perkins could hardly be described as "theoretical." In espousing policy Patten was guided by a Keynesianesque vision in which a spiral-prone economy can be controlled by government spending. Cohen quotes Perkins: "The depression is feeding on itself. . . ." And "[w]e must have mass consumption or we will never get a market for mass production." From day one Perkins was the driving force for a large-scale public-works program meant to provide the income to get the mass consumption and production going.

As a coincidence of timing, Cohen's book provides eerie insights into the first hundred days of the Obama administration. The parallels are impossible to miss. For instance, then as now, the political rhetoric entailed a commitment to budget cutting, while at the same time promising massive spending to stimulate the economy. This schizo fiscal posturing reminds us of the episode involving the Bush-initiated project to produce a fleet of 28 "Marine One" presidential helicopters. By the time Bush left office cost overruns had increased the projected cost per copter to \$500 million. The Obama administration scrapped that wasteful project while simultaneously appropriating funds for a Harry Reid-supported high-speed rail service between Las Vegas and Los Angeles. (We wonder why the helicopter project wasn't kept on track—with plans to press the copters into service shuttling Reid's constituents between Vegas and L. A.) Senator Reid later gave up on this expensive folly, but the parallels between FDR's and Obama's cost-cutting-cum-reckless-spending propensities remain.

For another instance, the procedures for sizing the "stimulus" packages then and now should be enough to kill confidence in government spending policies. How did the Obama administration decide that its "stimulus" package needed to be \$787 billion? Even the Obama-

friendly media recognized that numbers were just cobbled together—and without anyone actually reading the final bill.

In 1933 a key determinant of the actual amount stipulated in the Industrial Relief Bill involved a failure to hear rather than a refusal to read—at least, according to Harold Ickes's account as reported by Cohen. Just before submitting his bill, Senator Robert Wagner (D-NY) shouted to his secretary in an adjacent office, "Does the \$3.0 billion for public works include the \$300 million for New York?" The secretary shouted back, "I put it in," but Wagner heard only "Put it in." So, he made the adjustment and submitted a \$3.3 billion spending bill.

Cohen ends his book on a warm and positive note. He offers a summary of Roosevelt's accomplishments, focusing on the National Industrial Recovery Act, the capstone legislation of the first hundred days: "Although much of [the NIRA] failed, it still changed America. The workers' rights and public works provisions not only improved the lives of millions of destitute Americans they marked the triumph of one faction of the administration, led by Perkins, Wallace, and Hopkins, and the defeat for another, led by Douglas. Taken together, these provisions stood for something fundamental: recognition of the federal government's responsibility to look after its citizens."

Alas, still another parallel—the rosy perceptions and favorable ratings of Roosevelt and Obama, despite the arbitrariness, incoherence, and perversities of their policies. **FEE**

Roger Garrison (garrir@auburn.edu) is professor of economics at Auburn University.

The Power of Freedom: Uniting Human Rights and Development

by Jean-Pierre Chauffour

Cato Institute • 2009 • 197 pages • \$22.95

Reviewed by Rosemarie Fike



Jean-Pierre Chauffour, an economic adviser at the World Bank, constructs a framework within which human rights and economic development are mutually consistent. His book is a response to policymakers and academics who view eco-

nomics development as a "fundamental right" calling for government intervention; it demonstrates that the policy prescriptions derived from their ideas are counterproductive to the goals of economic development. Chauffour then sets forth a common ground for development and human rights founded on the ideas of freedom, "negative rights" (rights against coercive interference), and protection of private property. Societies that ensure these basic freedoms will achieve far greater economic development, he argues.

Chauffour first explains the history of thought behind the idea that economic development itself is a human right. Advocates of that view focus on attaining "positive rights"—that is, a right to have things regarded as necessary for a good life. That notion has strong roots in socialism. Many regimes give high priority to these positive rights, but they necessarily violate true human rights in order to sustain their political agendas. Even in its less extreme forms, the "positive rights" approach to development inevitably designates some government force that is supposed to be capable of ruling in the interest of citizens, instead of permitting them to pursue their own interests as they would under a "negative rights" regime.

In advancing his argument that economic development will result from individual liberty, Chauffour uses the insights of the Austrian school of economics. He illustrates that policies intended to promote human-rights agendas are plagued with both knowledge and coordination problems. He incorporates many of F. A. Hayek's ideas, which both cast doubt on the political feasibility of government-directed development and point out the logical inconsistencies of systems based simultaneously on positive and negative rights.

Crucially, Chauffour emphasizes that simply proclaiming that all individuals possess certain positive rights, such as freedom from hunger, does not provide governments with the resources or the knowledge necessary to guarantee those things. The mere act of declaring something to be either a right or an obligation does not help anyone, except perhaps the politicians. Chauffour might have strengthened his point here by arguing that declaring an obligation that is impossible to fulfill, such as that employers must pay "decent wages," may be harmful in underdevel-

oped societies. Giving people the expectation that they are entitled to specific outcomes breeds inertia and inaction.

While most of the book is about the harm done by positive rights-based policies and how negative rights are more logically consistent than positive rights, Chauffour asserts that “it is a fact that the protection of certain negative rights cannot be ensured without positive actions by the state.” In saying that, he sells short private solutions that can emerge to solve complex property-rights issues that most governments struggle to control via regulation. Even in developing countries, the free market works well to devise protections for property rights, and Chauffour could have strengthened his case for *laissez faire* by noting that.

Another difficulty is that Chauffour seems to underestimate the challenges of making the transition from a society dominated by “positive rights” thinking and intrusive government to one where individual rights are upheld. Major development successes will happen when societies embrace economic freedom, but how do we create the institutional context under which people (and especially their rulers) who have been accustomed to strong government control will throw off those shackles and embrace freedom? Chauffour’s diagnosis is right and the prescription is right, but can the patient be induced to take the medicine?

Following the devastation of the earthquake in Haiti, this is a particularly good time to read *The Power of Freedom*. Haiti is a desperately impoverished nation, and that poverty has made the death toll far greater than it would have been in a wealthier, modernized nation. Haiti has received great amounts of foreign aid but that has not translated into economic development. Moreover, the nation ranks low on indices of economic freedom, particularly in terms of property-rights protection. Perhaps this tragedy will at least cause some development experts to consider Chauffour’s point that freedom will allow poor people to start advancing economically, whereas looking to government to catalyze development is certain to lead to disappointment. **FEE**

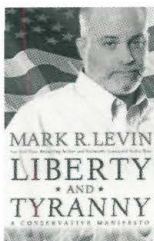
Rosemarie Fike (rfike@fsu.edu) is a graduate student in the department of economics at Florida State University.

Liberty and Tyranny: A Conservative Manifesto

by Mark Levin

Threshold Editions • 2010 • 205 pages • \$25.00
hardcover; \$15.00 paperback

Reviewed by George Leef



The election of Barack Obama in 2008 led to a gusher of books in 2009 by writers opposed to the new President’s philosophy and agenda. If you judge by sales figures, one of the most successful of those books was *Liberty and Tyranny* by Mark Levin, president of Landmark Legal Foundation and a nationally syndicated talk-show host. His book sat high on best-seller lists for many weeks last year.

There is not much new in *Liberty and Tyranny*, but Levin’s attack on the statist—yes, that’s the word he uses throughout—mindset is for the most part sound and effective. Unfortunately, the book is marred by a glaring flaw. Levin tries to couch the predictable conservative-versus-libertarian disagreements as a battle between conservative “common sense” and statist folly; that is, he doesn’t even acknowledge that there are pro-liberty arguments against his notions about immigration and “national security,” but attempts to cast all who disagree with him as “statists.”

I will start with what’s good about the book, then deal with the chapters that are like fingernails on the blackboard.

Levin begins with this description of America’s dominant political philosophy: “For the Modern Liberal, the individual’s imperfection and personal pursuits impede the objective of a utopian state. In this, Modern Liberalism promotes what French historian Alexis de Tocqueville described as a soft tyranny, which becomes increasingly more oppressive, potentially leading to a hard tyranny. . . .”

Because modern liberalism is infatuated with authoritarian mandates and prohibitions to bring about its utopian vision, it has nothing whatever to do with its root word, “liberal.” That’s why Levin insists on using the more accurate term “statist.”

Good. Calling those who want to, for example, force people into a politically contrived health care system

“liberal” is a capital offense against the English language. I tip my hat to Levin for demanding terminological accuracy.

And statist thinking is responsible for most of our socioeconomic troubles, Levin shows. Statism has given us a panoply of “rights” that are not rights at all, but which actually undermine people’s true rights to life, liberty, and property. Levin takes issue with FDR’s horrendous “Second Bill of Rights,” wherein he proclaimed that Americans have “rights” to sufficient income for a “decent living,” to “adequate medical care,” and to a “good education.” Levin gives that babble the back of his hand, writing, “These are not rights. They are the Statist’s false promises of utopianism [used] to justify all trespasses on the individual’s private property.”

Exactly. Levin then approvingly quotes Frédéric Bastiat on the proper function of the law, writes an excellent chapter on the need to protect the free market against interventionism (the harm from which is then blamed on what is left of the free market), identifies the welfare state as responsible for our current and looming future economic debacles, and pummels the authoritarian agenda of “enviro-statism.”

Too bad he didn’t stop there. Instead, he moves on to immigration and national security.

On the issue of immigration Levin forgets what he has previously written about the benefits of liberty and repeats all the stock conservative tropes about the supposed danger of immigrants who don’t “assimilate” as quickly as he thinks they should and who pose some nebulous danger to “our culture.” The same things were said by nativists about immigrants 150 years ago. Levin tries to draw a distinction by claiming that the immigrants of yesteryear had skills that were needed for building the country. Of course they had a lot of skills, but so do current immigrants. If they didn’t, we wouldn’t be hearing that they’re “taking jobs from Americans.” Worse, Levin tries to suggest that those of us who would just leave immigrants alone are on the side of statism and that cracking down on “illegals” is consistent with liberty. Is he not aware of the brutal, military-style raids the government launches against employers and workers suspected of immigration violations? Or does he think they’re part of “liberty”?

Equally weak is Levin’s chapter “On Self-Preservation,” an apology for neoconservative policies of military adventurism abroad and the constriction of civil liberty at home. He sets up a false dilemma between a statist foreign policy of the kind Obama favors (which, by giving power to international bodies to control the United States, is undeniably hostile to American freedom) and conservative foreign interventions (which impose enormous costs in lost lives and expended dollars, only to create still more enemies) without bothering to observe that there is a third possibility—a truly noninterventionist policy that ignores the United Nations, stays out of places like Iraq and Afghanistan, and leaves it to individuals to decide if they want to donate any foreign aid.

The bad chapters come at the end of the book. I can only hope that readers finished the first eight chapters and then got tired of it. **FEE**

George Leef (georgeleef@aol.com) is book review editor of The Freeman.

Globalization: The Irrational Fear that Someone in China Will Take Your Job

by Bruce C. Greenwald and Judd Kahn
Wiley • 2008 • 186 pages • \$29.95 hardcover; \$16.95 paperback

Reviewed by Phil Murray



With the Obama administration turning toward trade protectionism, this is a good time to revisit the age-old controversy over free trade. Recent arguments have often centered on the supposed evils of globalization, and *Globalization* attempts, with only partial success, to deal with globalization anxiety.

According to Greenwald (who teaches in Columbia University’s Graduate School of Business) and Kahn (a former history professor), “writers on globalization” largely misinform the public. They fail to acknowledge earlier waves of globalization that Americans have survived and benefited from, and rely on “anecdotes” but not “harder, more representative, and more dispositive data.” As a result, the public overestimates the negative effects of globalization. The authors aim to more accurately

describe and discuss globalization and its consequences.

They begin with the history of globalization. In the first phase (1820–1920), innovations in transportation and communication set the stage for world trade in commodities. Globalization receded during the second phase (1920–1950). Greenwald and Kahn recognize that tariffs, economic depression, and war explain part of that decline, but in their view the leading factor was innovation in the production of commodities, which increased incomes and encouraged manufacturing. The new manufactured goods were not readily traded, so countries exported and imported less output across borders. Globalization rebounded during 1950–2000 as “businesses learned to sell differentiated products in distant markets.”

Currently, the authors see the mix of economic activity changing again. In this phase, productivity gains are reducing the importance of the manufacturing sector relative to the service sector. Greenwald and Kahn reason that many of these services will still be produced in home markets and predict another round of decreasing globalization.

Economists generally advocate free trade as a policy that leads to higher standards of living, but Greenwald and Kahn argue that the causality generally runs the other way, with greater prosperity leading to increasing trade. Their data show that standards of living around the world have little to do with the pace of globalization, and they contend that living standards depend more on whether an economy is capitalistic or socialistic than the ebb and flow of globalization.

Few economists would disagree that market-oriented economies outperform socialist economies. The authors seem to be creating an unnecessary debate on that point. Far worse, however, they endorse neither free trade nor protectionism. “Like other economic policies,” they write, “trade policy is best decided by local authorities, responding to local conditions.” That’s a feeble argument. Local authorities are just as susceptible to special-interest pressures to restrict trade as are national ones, and the results are just as bad for consumers.

Free trade remains unpopular because the public worries about job losses. Greenwald and Kahn

acknowledge this concern, but observe that what the public does not notice are the tremendous job gains. “During 35 years of increasing globalization,” report the authors, “employment in the United States actually increased by over 80 percent.”

Their analysis of employment data shows that many of the new jobs are in attractive categories such as management. Furthermore, globalization is not the primary destroyer of manufacturing jobs. By the authors’ calculation, globalization accounted for 35 percent of the manufacturing jobs destroyed from 2000 to 2006, while automation accounted for 65 percent. Might it not be that American workers will keep their jobs but suffer wage cuts due to globalization? In fact, the authors show, while real wages in the United States declined between 1970 and 1982, since 1983 they have been rising.

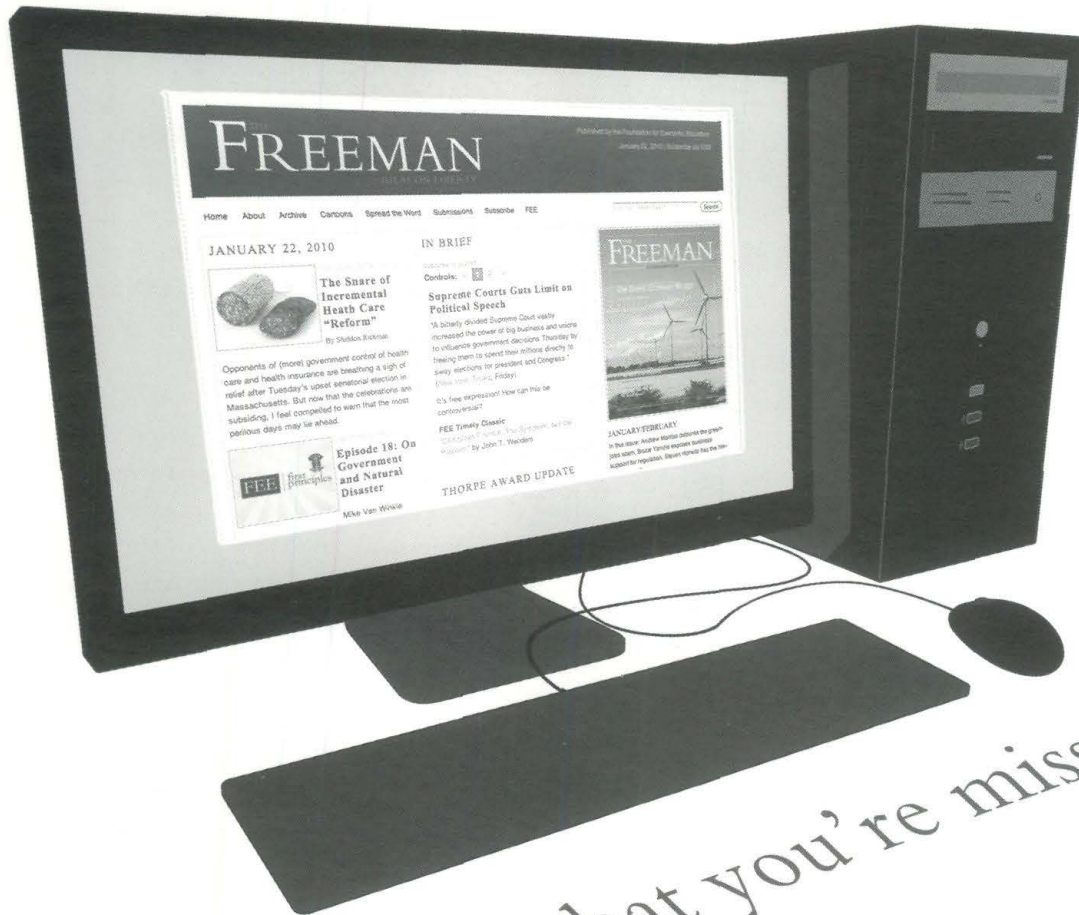
So far, so good. But Greenwald and Kahn then argue that because other countries are practicing “monetary mercantilism” we must take steps to reverse the U.S. trade deficit. They favor creating a new world currency, with the International Monetary Fund acting as a global central bank. What terrible analysis and advice! Trade deficits are not harmful; they’re the flip side of capital inflows that reflect increasing investment. Furthermore, there is no reason to believe that international bureaucrats can run a central bank any more successfully than can the bureaucrats in charge of our own *inflation-prone Federal Reserve*.

The basic premise of the book—that people should stop thinking about “globalization” as if it were the economic equivalent of the Black Death—is correct. The trouble is that Greenwald and Kahn let their erroneous notions (not all of them pertinent to globalization) get in the way of a truly enlightening work. We emphatically do not need any of the interventionist policies they propose (like the new international currency) or think are harmless (like local trade impediments). Economic freedom, including global trade, needs a full-throated defense rather than this rather timorous one.

FEE

Phil Murray (murraypr@webber.edu) teaches economics at Webber International University in Babson Park, Florida.

www.thefreemanonline.org



Do you know what you're missing?

- Lively discussion ...
- Exclusive columns ...
- Archive access ...
- And much much more!



Forgotten Lines

BY DAVID R. HENDERSON

In the January 23, 2010, *Los Angeles Times* crossword puzzle, one of the clues was “Sassy reply to criticism.” The answer: “It’s a free country.” Why do I find this so striking? For two reasons. First, when I grew up in the 1950s and 1960s, not many people around me considered that a sassy reply. When I used the line, it was shorthand for, “I have rights; maybe this isn’t the best decision, but I have the right to make my own mistakes.” Second, almost no one uses that line any more. Why? I think it’s because, if only subconsciously, most people recognize that in some important ways, freedom in the United States has declined.

Pay attention and you’ll see the ways we’re not free. Some of these predate the 1950s. If you have school-aged children, you can’t legally decide not to send them to school. You can’t, for example, have your 17-year-old kids work in your business instead of attending school. At best, you can home-school them, and even that option is limited in some states. Buying liquor is legal only from a licensed dealer, and in many states, licenses are often impossible to get. Forget about using marijuana or cocaine. If you want to get certain medicines, you must first get a doctor’s permission, even if all he does is listen to you ask him to prescribe it.

But many of life’s daily restrictions on freedom are much more recent. If you go to a restaurant, chances are that it’s one in which a state or local government has banned smoking. In my city of Pacific Grove, California, people can’t buy food at a Taco Bell or a Burger King because the city council decided a few years ago not to let those chains in. The government of New York

City banned certain kinds of fats in meals, thus reducing the freedom of producers and consumers who want to produce or consume those fats. If you want to travel by air, the government insists that you get permission from a TSA employee, and to get that permission you must submit to a body search and, maybe soon, an X-ray so that a government employee can see your naked body. And don’t dare make fun of that government employee or you might go to jail.

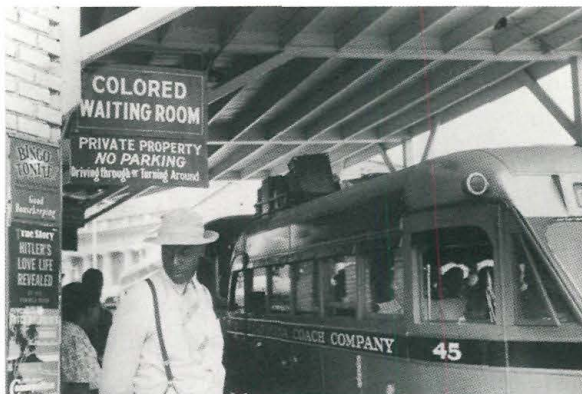
Significant Gains in Freedom

It’s true that over the last 40 years there also have been major increases in freedom, economic and otherwise.

Consider the draft. Americans of my generation, if they were unlucky enough to be male and healthy, knew that when they turned 18, the U.S. government could forcibly put them in the military. During the Vietnam war, in which more than 58,000 Americans were killed, that was a scary prospect. Another major increase in freedom was for black and white people who wished to marry. In many

states anti-miscegenation laws were on the books as late as the 1960s.

On the issue of race another major increase in freedom came in the 1960s, when businesses in the southern United States were no longer forced to discriminate against potential customers who were



Recent decades have seen some significant gains in freedom, despite some losses.
wikimedia.org

David Henderson (davidrhenderson1950@gmail.com) is a research fellow with the Hoover Institution and an economics professor at the Graduate School of Business and Public Policy at the Naval Postgraduate School in Monterey, California. He is the editor of The Concise Encyclopedia of Economics (Liberty Fund) and blogs at www.econlib.org.

black. This was a major increase in freedom both for businesses and for blacks, who had been prevented from engaging in mutually beneficial exchange. Unfortunately, the U.S. government did not just overturn the laws that had required discrimination but went further and prohibited discrimination on racial grounds. So the discrimination that had been required by law was now prohibited by law. Simple freedom of association was never tried.

There have been other increases in freedom, as well. Until the early 1970s, the telephone company had a monopoly on long-distance service and used that monopoly to set high prices. By the late 1980s much of that government-granted monopoly power had disappeared. Also, a federal agency called the Civil Aeronautics Board (CAB) regulated the airline industry, requiring an airline that wanted to fly between two cities to get permission to do so. Permission was often refused. The CAB also required airlines to file their fares before changing them, and competing airlines could protest these fares and often did so if they were “too low.” Starting in 1978 and finishing in 1984, the federal government ended these restrictions. Although the Federal Aviation Administration still regulates safety, the CAB was eliminated on December 31, 1984. Airlines have much more freedom to enter markets and cut prices, with travelers being the major beneficiaries. There was similar deregulation in surface transportation around the same time.

Recent Losses

But notice that most of the gain in freedom started in the late 1960s and concluded by the mid-1980s. Since then, most of the changes have been toward less freedom. Think of the increasing bureaucratization of life, most of which is due to government. If I want to cut off a tree branch that is more than four inches in diameter—even in my own yard—I must get the city government’s permission and pay for that permission.

In the city of Monterey, California, someone who wants to install a new dishwasher must get government permission to do so. I’m sure that few people bother because the requirement is so hard to enforce, but it’s a requirement. Under a law passed in 2008 the Consumer Product Safety Commission warned that children’s books published before 1985 are not safe and cannot be sold unless the seller does expensive testing to make sure they don’t contain lead. This is so even though, as Walter Olson has written, “no one seems to have been able to produce a single instance in which an American child has been made ill by the lead in old book illustrations.”

Credentialism is also reducing our freedom, and one interesting recent illustration was in President Obama’s speech to U.S. schools at the start of the 2009–10

But notice that most of the gain in freedom started in the late 1960s and concluded by the mid-1980s.

school year. What received the publicity at the time was the controversy about whether it was proper for a U.S. president to address the students and for the U.S. Department of Education to put together exercises for the teachers to conduct after the speech on how the students could help Obama achieve his goals. What went unnoted was Obama’s statement that students should finish high

school because otherwise they will not be able to pursue the careers of their choice. Obama gave seven examples of such careers: lawyer, doctor, nurse, teacher, architect, police officer, and military. Why is that remarkable? The reason people need a high school diploma to enter the first five of those seven occupations is that governments require them to. And the reason people need a diploma to be police officers or to advance in the military is not only that the employer requires it but that in both cases, the employer is the government. You don’t need a high-school diploma to write software because the government hasn’t gotten around to regulating that occupation—yet.

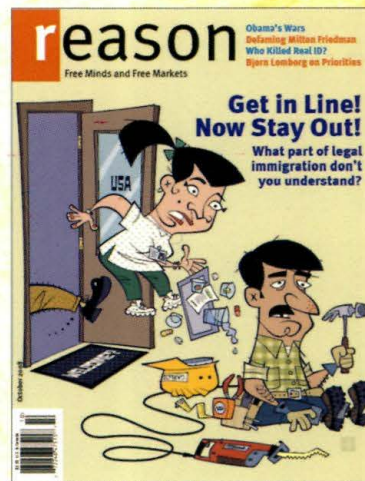
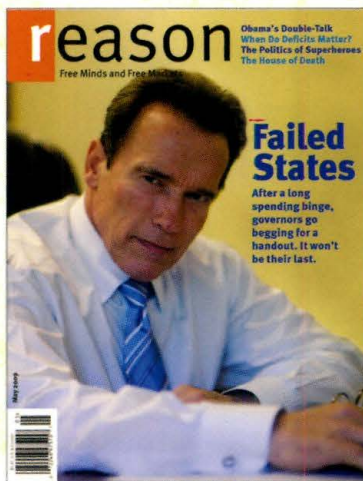
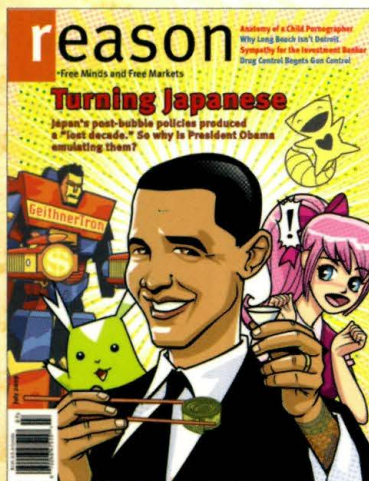
Let’s put the truth back in the expression “It’s a free country.”

FEE

reason

Free Minds and Free Markets

There IS an alternative to tired old commentary from both the right *and* the left. **reason** is the magazine of free minds and free markets. Visit **reason.com** today for cutting edge views, news, and “scathingly brilliant”* analyses of politics, culture, and ideas.



“There is nothing remotely like this magazine.”

—*National Journal*

“This magazine does everything well: culture, politics, religion, philosophy.”

—*Chicago Tribune*

“It’s a rare thing to have one’s mind changed by a magazine...this often happens with **reason**.”

—*Media Week*

READ AND SUBSCRIBE TODAY!

Visit www.reason.com

**Esquire*

FEE

FOUNDATION FOR
ECONOMIC EDUCATION

30 South Broadway
Irvington-on-Hudson, NY 10533
www.fee.org

There's a far simpler, constitutional, and less offensive way to protect aviation than photographing two million passengers in their birthday suits each day:
Free the airlines from the federal government's stranglehold on security.

—Becky Akers

