

# THE FREEMAN

IDEAS ON LIBERTY

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- 244 The Military's Secret War Against Racism**  
*Lee Nichols*  
Reporting the story of the successful racial integration of the armed forces.
- 247 The Right Kind of Social Activism**  
*Edward Walter*  
Project Choice exemplifies private sector initiatives to aid minority students.
- 249 Capitalism and the Environment**  
*Tibor R. Machan*  
How the free market system addresses the problems of pollution.
- 258 Employee Ownership: A Rapidly Growing Threat to a Free Market**  
*Dwight D. Murphey*  
The proliferation of Employee Stock Ownership Plans.
- 262 The Ongoing Struggle for Liberty: Reasons for Optimism**  
*Dwight R. Lee and Richard B. McKenzie*  
Has the threat of government reached its zenith?
- 268 Fostering the System**  
*Ann Rogers and Michael Rogers*  
A foster family and their foster son become victims of the state's social welfare systems.
- 271 Low Life**  
*Al Garner*  
A look at those who think life owes them a living.
- 273 A University with a Future**  
*Leonard P. Liggio*  
Guatemala's Francisco Marroquín University helps students to appreciate the freedom philosophy.
- 274 Readers' Forum**
- 276 Book Reviews**  
John Chamberlain reviews *Israel's Dilemma: Why Israel is Falling Apart and How to Put it Back Together* by Ezra Sohar. Other books: *The Diary of H.L. Mencken* edited by Charles A. Fecher, *The Holocaust Conspiracy: An International Policy of Genocide* by William R. Perl.

CONTENTS  
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## Living Within Our Means

Here is a simple rule with a wealth of stress-reducing benefits.

Think of all the advantages to individuals and families of practicing the rule of "living within your means."

Previous generations in this country expected each person to live within his or her means as a requirement of good citizenship.

How else can one enjoy freedom? Certainly not when choices are limited by debt or when one has no personal resources. There can be no peace of mind when one is subject to the will of creditors. The same is true when one has no personal resources. Like slaves of old, debtors live at the command of others—their creditors. And for all the attempts to place the blame for public debt on someone else, as politicians often do, there is no escaping the fact that each of us is responsible for our own actions.

We are the problem! When we take our hard-won heritage of freedom and treat it so casually as to avoid taking care of our own affairs, we diminish our strength for self-government and allow the government to control more and more of our lives.

Consider how many problems would be lessened if it became popular again to live within our means. We don't need surveys, statistics, or psychological theories to show the stress in individuals and families due to financial problems. We see it all around us.

Actually, living within our means requires living below our means. Saving something regularly from our earnings strengthens our security and peace of mind, while at the same time it expands our choices and opportunities for the future.

I remember the advice given me when I got married: "Live below your income or you will never know contentment." I have heard and read a lot of financial ideas in the 40 years since receiving this advice. But I have never heard anything better. It works! If enough people returned to this simple rule and experienced its profound worth, they would then have the key to correcting many of their personal and financial problems. Once people know this rule to be reality, they have a clear understanding of how to correct the financial problems in local, state, and national affairs. It all

starts with the individual!

Unforeseen catastrophes can happen to individuals and nations, and can take away their material security despite their having prudently lived within their means. However, if the worst happens, experience shows a strength of character both in individuals and nations as a result of practicing this simple formula.

When you think about it, isn't this morally what we should be doing with our freedom?

—RICHARD W. HOLDEN  
Avon, Connecticut

## The Return to Freedom

The most precious gift to man is freedom.

What makes man human is reason. Without the freedom to reason, man is not *human*!

In order to think, to reason, man needs not only to live in a setting free of fear. He also must be stimulated by scientific debate, various political and philosophical opinions, by freedom of the press, of work, of conscience, of association, of criticism. None of this is possible in countries where there is only official truth, where there is only one official philosophy, where there is only one party, the party in power, only one paper, that published by the government's party, only state-owned property, and only one economic plan, that imposed by the central planning office. In such an environment, there can be no scientific progress, no technological development, no economic prosperity, as even the officials in some of those countries are now coming to recognize.

To return to freedom is to return to the market economy, to freedom of inquiry, to private enterprise, to a true multi-party system, to respect for the political and economic freedom of individuals. That is the basis of Western democracy, of human progress and social equality.

—TITO LIVIO CALDAS,  
writing in *Ciencia Politica* (First Quarter, 1989), a quarterly review for Latin America and Spain published by Tierra Firme Editores, Bogota, Colombia. Translated from the Spanish by Bettina Bien Greaves.

## Sweatshops

Journalists and political sorts deem sweatshops to be evil, and evil is to be directly eradicated. We are to pass strict laws, strictly enforced, to abolish low pay, long hours, unpleasant working conditions, unpleasant working hours (including work at home), and use of children.

But is that really the end of the story, the end of analysis of the problem, the end of policy prescription? We simply outlaw the scourge of sweatshops and walk away in prim satisfaction?

What is to happen to the erstwhile workers—commonly uneducated, poorly trained, illegally in a land foreign to them, with little experience and marketplace sophistication—who have had their livelihoods abolished? They had been surviving—even if meanly by civilized standards—in market competition by selling their limited services of low value at meager wages. Taking away those miserable jobs, pricing them out of what had been their best option, does not magically provide them with better alternative employment. Reducing their already poor power to compete, leaving them more handicapped than before, is a strange way to help them.

—WILLIAM R. ALLEN  
*The Midnight Economist*

## Sticky Fingers

During my lifetime, I can recall endless examples of sticky fingers in the public till. And I can also recall the endless legislation, myriad investigating committees, and cries of the outraged public. But when all is said and done, we still have government scandals.

We will never completely erase public greed and corruption. We are imperfect creatures at best. But there is a way to give the citizen better odds. Drastically reduce the size of government. Wipe out big chunks of entrenched bureaucracies. We can't eliminate sticky fingers, but we can reduce the size of the cookie jar.

—EUGENE L. GOTZ  
Arlington, Massachusetts

# The Military's Secret War Against Racism

by Lee Nichols

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*Editors' Note: The following is an account, condensed from the author's unpublished memoirs, of how he broke through the armed forces' curtain of silence on its racial integration drive in the late 1940s and early 1950s.*

\* \* \* \* \*

I was working as a rewrite man on the United Press night desk in Washington, D.C., in 1952 when I got wind that something was going on about the military establishment's racially segregated forces. I thought that there was racial progress in the U.S. in general that had not been fully reported and that might make a magazine article. The head of *Collier's* magazine's Washington bureau expressed interest in the military aspect of that picture and asked me to submit an outline of an article.

At that point I didn't have enough information to write even an outline, let alone an article. But I was encouraged to begin digging by James C. Evans, the civilian assistant for racial affairs to the Secretary of Defense. Evans, a black man, was deeply involved in what was taking place within the military in regard to race but his mouth was sealed. All he could do was give me a "wink and a nod" to goad me into searching.

With the assistance of the Army's chief of public relations, who apparently thought the story had to come out sooner or later and that I seemed to be a responsible reporter, I began seeking information at the Pentagon but I was getting nowhere fast. Finally a major in the Army personnel division

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*Mr. Nichols is a retired Voice of America broadcaster.*

suggested that I visit the Army's training base at Fort Jackson, South Carolina. He refused to tell me why I should visit Fort Jackson or what I would find there.

My interest was piqued. Having nothing to lose, I took a week off from my job and drove to Fort Jackson, on the outskirts of Columbia, the South Carolina capital. I was welcomed by the public affairs officer at the base, who had been notified of my coming, and immediately learned that Fort Jackson had been racially integrated for the past two years!

Few people reading this today can realize what that piece of information meant to me at that time, in the summer of 1952. As far as the public knew, the Army—and Navy and Air Force—was still racially segregated as it had been for over a century. No hints of any moves toward ending this segregation had filtered into the public's awareness. Yet here, adjacent to a major Southern city in full view of anybody who looked, was a fully integrated training base, functioning efficiently without fuss or fanfare.

At Fort Jackson I learned how this racial integration had come about. The base had been beefed up as a major infantry training center shortly before America's entry into the Korean War and had received a substantial influx of black soldiers. It would have required two complete training organizations to handle what would have amounted to two separate Army groups. The commander of Fort Jackson, Brigadier General Frank McConnell, told me he had requested permission

to put the black and white soldiers together. His request was bucked up to a certain level from whence the word came saying, in effect, "Don't ask." McConnell took this to mean, "Go ahead but don't say anything."

McConnell, realizing the possibility of a public outcry if his move made headlines in the local press, told me he had met with the editors of Columbia's two daily newspapers. He explained what he planned to do and asked them, as a patriotic service, not to publicize the action unless they were forced to. The editors agreed. Their newspapers maintained silence. Fort Jackson was integrated quietly, smoothly, with a minimum of trouble. I was told this, and saw with my own eyes the black and white soldiers eating, sleeping, and training side by side. There had been and were continuing problems with on-base social clubs and off-base activities—problems that reflected longstanding social mores and that continued for years after basic integration had occurred.

From Fort Jackson I drove to Fort Bragg, in North Carolina, another Army training base where I found much the same racially integrated situation; the same at the Marine Corps training school at Quantico, Virginia; and, to my growing excitement, a major degree of racial integration in the Navy. The latter was pointed out to me at the huge Norfolk, Virginia, naval base by a young Southern-born white Navy public relations officer who was obviously proud of what the Navy was doing.

## ***The Freeman Breaks the Story***

Returning to Washington, I wrote an outline for an article and submitted it to *Collier's* Washington office. To the chagrin of the man who had encouraged me, *Collier's* New York headquarters turned down the proposed article. I succeeded in placing the article with *The Freeman* (April 6, 1953); it was later reprinted by *Reader's Digest*.

Next came my book. Jim Evans at the Pentagon and Neil MacNeil, a colleague at United Press, urged me to expand my article into a book. I felt overwhelmed at the prospect, unable to contemplate it. MacNeil took me to visit his father, Neil MacNeil Sr., a retired editor of *The New York Times*, at their home in Southampton, Long Island.

I told the father what I had discovered. The elder MacNeil, a man of Scottish ancestry born in Nova Scotia, told me I *must* write a book about it;

I *owed* it to the American people. He recalled to me his being in the South and seeing a group of black school children waiting for a bus to their all-black school, then watching a bus filled with white children passing swiftly by. With tears in his eyes, he told me this incident had filled him with shame for America; the story I had to tell would purge some of that shame.

MacNeil Sr. found me a literary agent who, after a couple of tries, persuaded Random House to publish my book, as yet unwritten. The agent sold it by virtue of an outline and three sample chapters. He also showed Random House a reprint of my *Freeman* article which had been placed in the *Congressional Record* by Senator Hubert Humphrey.

I shudder to remember what it cost me to write that book. Random House had given me a contract calling for a finished manuscript in slightly under three months. I hadn't finished my research and took time to visit Air Force bases in Illinois, Mississippi, and Texas. I visited the Pentagon several times to check facts. And I was working full-time on the UP night desk, so I had to write late at night into the early morning and on weekends, at a frantic pace.

I didn't make the deadline but Random House scheduled the book for publication on February 15, 1954. It was entitled *Breakthrough on the Color Front*, a title I had put at the top of my paper when I started writing, assuming we would work out a more suitable name later. There was no later. When I finally raised the question, a senior editor at Random House looked surprised. "What's wrong with the title?" he asked. It stayed.

The book didn't sell many copies but it was a "critical success." *The New York Times* gave the whole of page three of its Sunday book review section to a highly favorable review by the noted military historian S. L. A. Marshall. The New York *Herald-Tribune* carried an equally laudatory review by Roy Wilkins, then administrator and later head of the NAACP, the day before publication. It was widely reviewed by newspapers and magazines all over the country, South as well as North. *Time* magazine gave it a full page, with pictures, in its news pages. A friend in *Time's* Washington bureau told me it had not been placed in the book review section because it was a major piece of news of which *Time* had been ignorant.

Senator Humphrey gave Random House a

quote for the cover saying the book recorded “the first truly effective step that has been made in implementing the Emancipation Proclamation.” Jim Evans at the Pentagon offered a comment for the cover that the book was “a contribution to national defense through solidarity.”

## The Brown Decision

Evans told me that the previous year, 1953, two justices of the Supreme Court had requested and received from him copies of the manuscript of the book, still incomplete, while the Court was considering the school desegregation issue (*Brown vs. Board of Education*). He told me one of the requesters was Chief Justice Vinson, who died before the Court reached its verdict. He would not tell me the name of the other justice.

I have no way of knowing whether the book had any influence on the Court’s May 1954 ruling that public school segregation was unconstitutional. I assume the Court, in pondering the issue, was concerned, among other things, about the impact such a ruling might have on America’s social structure; and my book recorded, in explicit detail, the lack of adverse effects resulting from the military’s integration program.

In 1955, the Supreme Court issued a second ruling implementing its 1954 decision. In its “friend of the court” brief to the high court, the U.S. Department of Justice cited my book by name as evidence that public school desegregation would be acceptable to the American public.

In gathering material for my book, I had found that the military establishment had wrapped a tight curtain of secrecy around its program of racial integration. Why was such a bold human rights initiative hidden from public view? The reasoning was explained to me by officials involved, and confirmed by key Southern members of Congress: if the integration program had become known while it was in progress, Southerners in Congress would have been virtually forced to publicly denounce it, which could have had a devastating effect on the whole effort.

On the other hand the military, to a general, defended the integration program in secret meetings with key Congressmen as being done solely on

the basis of military efficiency. There was little doubt that this was the case: history had shown that all-black troops on the whole, with notable exceptions, had been unreliable—largely due to the existence of segregation which made them, and made them feel like, second-class citizens, usually relegated to labor tasks and jobs as Navy stewards, under the often-prejudiced command of white officers.

Although military efficiency was given as the official reason for the military’s push to integration, as I dug deeper I found more profound motives among many officers and civilian defense officials. Probably the first move toward racial integration in the Navy was sparked during World War II by a young Navy lieutenant, Christopher Smith Sargent, son of an Episcopal minister, assigned to Navy headquarters in Washington. Sargent prodded the Navy into setting up its first wholly integrated seagoing vessels in this century—a destroyer escort and a submarine chaser. The year before this historic step successfully took place, young Sargent delivered a sermon at All Souls’ Memorial Church in Washington in which he said: “Few can be heroes, doing deeds of great import. . . . Each Christian act we do, each high-minded thought we go by, will add a bit to the Christian way.”

Presiding over the Air Force’s racial integration program were two men: the nation’s first Air Force Secretary, Stuart Symington, son of an Amherst College professor who grew up in a home free from racial bias where help for blacks was stressed; and Symington’s personnel chief, Lieutenant General Idwal S. Edwards, son of a Baptist minister and born in a town called Freedom, New York.

President Truman’s executive order of 1948, calling for “equality of treatment and opportunity” in the armed forces, played a major role in pushing to completion the already-begun integration effort. It was well known that Truman took the Bible and the Constitution literally in his belief in the equality of races. In the summer of 1953, when I was working on my book, I asked him in a personal interview what he thought of the successful military integration.

Truman replied, “It’s the greatest thing that ever happened to America.” □

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# The Right Kind of Social Activism

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by Edward Walter

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**T**oday's gravest social problems—the use of hallucinogenic drugs and the dissolution of minority communities—feed upon each other: Blacks and Hispanics form a major part of an economic and educational underclass that, being isolated from mainstream society, doesn't share mainstream values and goals. Drug use becomes an expression of alienated minorities, and drug abuse leads to violent crime.

Education, if it is no more than a publicity campaign, won't cure the drug problem. Educational campaigns against alcohol abuse and smoking haven't substantially reduced use of these substances in black and Hispanic communities, although they have affected behavior in middle class communities. The same findings turn up regarding health and nutrition education. A consistent correlation exists between educational and economic levels and responsiveness to behavioral propaganda. It can be predicted, therefore, that anti-drug propaganda will barely touch the minority underclass.<sup>1</sup>

Unfortunately, the American public education system has failed blacks and Hispanics. The politicizing of public education, which is a natural outcome of Federal funding, is a primary cause of the system's failure. Educational policy is molded to achieve politically inspired social goals, rather than to impart knowledge and skills. For example, bilingual education, black and Hispanic study programs, and simplified testing, which are implemented to appease minority activists, palliate the failures of minority students, but don't prepare them to enter the work force.

Furthermore, such programs fortify the value differences of minority and white communities, thereby making racial harmony more difficult to achieve. Placing blacks, Hispanics, and whites in the same classroom will improve race relations only when students generally share common educational and career goals. Governmental affirmative action aims at physical integration, but it ignores value integration.

## Project Choice

Now, however, a new program called Project Choice, started by Marion Laboratories (now Marion Merrill Dow, Inc.) in Kansas City, shows great promise for raising the educational performance of minorities. Project Choice inculcates productive values, teaches intellectual and vocational skills to those who usually are bypassed by the educational system—and doesn't expand the governmental bureaucracy. It can add skilled workers to the labor force while reducing drug abuse and crime.

Project Choice was begun in 1988 by Ewing M. Kauffman, founder of Marion Laboratories and principal owner of the Kansas City Royals baseball team. The program aims to improve inner-city communities by elevating the values of their youths and preparing young people to take their place in the business community—goals that have eluded public education thus far. Project Choice employs principles that Kauffman used to build Marion Laboratories into one of America's most successful pharmaceutical companies. Kauffman's life exemplifies the best American business tradition—a modern Horatio Alger story. He began his

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*Professor Walter teaches in the Department of Philosophy, University of Missouri-Kansas City.*

business career as a salesman for a pharmaceutical company in the 1940s. Within two years, he was so successful that his commissions totaled more than the salary of the company's president. In retaliation, his commissions were cut and his territory was reduced, so Kauffman left to start his own business. With \$4,000, he set up shop in his basement. In the first year of business, his one-man operation netted \$36,000 in gross sales and a \$1,000 profit.

With Kauffman as chairman, Marion Laboratories grew to over 3,000 employees, with \$752 million in gross sales and a net profit of \$150 million in 1988. A year later, Dow Chemical Company bought Marion. Today, Kauffman is a billionaire.

In the autumn of his career, Kauffman, through Project Choice, seeks to revive personal initiative and hard work as educational values.

Project Choice, which is administrated by educator Thomas Rhone, targets inner-city youths, who are mostly black and Hispanic. Students who participate in the program are selected solely on the basis of financial need.

Contracts are drawn between the selected students and the Ewing M. Kauffman Foundation requiring students to attend classes regularly, participate in specially devised educational assistance programs, and to avoid alcohol, drugs, and parenthood. Students also must agree to submit to random drug testing. Parents co-sign the agreements.

The Foundation grants scholarships to colleges, universities, or technical schools to students who satisfy the prescribed conditions and graduate from high school. Tuition, fees, the cost of books and supplies, and reasonable room and board expenses are paid by the Foundation. Students are expected to attend schools in their resident states, but may choose schools outside the region with the Foundation's approval.

Kauffman is eager to have students select technical schools, as well as colleges and universities. He hopes to develop data processors, secretaries, and other skilled workers to shore up a work force that hasn't met the demands of an increasingly innovative technology. U.S. research hasn't lagged behind its foreign competitors; rather, the inability to implement innovations has placed U.S. businesses at a disadvantage with foreign competitors.

The program was launched in April 1988 with a

group of eighth graders. This year, approximately 700 secondary school pupils in Kansas City, Missouri, and Kansas City, Kansas, took part in the program. Students are encouraged to participate in tutorial programs developed at area colleges. These programs seek to improve mathematical and reading skills in a student body that, prior to entering the program, had high absentee records and low test scores. To facilitate the change in student attitudes, parents are encouraged to attend monthly meetings where student progress and problems are discussed.

Thus far, the student-participants' progress has been very encouraging. In the first two random drug tests, students tested 98 percent drug free, which is far below what is usually found in inner-city schools. Surprisingly, students who weren't tested complained about not being given a chance to prove they were fulfilling their contractual obligations. Project Choice students have the best attendance records at targeted schools. Students who previously failed course work are making significantly better grades. A strong sign that student attitudes are improving is that a number of eighth-grade contractors attended summer school to raise their grades so that they would qualify for entry into high school.

A promising feature of this program is its pragmatic character: As findings are obtained and scrutinized, practices are altered. For example, students initially were paid stipends for regularly attending classes. This practice was stopped, however, because it gave students the wrong message. Students should attend classes voluntarily because learning benefits them.

Project Choice is a long-range investment in business and society. It and similar programs should serve as models for inner-city communities.<sup>2</sup> □

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1. Let this reasoning be understood: Blacks and Hispanics are not likely to respond in significant numbers to anti-drug propaganda because they are part of an underclass, not because they are black or Hispanic. Poor and undereducated whites are equally unlikely to respond to anti-drug propaganda.

2. The "I Have a Dream Program" instituted in New York City by Eugene M. Lang is similar to Project Choice. Of the 52 primary school students who initially participated in Lang's program, 44 received high school diplomas in a school that has a 75 percent dropout rate by graduation time. Thirty of these students are now enrolled in college, including Swarthmore and Barnard.



# Capitalism and the Environment

by Tibor R. Machan

**A**lthough capitalism is mostly discussed in economic terms, especially when it comes to environmental or ecological questions, advocates of capitalism have usually tied its features to political and legal principles. In particular, capitalism is best described by reference to those of its features that have emerged from the tradition of political philosophy associated with the thought of John Locke.

Essentially, the normative capitalism that gained its classic statement in Locke's works derives the system of justice for human community life from the political principles of natural rights. Specifically, these are the rights of every person to life, liberty, and property. Such a system rests on (and, within certain limits, seeks to promote) the ideals of the independence and the freedom of individual persons in their existence, actions, and productivity. No one may be forced to advance the goals of others. Relatedly, no one may be interfered with unless prior permission is secured, nor may one's labor and produce be used, destroyed, or otherwise controlled by others without permission by the owner, regardless of the importance or nobility of the purpose at hand. These would be the basic political and legal principles of a just society, holds the capitalist, and the proper function of government is to protect the rights of the individual citizen, not to advance the "general welfare" (beyond making it possible for citizens to do so on their own and with each other's voluntary help).

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*Tibor Machan teaches philosophy at Auburn University in Alabama. This article is based on a longer treatment forthcoming in his book, *Private Rights, Public Illusions*, soon to be published by the Independent Institute of San Francisco.*

Capitalism—or as some prefer to call it, the free market system—is the socio-economic arrangement of communities which aims to preserve, enhance, and protect the ideals mentioned above, primarily, its proponents believe, because only with such a system in force is it possible for human beings both to live in dignity and fully pursue their happiness.

This approach to understanding and defending capitalism is different from the utilitarian defense of capitalism. The utilitarian defense emphasizes the practical value of capitalism—the system's supposed utility as an effective means for achieving the goals of those partaking in it, regardless of what those goals are. Like the Lockean defense, the utilitarian support involves certain values—even though most of those who advance it like to de-emphasize the fact and insist that they are advancing a "value-free" defense. But, unlike the Lockean approach, the utilitarian locates the standard of right and wrong in the value of the consequences rather than in respect for the individual and his or her rights.

In the Lockean view, the autonomy and independence of individual human beings should be affirmed and protected in a community, something that requires recognition of private property rights. If there is a legally protected sphere of personal authority, specifiable by reference to the limits of each individual's legitimate autonomy or independence—in Harvard philosopher Robert Nozick's words, moral space—then individuals will be at liberty to make choices concerning their lives within those limits, enjoying the benefits and shouldering the liabilities of their free choices.

For example, if John's life is his to govern, and a

certain sphere of authority is acknowledged and protected for him, then, were John to choose to be a bum, which leads to his poverty, others should not interfere “for his own good,” or for the good of others (for example, John’s wife) who have chosen to associate with him. On the other hand, if John chooses to be a productive person, thereby acquiring various valuable items through his productivity and prudence, he is to be protected from any interference with his use and disposal of these items, provided only that he doesn’t violate the rights of others in the process. In a capitalist system, if a person neglects his health and shelter, then he and no one else is to blame, while if he takes care of his health and shelter, then he and no one else (unless there is mutual agreement to the contrary) deserves to have the benefits of his labor.

Some people argue that by its own tenets the capitalist system must make room for quite a large public sector, since in advanced industrial states people have rights to being provided with numerous goods and services, at least when they cannot provide for themselves. So-called positive rights (e.g., to health care, welfare, education, employment) would, if they exist, require governments to do much more than capitalism might appear to allow. One reason suggested for this is that destitute people wouldn’t benefit much from just having their right to liberty protected and preserved. It would be meaningless, we are told, for the abject poor to be free from others’ intrusion if they couldn’t advance on their own; so they must be provided with some initial help by society.

While some destitute people no doubt exist in any society, the fundamental issue is whether this is a political matter at all. People need not be destitute because of any interference by others, so to make it obligatory for others to help them—that is, to regard others’ help as a right—would be to impose an unearned punishment on others. And though not obligatory, basic human decency and charity probably would cause people to reach out to the abject poor anyway. If people failed to help, there is no reason to suppose that governments would do any better at the task of securing for the needy what other people refuse to provide.

But the bottom line is that there is no basic right to welfare, since lack of well-being is not a uniquely social problem but rather a problem of living itself. Poverty requires solutions from individuals, by themselves or in voluntary cooperation

with others. The only basic rights that make clear sense are ones specifying limits of social interaction, that is, ones that specify what people in society may not do to each other.

## Capitalism and Pollution

How does capitalism address the problem of environmental pollution? To answer this, we need first to know what pollution is. The concept of pollution is problematic from the start. Dictionaries differ as to what it means. One says pollution is “the act of defiling or rendering impure, as pollution of drinking water.”<sup>1</sup> Another states that it “occurs when materials are accumulated where they are not wanted.”<sup>2</sup> A third says that to pollute is “to corrupt or defile” and identifies pollution with “contamination of soil, air, and water by noxious substances and noises.”<sup>3</sup>

In the end, a sensible definition of pollution will have to cover air and water pollution from materials, nuclear particles, noise, light, and anything else that is the result of human activity and can be shown to intrude on another person or violate someone’s right to property. Such a definition would preclude anything like “natural” pollution. Nature may render things impure, but only human beings can pollute.

The central problem associated with pollution, as far as the general public is concerned, has to do with the difficulty—perhaps even the impossibility—of confining harms to particular people and places. For example, air pollution occurs when people dump materials into the air which others don’t want there and which harm others or put them at risk of harm. Were it possible to confine these materials in some definite location, the agent doing the dumping could release them without inflicting the pollution on others. But as things are now in many familiar circumstances, pollution is not controllable—or, at any rate, deemed too expensive to contain—in this way. The airborne contaminates from Birmingham’s smokestacks can end in New England’s lakes.

So what would a consistently administered capitalist political economy mean for the problem of environmental pollution? In plain terms, capitalism requires that pollution be punishable as a legal offense that violates individual rights.

This may appear to be a rather peculiar thing to say if one regards the United States and other

Western democracies as capitalist societies. In fact, however, none of these countries is capitalist in the strict sense of the term, but only in the sense that, more than ever in previous times and places, individual rights, including the right to private property, have gained substantial, though sporadic, legal recognition in them. (Of course, neither is, for example, the Soviet Union a fully socialist society—plenty of low-key capitalist endeavors prevail there and are, indeed, not only legally tolerated but encouraged.)

Still, a fledgling capitalist nation like the United States provides some clues as to how a purely capitalist political and economic system would enforce the legal proscription against polluting. For example, in the United States polluters are often sued, under what are called tort or nuisance laws, for harm done to others.<sup>4</sup> And the Supreme Court has held that when pollution occurs, merely considering the overall public cost of preventing it cannot be construed as an adequate determinant of whether to allow that pollution to continue.

Regrettably, however, at least viewed from the perspective of pure (i.e., private property-rights respecting) capitalism, most Western democracies treat pollution on an overall cost-benefit basis. For example, whether factories and power plants surrounding Buffalo and Cleveland will be allowed to pollute Lake Erie is determined by some alleged cost-benefit calculation pertaining to the overall well-being of the region's population (including, perhaps, members of future generations).<sup>5</sup>

## Inviolate Property Rights

There is evidence that individual property rights are sometimes treated by the courts as inviolate, as they should be, given capitalist theory. Dumping—the act of deliberately or negligently causing the intrusion of harmful wastes upon another's domain—is generally regarded to be a crime in the United States. Pollution, in turn, is a type of dumping, namely, one that occurs in connection with the public realm, as when a chemical firm pours harmful wastes into a public lake or the atmosphere.

Under capitalism any pollution which most likely would lead to harm being done to people who have not consented to being put at risk would have to be legally prohibited. As with people who have a contagious disease, so with processes of produc-

tion which involve pollution—so long as the harmful imposition upon others occurs without the consent of the victims, the process may not be carried out. This may lead to an increase in the cost of production or to the elimination of some production process and, in either case, to increased unemployment and related hardship. Still, that would be the consistent way to apply the capitalist principles in the legal system. The intentional or negligent violation of individual rights, including the rights of life, liberty, and property, must be legally prohibited. To allow the polluting course of production to continue on grounds that this will sustain employment would be exactly like permitting the continuation of other crimes on grounds that allowing them creates jobs for others.

More generally, pure capitalism rejects, in principle, the use of social (risk-) cost-benefit analysis as a basis legally to justify the redistribution of pollution. Even if some region of the country would experience an extensive economic downturn as a result of the prohibition of air or water pollution, for example, that is no reason to allow the pollution to continue. No one has a right to benefit from acts or practices that violate the rights of others.

An analogy might be that of a person with a serious contagious disease who wishes to carry on his daily activities in public. Such a person would not be permitted to go about his activities, according to capitalist thought, although it would be the responsibility of the officials of the legal system to prove that his activities cause the violation of others' rights. (The onus of proving a criminal wrongdoing is on the prosecution, since without such proof untoward and restrictive actions by the authorities would easily violate individual rights.)

Unlike someone who intentionally assaults others to satisfy his needs or desires, the person with a contagious disease may not intend any harmful results to befall members of the public. However, the activities of this person would harm others, or put them at grave risk of serious harm, without their consent. We need not be able to tell who will contract the disease before we can justify limiting the carrier's liberty. The fact that exposure to someone with the disease would harm some indeterminate number of the public, or place them at risk of significant harm, without their consent, suffices to invoke a quarantine against this person.

In a similar fashion, although the polluter may

not intend to harm anyone, and even granting that we are unable to say which people will be harmed, the fact that someone's activities lead to pollution suffices to justify prohibition of those activities, unless the activities can be carried out without the polluting side effect.

## The Moral Superiority of Capitalism

If the natural rights theory which underlies the capitalist political economy has solid foundations in moral theory, and if the moral theory supporting it is rationally superior to its competitors, then the capitalist system is clearly superior to its alternatives.

Natural rights theory rests, essentially, on the idea that it is possible for us to understand human nature and to derive from this understanding, together with our knowledge of the world around us, what would be the proper conditions for social life. Although much controversy surrounds these matters, the crux of the capitalist claim—or at least one line of reasoning advanced by defenders of capitalism about these matters—is that knowledge of human nature is no more difficult in principle than knowledge about the nature of other things we encounter. That knowledge includes the recognition that people are the sort of beings that have a moral dimension to their existence, a moral worth or dignity, which, then, must be taken into account in the formulation of social institutions, including legal systems.

Whether this is ultimately a successful philosophical endeavor cannot be fully explored here. But at least this theory avoids the most glaring deficiencies endemic to other systems. Unlike fascism, capitalism doesn't allocate special powers to an "inspired" leader and, unlike pure democracy or democratic socialism, pure capitalism won't allow the interests of the majority to override the rights of the individual. Moreover, while centrally planned socialism rests on a very dubious metaphysical theory about the gradual but revolutionary development of the human species, with little guidance as to what we should do at present, libertarianism involves a theory about the dignity and worth of people here and now and, as we shall see shortly, offers specific guidance regarding current problems calling for public action. The welfare state, one might say, is of two minds about the val-

ues it aims to advance, what with liberty and welfare always in potential conflict and with no clear way to resolve that conflict.

Capitalism, by contrast, proclaims the ultimate moral significance of the lives of individuals, and it proposes a social order in which the negative rights of individuals are the primary guidelines for public policy. It does not concern itself with some widely touted values, such as, for example, universal equality, absolute fairness, and unbreachable moral duty to lend help where it is needed. It does not reject anyone's efforts, alone or in concert with others, to pursue such values, but it rejects making the general welfare a basis for setting public policy, since that can, and likely will, lead to violations of individual rights. Capitalism assures that neither the tyranny of a hero leader nor of a majority will threaten individual rights.

Within the confines of a capitalist system each person would be completely free of others' uninvited intrusions or could count on legal sanctions when such intrusions occur. But the rest is up to individuals acting in voluntary groups, establishing noncoercive institutions, or doing whatever is necessary to secure what they value. This may not hold out the promise of some environmental utopia, where full ecological rationality is guaranteed by government. Nor does this approach pretend to guarantee something less ambitious, "reasonable" environmentally sound living conditions for all. The capitalist system succeeds in comparison with alternative systems, not in comparison with some fantastic ideal the attainment of which is impossible.

## Problems of Implementation

How could the pure capitalist apply his theory in practice? This is the crux of the matter. If capitalism is to make good its claim to being the most suitable political theory (and granting that not everything will be fully satisfactory in it), it must be applicable in the real world, and then in difficult, not only in easy, cases. To show a theory's application to the problem of pollution is by no means easy. Thus the problem of pollution provides an interesting, important test case for assessing capitalism's theoretical mettle. How could the capitalist position regarding pollution find expression in a system of law? The following observations are meant to explain, at least partially, how the ideal of

a capitalist political economy might find a home in the real world of law and public policy as regards environmental management.

1. We may treat as pollution any form of objectively unwanted harmful by-product of human action that is not confined to an area or location but is disbursed so it may intrude on unidentifiable other persons. (Toxic waste, for example, is not yet pollution without harming someone who did not choose to be harmed.) Economists call such substances uninternalizable negative externalities, although the term “uninternalizable” is somewhat of a hyperbole, since in many cases these substances are in fact simply very expensive to internalize—i.e., keep from spreading throughout some occupied region.

2. Stationary sources of pollution contained within the boundaries of the polluter’s own property present no insurmountable problem to capitalism. Toxic as well as nuclear wastes, for example, can be identified as polluting, and if owners of firms dealing with these would act in a proper fashion, they would have to confine their operations to areas where others are left unharmed. Any breach of this requirement could meet extremely severe penalties—the punishment would have to fit the crime.

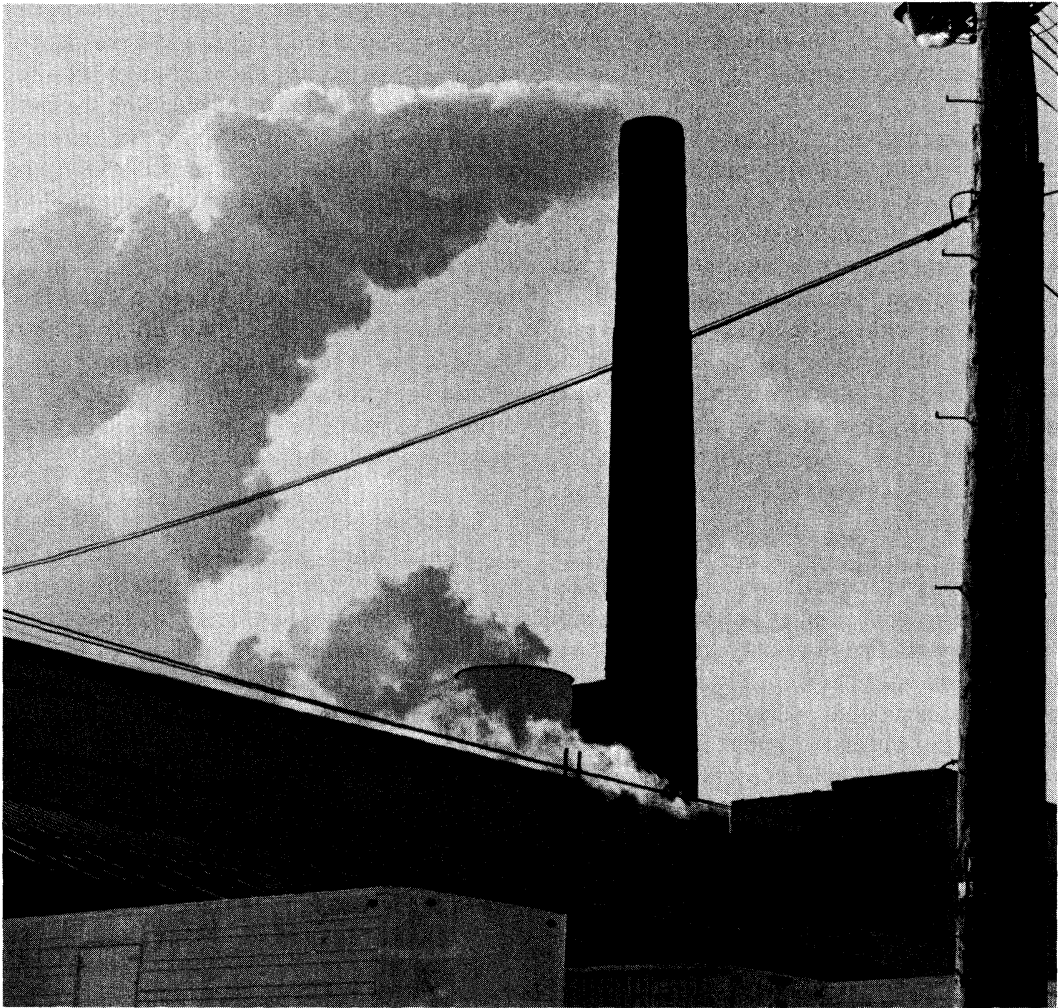
If operations of such firms would be impossible without pollution—that is, without causing emissions that are harmful to others who have not consented to suffer such harm—the operations would have to be shut down. Thus if people are harmed, they would be the ones who contractually would have given their informed consent to run the risks associated with pollution. Workplace pollution would raise the issue of workers’ rights, but in a capitalist framework these, too, would be recognized and protected by contract law, including laws regarding fraud and “assumption of risk.” Essentially, then, any stationary source of pollution would be dealt with in the way familiar to us in connection with the operations of the free market system of economic and legal affairs—that is, the system of individual private property rights would guide the conduct of members of the society.

Aside from the problematic nature of “rights” of nonexistent (future) persons—which would not be invoked in the capitalist framework since a mere potential, nonexistent person cannot have

actual, existing, and binding rights—future owners of private property could manage the problems of contained “pollution” under contract law—for example, deed covenants running with the land. There would be some problems with abandoned property, which no one consents to take over, and with bankruptcies, where the owner is incapable of meeting liabilities. (Such a society wouldn’t carry the ridiculously lenient policies on bankruptcy now afoot virtually everywhere, policies that engender wholesale irresponsibility in business and industry.) In such cases one could rely, in part, on insurance provisions which on occasion may be legally mandated, given the reasonably anticipated problems with the property in question.

3. Stationary sources placed on (or non-stationary sources which move to) another’s property *with the consent of the owner* (whether private person or public entity) seem to present the same contractual considerations and difficulties as were mentioned above. For instance, automobiles are non-stationary sources which often move from private property to private property, but which may do so only if the owners of the properties have granted their permission (perhaps for consideration, perhaps gratis). Without that permission, however, and barring the availability of space within the atmosphere so that no threshold has been reached, automobile exhaust fumes would constitute pollution and should be internalized or prohibited. Chemical wastes dumped on stationary sources might seep out and contaminate other places than those on which they had been dumped, so once again arrangements with owners would have to be made to gain permission. If that is unfeasible—for example, the seepage leads to the contamination of the commons (i.e., public spheres)—internalization or prohibition are the only legitimate capitalist alternatives.

It can be argued that during the last several decades the governments of existing societies have given their implicit (and often quite explicit) permission to have the public’s property—lakes, parks, forests, the atmosphere—polluted. To correct this would require some drastic measures, including, first and foremost, the privatization of public properties, where that is possible, and total prohibition where no privatization is possible (recalling the quarantine analogy). To the objection that it may be too late, the capitalist would



JOHN ENGH

have to reply that indeed it is better late than never, because to allow current practices to continue is to exacerbate the existing pollution problems. As to seepage and similar movements, the development of the law of trespass and strictures against dumping could again handle these problems. But these fall into our category of difficulties.

4. Stationary sources placed on (or non-stationary sources which move to) another's property *without* the consent of the owner is the most difficult category. For example, air traffic, factory waste emission, automobile emission on (so-called) public property, and so on, are examples of these kinds of harmful emissions others would suffer without their consent (explicit or implicit—that is, by agreeing to suffer them or by acting in ways which imply such agreement). This sort of pollu-

tion might be handled, first of all, through what we might call preventive market measures—for example, insurance premiums against the possibility of court suits for liability, or liability bonds. Here there is ample room for reflection but it seems that the earlier mentioned policy of quarantine could be employed to handle the most troublesome cases.

Wherever activities resulting in pollution cannot be carried out without injury to third (non-consenting) parties, such activities have to be prohibited as inherently in violation of the rights of members of the community. (This would not include trade in pesticide-treated fruits, for example, where the risk of harm from eating such fruit is lower than or equal to normal risks encountered in everyday life.)

When pollution occurs along lines of thresholds,

such that only once so much emission has occurred could the emission be actually polluting (i.e., harmful to people) rather than simply defiling, a system of first come, first served might be instituted, so that those who start the production first would be permitted to continue, while others, who would raise the threshold to a harmful level, would not. This might appear arbitrary, but in fact numerous areas of life, including especially commerce, make good use of this system, and human ingenuity could well be expended toward making sure that one's firm is not a latecomer.

A word about thresholds. The earth—as well as any part of the universe where life support is reasonably imaginable—can often absorb some measure of potentially injurious waste. (This can be expected, since life itself produces waste!) Most toxic substances can dissipate up to a point. Arguably this is no different from the simple observation that within a given territory only so much life can be supported, after which the quantity and quality of life is lowered.

Barring the privatization of such spheres, where they can be kept apart and separated from others, a judicially efficient management of toxic substance disposal must take into account how far disposal can continue before the vital point is reached. Technical measurements would need to be employed and correlated with information about the levels of human tolerance for the toxic substance in question. Risk analysis would need to be performed so as to learn whether the risk of falling victim to toxic substance disposal corresponds with or exceeds expected risks not produced by human pollution.

## Standards of Tolerance

It is important to state that the natural rights capitalist standard of tolerance might very well be far lower than even those who support it would imagine. Many free market advocates favor a social cost-benefit approach here, based on the utilitarian idea that what ultimately matters is the achievement of some state of collective satisfaction. This is not the approach that flows from the idea that individuals have natural negative rights to life, liberty, and property.

Assuming the soundness of the natural rights stance, it may be necessary to prepare for some drastic lifestyle changes, so that some past abuses

can be rectified. For example, whereas automobile wastes have been poured into the atmosphere with an understanding that from a utilitarian perspective it is worth doing so (based on social cost-benefit analysis), from the natural rights capitalist viewpoint it would be necessary to insist on the full initial cost being borne by automobile drivers/owners, thereby at least temporarily prompting a considerable rise in the prices of vehicles.

Certainly a capitalist political economy's government wouldn't have the authority to rely on the utilitarian notion, used by many courts today in their refusal to enforce "public nuisance laws," that those harmed by pollution have to "pay" since the benefits of industrial growth outweigh such costs in health and property damage as are caused by pollution. Instead the principle of full liability would apply: The polluter or others who are bound by contract with the polluter, such as nuclear utilities which may have a pact to share insurance premiums and liability resulting from an accident at one member's plant, would be held liable. Benefits not solicited cannot be charged for, if one respects the individual's right to choose, as the capitalist system is committed to do.<sup>6</sup>

Of course, there are environmental problems for which solutions are difficult even to imagine. Even if one country has managed to institute the legal/constitutional measures that would best handle environmental problems—a system of strictly observed and enforced basic private property rights—the international arena will still remain unmanaged. Various problems of judicial inefficiency, the tragedy of the commons, public-choice-based deadlocks, and the like will continue to permeate the international public realm.

The destruction of the ozone layer is a threat to virtually everyone, yet it is at present uncertain whether human beings are responsible for it—the main cause appears to be volcanic eruption. If it should turn out that certain kinds of human activities cause this damage and if harm to people will be the result, those activities may be curtailed or even prohibited. After all, no one may place poison in the atmosphere with impunity, and the problem with the ozone layer is not unlike that—the destruction of something that is not anyone's property and thus no one's to destroy at will, while the destruction, nonetheless, does harm to individuals.

Another type of problem to which it is difficult

to construct a solution without plenty of scientific evidence is illustrated by the destruction of the Amazon rain forest, in this case by people who own it. (We leave it aside for now whether ownership was come by in a fashion consistent with individual rights.) Here, too, the only point that can be made is that if it is demonstrated that this destruction will produce a result that is injurious to others who have not consented to be so treated, the process must be legally stopped. The reason, once again, is that if one even unintentionally but knowingly violates the rights of others by depriving them of life, liberty, or property—i.e., one doesn't set out to do this but one's actions can be known to result in this deprivation—the action can be a kind of negligent assault or even negligent homicide.

A more accessible model might be one's building a very tall but weak structure near another's home in a high wind region. Since the structure is very likely to invade the other's sphere of jurisdiction—private property—there is reason to forbid its building. The strong probability of causing such invasion is a justification for prohibition. If, then, cutting down the trees in the Amazon can be shown to result in the destruction of the lives and properties of others, this can be cause for legally prohibiting it.

## Quid Pro Quo

Of course, when there are no proper institutional instruments—i.e., a constitution of natural human individual rights—to guard against such actions, it is difficult to suggest where one should turn. The most effective approach in these cases would be to tie various diplomatic negotiations—including military cooperation, bank credit, cultural exchanges—to terms that would effectively express the principles of private property rights. The *quid pro quo* approach might be utilized on numerous fronts—including in the drafting of treaties—and once the principles and terms have become firmly entrenched, even military action might be justified when environmental destruction occurs on a massive enough scale.

Consider that if Brazil wishes to maintain friendly relations with the United States or some other country, and this other country's legal system firmly acknowledges the environmental implications of the private property rights system, such friendly relations would have to be manifested in

part by Brazil's complying with the international implications of such a system. This would apply even if Brazil itself doesn't adhere to such legal measures within its borders.

This is no different from other international agreements in which countries commit themselves to legal measures *vis-à-vis* citizens and organizations of other countries that they don't observe within their own borders. Trade agreements, contract laws, and numerous economic regulations bind foreign nationals in their interaction with a given country's population, even if within the foreign national's country these do not apply. The same kind of restrictions could be achieved on the environmental front.

We may now return to the more general implications of the private property rights approach to managing environmental problems. For one, we must acknowledge that in some cases protecting the rights of individuals in this strict manner may lead to their not enjoying certain benefits they might have regarded to be even greater than the benefit of not suffering the harms of pollution.

But this is irrelevant. The just treatment of individuals must respect their autonomy and their choice in judging what they think is best for themselves, even when they are mistaken, so long as this does not involve violating others' rights. Paternalism and consistent capitalism are incompatible political ideals! The system of rights which grounds the legal framework that supports consistent capitalism is sound precisely because as a system of laws it is the one that is most respectful of *individual* rights—it rests on the acknowledgment of the sovereignty of individual human beings.

This general virtue shows equal respect for every person who embarks on social life, and it is this equal respect for all that justifies the establishment of government for all, even if such a system doesn't guarantee that everyone will make the most of its provisions. Nor does it guarantee that all values sought by members of human communities would be best secured via such a system—for example, technological progress in outer space travel might be enhanced by not paying heed to the strict liability provisions of the natural rights capitalist legal system.

In short, the ultimate objective of such a system is a form of justice—not welfare, not progress, not equality of condition, not artistic advancement. The justice at hand pertains to respecting every



person's status as a being with dignity, as a being with the freedom and the responsibility to achieve a morally excellent life.

## What Is Done Is Done

One must be careful not to expect something impossible of a certain field of inquiry. For too long demands placed on the fields of morality and politics have been unjustly severe: Final, irrefutable, timeless answers were sought, and in response to the inevitable failure to produce these, a cynicism about the prospects of any workable answers has gained a foothold throughout the intellectual community, as well as among members of the general public.

As a result, it is now part of the received opinion that no solid intellectual solution to any of the value-oriented areas of human problems can be reached. The best we can expect is some kind of consensus which vaguely represents the tastes and preferences of a significant number of the concerned population. Yet this "consensus" is a house of cards. Tastes and preferences are unstable, flexible, and so indeterminable that the only thing to emerge is some kind of arbitrary public policy concocted either by bureaucrats or by dictators, official or unofficial.

In morality and politics, and thus in public policy as well, there can be some very general answers that are stable enough, ones that apply to human life, so long as there is such an identifiably stable phenomenon as human life. Human life and human community involve certain lasting considerations. And innumerable changing problems that emerge in them can be approached fruitfully by taking into account some of these considerations.

Our discussion of capitalism and the environment appeals to such basic factors with a view to dealing with one of the more thorny problems of the present epoch of human community life—pollution. Pollution proves to be an important, diffi-

cult test for any political system including fascism, the welfare state, and capitalism.

Capitalism stresses the ultimate importance of the rights and value of the individual, gauging the acceptability of public policies by their success in protecting individual human rights, even where other values, such as progress in science and technology, might have to be set aside.

This discussion by no means exhausts the treatment of the pollution problem, nor does it enter into great technical detail concerning this topic. And we don't pretend to be able to handle everything smoothly. Nevertheless, it has been argued that the capitalist approach to pollution accords most fully with that prime objective of community life—justice. Ironically, it appears that this approach to the environment and ecology often yields stricter measures than those championed by most environmentalists.

In any case, the arguments and theories advanced here should serve as a useful starting point in considering some of the problems of the environment as they emerge in the actual, day-to-day affairs of individuals living in communities and around the world.<sup>7</sup> □

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2. Richard B. Steward and James E. Krier, *Environmental Law and Policy*, 2nd ed. (New York: Bobbs-Merrill, 1978), p. 3.

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4. See Robert K. Best and James I. Collins, "Legal Issues in Pollution-Engendered Torts," *Cato Journal*, Spring 1982, pp. 101-36.

5. See Joseph P. Martino, "Inheriting the Earth," *Reason*, November 1982, pp. 30-36, 46.

6. For a discussion of the pervasiveness of the violation of individual rights on grounds that people should not benefit without paying, see Tibor R. Machan, "Some Philosophical Aspects of National Labor Policy," *Harvard Journal of Law and Public Policy*, Vol. 4 (Summer 1981), pp. 67-160.

7. A version of this essay, "Pollution and Political Theory," appeared in Tom Regan (ed.), *Earthbound* (New York: Random House, 1984).

# Employee Ownership: A Rapidly Growing Threat to a Free Market

by Dwight D. Murphey

In the first nine months of 1989, nearly 80 of the "Fortune 500" companies established Employee Stock Ownership Plans (ESOPs) involving shares worth more than \$15 billion. Prompted by a decision of the Delaware Supreme Court that ESOPs can be used to forestall hostile takeovers, the massive growth of employee ownership in 1989 accelerated what already had been a rapid rate of growth.<sup>1</sup> In one of the fastest structural changes that has ever occurred in the American economy, the move toward employee ownership had by 1987 resulted in between 7,000 and 8,000 ESOP companies, involving between 11 and 13 million workers.<sup>2</sup> There were virtually no ESOPs before the push for employee ownership began in 1974.

With such a start, employee ownership will soon become a major economic constituency in the United States—and, as we shall see, an ideological and political constituency as well. Each ESOP is an institutionalized framework for a continuing increase in the amount of employee ownership. If the trend continues, the near future will see the creation of ESOPs at tens of thousands of companies. Each will lead to a growing presence of employee ownership.

The mechanics of an ESOP are simple. It begins with a business firm's creating a trust. The firm transfers stock in itself to the trust, with the com-

pany's own employees as the beneficiaries. In a "leveraged" ESOP, the trust obtains the shares by borrowing from a bank and using the money to pay the company for the stock. The company serves as guarantor on the bank loan. As an important part of all this, Federal law gives major tax breaks both to the company and to the bank.

What has caused this phenomenon? Three related factors: massive government intervention to prefer ESOPs with billions of dollars in tax breaks; the desire of the business community to emulate the Japanese through greater employee participation and company loyalty, as well as to use ESOPs for their tax advantages and as a way to fight takeovers; and a good deal of feverish effort by the media, the academic community and the American Left to popularize employee ownership at a time when there has been virtually no awareness of danger among free market proponents.

Sixteen major pieces of Federal legislation since 1974 have created tax breaks and other preferential treatment for employee ownership. State legislatures have joined in by declaring public policies in favor of employee ownership and creating other preferences and tax incentives.

The rush toward employee ownership is part of a worldwide phenomenon. The world Left pushes it as part of its renewed interest in "workers' control" as the centerpiece of democratic socialism. Employee ownership is important to socialist policies both in Western Europe and in the countries emerging from the Soviet cocoon.

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At the same time, ironically, many leaders of American conservatism have spoken up for employee ownership. Unaware of the dangers, they see it as a way to “involve employees in capitalism” and also to “privatize” governmentally owned enterprises both inside and outside the United States.

The purpose of this article is to sound an alarm. Employee ownership poses a serious and expanding threat to a free market.

## “Workers’ Control”

Since the danger emanates from the Left, it cannot be fully appreciated without understanding the role that “workers’ control” has played in a century and a half of socialist thought.

The various forms of “decentralized socialism” proposed by 19th-century socialist thinkers are relevant today because the decline of Soviet prestige in the world intellectual community since World War II has resulted in a renewal of those earlier socialist models. During the period between the Bolshevik Revolution in 1917 and approximately 1947, those earlier models were eclipsed in the imaginations of most socialists by a highly idealized perception of the Soviet example, which involved a centralized state socialism under the dictatorship of the Communist party.

The inspiration for most models of “decentralized” socialism came from the French socialist Pierre Joseph Proudhon (1809-1865). Proudhon, famous for his statement that “property is theft,” advocated organizing the economy around “mutualist associations.” The associations were to be funded by low-interest government loans (“social credit”).

Among the followers of Proudhon was the Russian socialist N. G. Chernyshevsky (1828-1889). In his famous novel *What Is to Be Done?* (a title later copied by Lenin), Chernyshevsky idealized the image of a workshop that its owner had turned over to its employees. Again, “social credit” was to provide the funds.

In France prior to the revolutionary tumult in 1848, Louis Blanc called for worker-owned producers’ cooperatives called “social workshops.” He, too, wanted them financed by the state through social credit. Later in France, Georges Sorel, a syndicalist, wanted French society run by a confederation of trade union associations.

Perhaps most important, certainly so far as its impact on socialist and liberal thought in the United States was concerned, was the British Guild Socialist movement early in the 20th century. Foremost among its popularizers was G. D. H. Cole. Guild Socialists wanted each industry organized into a “guild.” These in turn would form a confederation of industries. There would be two parliaments—one representing people in their capacity as producers, the other as consumers.

We should note that each of these types of “decentralized” socialism isn’t really decentralized at all—but is rather a blueprint for centralized power. While calling for local collectives under one name or another, proponents want the collectives brought together into industry-wide, and then national, networks. Mussolini did precisely that with his “Corporazioni.” The network then provides what is, in essence even if not in name, a state. The “rational planning” that socialists crave is done through the confederation.

It was Guild Socialism that led to the great “Industrial Democracy” vogue within American “liberalism” between 1910 and approximately 1925. The journal *The New Republic* was established in late 1914 and for several years was the principal sounding board for Guild Socialism. Although *The Nation* focused mostly on international issues, it, too, promoted Guild Socialism after Oswald Garrison Villard became its owner and editor in 1918.

The Soviet example absorbed the attention of the world Left after 1917, although it took until about 1925 for Guild Socialism to go fully out of fashion. Since World War II, however, there has been a major socialist literature both in Western Europe and the United States making workers’ control a principal element.

One socialist author wrote in 1968 that “for socialists and radicals who mean business, workers’ control has already become the central strategic axis. . . .”<sup>3</sup> In 1973, another spoke of “the growing worldwide movement for workers’ control” and called it “the central issue of class struggle in our generation.”<sup>4</sup> A book by Christopher Gunn in 1984 treats “workers’ self-management” as a way “of linking ideological, grass-roots, and spontaneous resistance to capitalism.” He expressed the hope that “it may offer the potential for creation of a new socialist politics. . . .”<sup>5</sup>

## Distinctions Without a Difference

Confusion often arises between “employee ownership,” “workers’ control,” and “workers’ self-management.” Though related, these aren’t identical. What should be emphasized, however, is that it is largely a matter of “distinctions without a difference.”

Conceptually, it is possible for employees to own a company while not controlling it. Here, they would acquiesce in continuing control by, perhaps, the prior management. Although it is often assumed that employee ownership won’t displace existing management, there are compelling reasons to think that the employees eventually will assert control. The very existence of majority ownership creates a moral, as well as a legal, right to control. There is an articulate pressure from the Left for employees to exercise that right. “Workers’ control” will no doubt become a major factor in the American economy once the thousands of ESOP firms reach the “tipping point” at which the employees own a majority interest.

Whether the employees will then delegate management functions to directors of their own choosing or will undertake to manage themselves by committee or by some other form of “participatory democracy” depends upon the choices the employees make after they have control.

Oddly enough, employee ownership and the workers’ control that results are compatible, at least in theory, with all three economic models: a market economy, state interventionism, and socialism.

The theoretical model of a free market certainly doesn’t bar firms that are owned and run by the same people. Sole proprietorships, partnerships, and many small corporations already meet that description.

This compatibility assumes, however, that certain distorting factors won’t be present. It assumes that the worker-owned firms will have come about freely through market choices and freedom of contract, not through massive state intervention.

It presupposes also that the worker-owned firms won’t harbor an ideological virus that will make them a transitional vehicle to socialism or to further interventionism. It would not be compatible with a free market for them ideologically to invoke “labor solidarity” and to demand the abolition of the type of firms where owners hire employees. Socialists

have long attacked such businesses, which involve the much-hated “wage relation,” “absentee ownership,” and “making of ‘surplus value’” (the socialist name for an employer’s profit).

But the question of purely theoretical compatibility isn’t the major issue to pose about workers’ control today. The more important query is: What are the realistic prospects, given the world we live in today? Is there any reasonable expectation that employee ownership, leading to workers’ control, will really serve free market purposes?

The answer, unfortunately, must be that, “no, there is none.” This is true both outside and inside the United States.

**1. Outside the United States.** Workers’ control isn’t a feasible transition to a market economy in Eastern Europe or the Third World. It merely substitutes one form of socialism—the misnamed “decentralized socialist” models we have just examined—for another. Given the predominance of the Left in much of the world, workers’ control will take its place as a form of “democratic socialism.”

If under present circumstances it proves to be a more humane type of socialism—one that actually has “a human face”—that is to be desired, so far as it goes. But it is a tragedy for the peoples of the Third World or those emerging from Soviet domination to become enmeshed in yet another round of the economic wastefulness and inefficiency that long and painful experience shows typify every sort of socialism.

Workers’ control is inefficient to the extent that it is socialist. If “privatization” occurs through a movement into workers’ control, entrepreneurs will continue to be victims of ideological hostility and state blockage if they go outside the “workers’ control” model. And the “rational planning” that even a democratic socialism will employ will interpose all sorts of obstacles to free market activity.

How much better it will be if “privatization” can be of a sort that will move Eastern Europe and the Third World into a true free market system! It will avoid millions of people’s having to go through yet another painful cycle during which the lessons of economics—hammered home forcefully to the world recently by the utter failure of the Soviet economy—have to be learned all over again.

**2. In the United States.** It is unlikely that the rush into employee ownership will actually lead to socialism in this country. Despite everything that

the American Left will foreseeably do to bring that about, the inefficiencies of workers' control almost certainly will prevent it from displacing the customary forms of enterprise.

Disappointment comes when workers have reached majority ownership but then delegate management functions to others. They have found in the past that "we haven't really gained anything, since one boss is pretty much like another."

Inefficiency comes when workers seek to self-manage the company "by committee" or through the chaos of "democratic participation." Factionalism, the tedium of decision-through-infinite-discussion, and in-house politics have been found to destroy the viability of many such enterprises in the past.<sup>6</sup>

## Danger Ahead

If a socialist victory doesn't threaten us, what, then, is the danger? The answer is twofold:

Even though the Left won't be able to use workers' control to displace other forms of enterprise, it will be able to work constantly to mold employee ownership into an ideologized constituency. The past half-century has seen the secular decline of labor unions as a hostile institution within a free market. Now, however, we are threatened with a movement for "industrial democracy" that will be potentially even more hostile. Do we really want to see that happen?

To the extent that the Left imbues employee ownership with its ideology, an extra dimension will have been added to a movement that already will have become, for other reasons, a powerful economic and political constituency in the interventionist system we have today.

Even without ideological content, ESOPs are quickly creating one of our larger interest groups. When tens of millions of people come to be encompassed within "employee ownership," the movement will possess vast political power.

The intervention that is most immediately foreseeable is one that is utterly incompatible with a free market: that the government will no longer be able to allow any of the thousands of employee-owned firms to fail (or will have to compensate the employees in each firm for the enterprise's

failure). Why? Because by subsidizing and encouraging a type of employee "fringe benefit" that lacks diversification, the government has since 1974 caused millions of people to rely upon a precarious form of asset for their ultimate security in retirement. An irresistible moral claim will be made that the government cannot then allow the failure of an employee-owned firm to cause the employees to lose the value of the assets they've been relying upon. The government will have to either guarantee the viability of thousands of firms or provide transfer payments to make up each individual's loss.

The intervention can hardly be counted upon to stop there. Such a constituency, when organized as all interest groups are today, will predictably call for interventions that we can only speculate about now. Employee ownership may well become the constituency that the American Left has long yearned for, one that will undergird the Left's entire welfare-state program.

## Conclusion

The time for response is short. Underwritten by billions of dollars of tax-preferences, and thus far having faced no opposition from market advocates, ESOPs are ushering in a new age for the American economy in which employee ownership will be a dominant factor. Thus, just when we least expect it, we find we are in a time of crisis for a free market economy. □

1. Sylvia Nasar, "The Foolish Rush to ESOPs," *Fortune*, September 25, 1989, pp. 141-50.

2. Joseph Raphael Blasi, *Employee Ownership Through ESOPs: Implications for the Public Corporation* (New York: Pergamon Press, 1987), p. 13.

3. Ken Coates, ed., *Can the Workers Run Industry?* (London: Sphere Books Ltd., 1968), p. 12.

4. Gerry Hunnius, G. David Garson, and John Case, eds., *Workers' Control: A Reader on Labor and Social Change* (New York: Random House, 1973), p. 469.

5. Christopher Eaton Gunn, *Workers' Self-Management in the United States* (Ithaca: Cornell University Press, 1984), p. 201.

6. See the case studies of chaotic inefficiency cited in Daniel Zwerdling's *Workplace Democracy: A Guide to Workplace Ownership, Participation, and Self-Management Experiments in the United States and Europe* (New York: Harper Colophon Books, 1978), pp. 91, 117, 127, 128.

# The Ongoing Struggle for Liberty: Reasons for Optimism

by Dwight R. Lee and Richard B. McKenzie

**T**he struggle to protect our liberty against the abuses of government is long-standing, and certainly one over which the defenders of liberty can declare no permanent victories. Yet, in recent times there seems to have been a shift in favor of liberty in the struggle between government suppression and individual liberation. The most dramatic evidence of this shift comes from Eastern Europe where the yoke of Communism has loosened with the fall of several totalitarian regimes.

But even in those countries based on democratic capitalism, in which the power of government has been limited, at least in a relative sense, the evidence justifies cautious optimism for believing that the threat of government has reached its zenith and has begun to recede. Marginal tax rates have been lowered, regulation has been reduced, privatization proposals are being implemented, and governments are finding it increasingly difficult to initiate new programs and controls. While the existing controls and intrusions of government certainly have not become irrelevant, there seems little doubt that they have become less relevant to the choices people make and the freedoms they exercise.

But why? Is the current retrenchment in gov-

ernment power an aberration, nothing more than a temporary fluctuation in the long-run trend of increasing state control? Or can we point to fundamental forces at work which are systematically shifting power from governments to individuals? In our view, it is the latter.

Changes taking place in the global economy, changes rooted in continuing technological progress, are reducing the threat governments pose not only to our liberty, but to our prosperity as well. The explanation of why technology is increasing the freedom of the individual, rather than the power of the state, requires an understanding of the importance of information and its coordination to a free and prosperous social order.

## Freedom and Economic Prosperity

As Friedrich Hayek pointed out in 1945, economic prosperity depends on the ability of each of us to respond appropriately to an enormous amount of information, most of which no one person can possess directly.<sup>1</sup> Economic progress requires the use of information that exists only as widely dispersed knowledge which each of us has about our own condition, circumstances, and preferences. Without the proper utilization of such seemingly trivial bits of information as the personal idiosyncrasies of those with whom we work, the peculiarities of a machine we operate, a shortcut on a delivery route, and our willingness to sacrifice

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a promotion for locational amenities, our ability to produce wealth would be greatly reduced.

This information is typically tacit; it is impossible even for those who possess it to communicate it in any meaningful way to others. The only way to make use of such locationally specific knowledge is by giving those who have it the freedom to act on it. Without freedom, the information that is essential for prosperity is rendered largely useless. Freedom is necessary for economic progress.

Yet, freedom is not sufficient for economic progress. For the localized information possessed by an individual to be utilized to best advantage, it has to be used in a way that is compatible with the use others are making of the localized information that they alone possess. No matter how appropriate individual decisions may appear when judged against the particular information each individual has, unless these decisions are somehow melded together into a coordinated pattern of consumption and production, the performance of the economy will frustrate the pursuits of all.

## Economic Coordination

The seriousness of the problem of economic coordination cannot be overemphasized. The need to coordinate economic decisions if economic progress is to be realized is an undeniable fact, and has provided much of the rationale for those who favor restrictions on individual freedom in the name of "rational" economic planning by the state. Supposedly government planners with a broad social perspective, and the ability to gather economy-wide economic data, are necessary to coordinate the otherwise conflicting pursuits of individuals acting on only local information.

A crucial problem with central economic planning is that, by restricting the freedom of individuals with government commands and controls, much of the local knowledge so essential to economic progress is effectively destroyed. This is a problem that advocates of central planning have either: 1) ignored, 2) assumed could be overcome by advances in technology that would allow the collection of local information, or 3) seen as a necessary cost of solving what is perceived as the more important problem of economic coordination.

If it were the case that economic activity could be coordinated only through central direction, then the justification for central economic plan-

ning for the purpose of coordination would have merit. There would be a trade-off between the use of localized knowledge and the coordination of that knowledge. The individual freedom that increased the former would reduce the latter, and freedom would be insufficient for economic progress.

The fatal flaw in the case for central economic planning is the failure to recognize that the best way to coordinate economic activity is by giving individuals the freedom to act on the knowledge that only they have within the institutional setting of a free market. In a free market, characterized by private property and voluntary exchange, prices emerge which convey far more information and coordinate economic decisions far better than can the most diligent and dedicated team of central planners. Market prices convey to each individual the value that others place on the marginal units of those goods and services that are exchanged in the marketplace. Therefore, whether making a decision on how much of a product to consume or how much of a productive input to employ, each decision-maker, because of the market prices he faces, has both the information and the motivation to acquire additional economic resources only as long as these resources are worth as much or more to him than they are to others.

The result is a coordinated pattern of economic activity that directs resources and efforts into their highest value uses by giving individuals the freedom to utilize their dispersed and localized knowledge. When individual freedom is subject to the accountability of the marketplace there is no trade-off between the freedom and coordination upon which economic progress depends. Individual freedom, exercised within the constraints imposed by the private market, is a powerful and essential force for economic progress.

Yet for the very reason that individual freedom can be so productive, it is also vulnerable to suppression. The advantages we realize from individual freedom derive from the fact that it will be exercised in a wide variety of unpredictable ways. As Hayek has pointed out, "If we knew how freedom would be used, the case for it would largely disappear," and "the benefits I derive from freedom are thus largely the result of the uses of freedom by others, and mostly of those uses of freedom that I could never avail myself of."<sup>2</sup> There is a tendency in all of us, however, to view with sus-

picion the decisions of others when those decisions deviate from those that we would make. Suspicion quickly turns into intolerance when the freedom of others results in decisions which conflict with our own pursuits. The only hope for maintaining the tolerance required for freedom to flourish is a market setting in which the freedom exercised by each in pursuit of his objectives takes account of, and facilitates, the pursuits of others.

Tolerance for freedom requires that people be accountable for their actions, and in the absence of accountability through the general rules of the market, one can be sure that more detailed rules will be imposed on individual behavior. It should come as no surprise that in those countries in which reliance on private property and exchange is officially frowned upon, one finds not only the poorest economic performance, but also the most blatant violations of basic human rights and freedom.

## Government as Protector and Pirate

Ironically, the market setting that allows for freedom is one that cannot long remain viable without coercion. The productive accountability and coordination of the marketplace depends upon people obeying the general rules of private property and exchange. These rules are not self-enforcing. The benefits of economic productivity and tolerance for freedom that result from respect for the rules of the market are general benefits. When respect for property rights is widespread, the general advantages of the marketplace that result accrue to all in the country, including those who transgress against the property rights of others. Therefore, those who promote the general advantage by exercising restraint find themselves victimized by those who do not. It is this which justifies granting to government the coercive power to enforce the rules of the market. Without such enforcement the market order, and the freedom and productivity it allows, cannot long remain viable.

Unfortunately for the very reason government is needed to enforce the general rules which are the foundation of a social order based on freedom and responsibility, a persistent tendency exists for government to expand, and then undermine both freedom and responsibility. The existence of gov-

ernment power creates the opportunity for people to benefit legally at the expense of others in ways that are analogous to the illegal practices that it is the primary purpose of government to prevent.

The accountability imposed by the market, although providing general benefits, is seen as an inconvenience from the perspective of each individual. Being held accountable to the whims of consumer preferences creates problems for producers that from their perspective are best resolved by having government interfere with the social coordination of the marketplace. When government uses its coercive power to give a particular firm and its employees exemption from the rules of the marketplace, the general benefits of market coordination are diminished. Like the thief who violates rules of private property and voluntary exchange, those who benefit from government infringements of those rules live, as a consequence, in a less productive and free society.

This cost does little, however, to dampen enthusiasm for government action that reduces the accountability of the private market. As with the thief, those who gain advantages from preferential governmental treatment receive all the benefits while the costs (in terms of diminished freedom and productivity) are spread over the entire population.

Government can become the means by which everyone is engaged in the activity of "political piracy," or in the words of Frederic Bastiat, "the State is the great fiction through which everybody endeavors to live at the expense of everybody."<sup>3</sup> Obviously this situation is collectively destructive. Piracy can be a profitable activity when the pirates are few and the victims are many. But when everyone is a pirate, everyone is also a victim, making it possible for all to gain by a reduction in piracy.

Pessimism comes easy when considering the relentless pressures for governments to expand and, by so doing, destroy the general benefits it is government's duty to protect. Aided by single-issue dedication, organizational advantage, and a rationally ignorant public, special interests are able to dominate the general interest in the competition for political influence.

The intellectual force of classical liberalism that guided the drafters of the United States Constitution was undeniably a major factor in the establishment of a government that was largely limited to maintaining an environment conducive to free-



dom and economic progress. But while this intellectual force hasn't been destroyed, it has been overwhelmed by the relentless and increasingly entrenched political influence of special interests.

## Technology and the Power of the State

While not denying the power of special interests and the strong and unrelenting pressure for government expansion that is destructive of our freedom and prosperity, pessimism is premature. The world is changing in ways that are imposing constraints on government power that reinforce (or supersede) those of written constitutions, and providing unmistakable evidence that the classical liberal model of limited government and decentralized markets allows far more freedom and prosperity than state dominance and centralized economic direction. There are reasons for optimism that these two forces are in the process of interacting in a virtuous cycle of reinforcement that will expand the scope of human liberty and economic progress around the globe. The force initiating this cycle of freedom and prosperity is technology.

In the past it was widely believed that technological advances would expand the control of the state, with some being appalled by this prospect and others welcoming it. Whether one feared the Big Brother of George Orwell's *1984*, or looked forward to the day when government could gather the information necessary to calculate efficient socialist prices, the expectation was that technology would shift control from the level of individuals to that of central authorities.

This expectation was not completely unfounded. Certainly technological advances have increased the ability of government to monitor private activities, to gather information on the economy, and to solve the huge systems of simultaneous equations called for by the schemes of the rational socialist "calculators." Moreover, this new technology might be used to destroy the economic freedom that is incompatible with the directives of central planners.

The initial effect of the technology that ushered in the Industrial Revolution was to increase the power of government. This technology created tremendous advantages resulting from the exploitation of economies of scale. Economies

became characterized, and landscapes dotted, by huge plants and factories. Efficiency was increased by building yet more massive units of physical capital and by bringing yet larger numbers of workers in close physical proximity in order to coordinate their use of that capital. Such large concentrations of productive wealth create tempting targets of opportunity for political exploitation through regulation, taxation, and central direction. Also, the large productive facilities called for by economies of scale created the illusion that large sections of the economy could be efficiently concentrated and controlled by central planners.

Certainly governments have used technology to increase control over their populations. It is possible to point to many cases in which this control has seemed almost complete. And the experience with increased state control is far better characterized by Orwell's Big Brother than by the socialist fantasy of the calculator of efficient socialist prices. The primary accomplishment of totalitarian governments has been to snuff out both individual freedom and economic prosperity.

Technology continues to progress, however; and as it does there are reasons for believing that it is becoming more a force for liberation than for suppression. The atrocities of state power that have characterized so much of the 20th century are likely to be the darkness before the dawn.

## Technology as a Force for Freedom

Recent technological progress has altered the production of wealth in fundamental ways, and by so doing has reduced the ability of government to control and exploit the productive process. The most cost-effective plant is no longer the largest plant. Small machines are now able to produce a host of products more efficiently than formerly was the case with large machines. Just-in-time delivery systems based on more rapid communication and transportation are reducing the warehousing space needed for inventorying productive inputs. The productive activity of a large number of people can be supervised and coordinated without having them in close physical proximity to each other. And increasingly it is knowledge and creativity embodied in human, rather than physical, capital which is the decisive factor in the creation of wealth.

The result is not only productive units that are far smaller than in the past, but far more mobile as well. Increasingly the tax base that governments were able to treat as captive have become fugitive. The governments of countries are now finding themselves facing the same type of competition that governments of local jurisdictions have always faced.

No claim is being made that this competition will ever rival that faced by grocery stores or pizza parlors. But the gap that can exist between the attractiveness of the tax and service packages of different governments without adversely affecting the tax base of the least attractive is diminishing. As measured by the discretion governments have to tax, regulate, and exploit the productive process for political ends, technological advance is reducing the control of governments.

Of course governments have always recognized a threat in the emigration of productive resources, and those governments pursuing the least "competitive" policies have never hesitated to employ brutality in order to limit that emigration. But technological advance is making government attempts forcefully to prevent capital flight less likely to be successful, and increasingly futile even if successful. The increasing mobility of capital goes a long way in explaining the difficulty of preventing capital flight. The changing nature of capital explains the futility of attempts to overcome this difficulty, even if successful.

Productive capital has become increasingly dependent upon intellect and creativity. As George Gilder has expressed it, "innovation tends to devalue the materials of the established system and create a new means of production with a higher content of intellect and ideas. The displacement of materials with ideas is the essence of all real economic progress."<sup>4</sup>

## How Governments Undermine Creativity

Attempts by central authorities to confine, control, and manipulate creativity are sure to destroy creativity. Those governments that have been most successful at imposing internal controls over their populations in order to prevent the exodus of capital (both human and physical) have succeeded only in destroying the creative process upon which a productive capital base ultimately depends.

Technology is shifting the advantage even more than in the past to decentralized economies based on the coordination of the marketplace. For reasons discussed earlier, the market has always dominated central planning in the utilization of localized information and in coordinating that use into an overall pattern of efficient production and consumption choices. But it is important to recognize that, by accelerating change and further fragmenting the distribution of knowledge, technological advances are rapidly increasing the dominance of market-based economies.

In an economic setting characterized by completely static production processes and preferences, and a few huge production units, central economic planning might work tolerably well.<sup>5</sup> In such a setting there would be fewer units to coordinate, and maybe some semblance of coordination could be realized by repeated iterations toward a stationary target. It is not surprising that those who dream of economic progress through industrial policy controls find comfort in the thought of mega-sized corporations (see, for example, John Kenneth Galbraith, *The New Industrial State*) and see disruption rather than progress in the spontaneous changes that are leading to a dynamic global economy (e.g., Robert Reich, *The Next American Frontier*).

But the thought of central economic control becomes a complete absurdity in a world in which large corporations are losing ground to creative entrepreneurs, who, armed with the latest technology and a relatively few employees, outperform their rival Goliaths at innovating, manufacturing, and marketing. Smaller organizational units whose productive power has been enhanced by technological advances possess far greater agility in responding to the rapid changes brought on by those technological advances.

The greater productive power of smaller organizations comes from superior use of localized knowledge and increased specialization, and depends completely upon the information flows that can be collected and distributed only through markets. The information that pulses through the market in the form of prices, profits, and losses is information that is being utilized to ever greater advantage in decentralized economies and which is being neutralized and destroyed in centralized economies.

The same technology that is driving the produc-

tion and rapid distribution of goods, services, and information in those countries that are plugged into the global market is ensuring that those who live in economically stagnant and politically repressive regimes are becoming increasingly aware of their plight. All regimes based on central economic and political control are being undermined by “the three most powerful political factors at work in the world today: democracy, market economies, and the microchip.”<sup>6</sup>

When the theory and experience of democratic capitalism is presented to those whose political and economic lives are subject to the detailed control of unelected authorities, those authorities soon begin losing their grip. When people couple improved knowledge of alternative systems of political economy with greater ability to vote for these systems both with their feet and their capital, the power of governments over their citizens is further weakened. By quickening the flow of information and increasing the mobility of capital and populations, recent technological advances are ushering in a new era in which the prospects for individual liberty and accelerating economic progress are greatly improved.

## Summary and Conclusion

Genuine economic progress isn't possible without the freedom of individuals to use the localized knowledge that only they can possess. Yet individual freedom is a force for economic progress only when subject to the accountability imposed by the market institutions of private property and voluntary exchange. Somewhat ironically, the freedom of the marketplace depends upon the coercion of government. In the absence of government enforcement of the rules of private property and exchange, temptations exist that convert individually rational behavior into collectively destructive outcomes.

Unfortunately, the power to protect freedom is also the power to destroy freedom by undermining the accountability of the marketplace. And the use of government power to undermine market accountability is exactly what numerous special interest groups see as individually rational. Each such group realizes private advantage at public expense by being exempted from the discipline of the marketplace.

Yet, there is cause for optimism. Technology seems to have entered the struggle between government power and individual freedom on the side of freedom.

The concern has long been that the power of government is undermining the freedom and productivity of the market. This remains a concern. But there is reason to believe that the threat is turning, and we are now observing the freedom and productivity of the global market in the process of undermining the power of governments around the world. □

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1. Friedrich A. Hayek, “The Use of Knowledge in Society,” *American Economic Review*, 1945, pp. 519-30.

2. Friedrich A. Hayek, *The Constitution of Liberty* (Chicago: University of Chicago Press, 1960), pp. 31-32.

3. Frederic Bastiat, “The State,” reprinted in *Ideas on Liberty* (Irvington-on-Hudson, New York: Foundation for Economic Education, 1955).

4. George Gilder, *Microcosm: The Quantum Revolution in Economics and Technology* (New York: Simon & Schuster, 1989), p. 63.

5. Even in a static economic setting with only a few production units, localized information would remain important and market coordination still would be superior to bureaucratic coordination. Also, it is unrealistic to assume that central authorities are motivated to take the task of economic coordination seriously. The reality of central economic planning is that it requires concentrations of coercive power that always are exploited for private advantages which generally conflict with public-interest objectives such as economic coordination.

6. See the editorial “China Globalized” in *The Wall Street Journal*, May 22, 1989.

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# Fostering the System

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by Ann Rogers and Michael Rogers

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**T**he problem with foster child Alan is that he isn't a statistic. His mother was a drug addict, but she didn't beat him. If Alan had been beaten, then he might be more willing to allow the state to help him.

When John and Lois applied to become foster parents with the state of California, they didn't plan on getting Alan. Unlike most applicants, they didn't want an infant, but they already had a particular foster child in mind. They were doing a favor for friends who were having difficulty with their own foster family. These friends, Tom and Carol, had taken in a foster child, Joann, who had fallen in love with their natural son. Tom and Carol thought John and Lois would be perfect for Joann, and that began their relationship with, what Lois now bitterly calls, "the system."

To be precise, what Lois says is, "The system stinks." It's the system she blames, not Alan, for how badly things worked out. But what makes her particularly angry is that it's Alan who is suffering.

Alan never wanted to be in the system. It was his teenaged half-sister who reported their mother to the state, which then came and took Alan and his sister away. His mother, a drug addict, could have faced the charges and tried to get her children back, but she chose instead to vanish. So, at 9 years old, Alan became part of the state foster child care system.

A year had gone by and he had been through two other foster families when John and Lois got him. (His half-sister had been placed separately from him, though they had scheduled, monthly, supervised meetings.) John and Lois were fore-

warned that he was a problem child. He didn't make friends and he didn't interact with other children except to fight with them. They were also told he wet his bed.

John and Lois had meanwhile been through their own bureaucratic ordeal in becoming Alan's foster parents. The lengthy process began in December when John and Lois attended the Foster Parent Training Program given at their neighborhood community college. In March, their home was inspected by the licensing division of the county's Public Social Services Agency. Completing the paperwork required that they both be fingerprinted for a criminal records clearance, have a Child Abuse Index Check, be tested for tuberculosis and have a Health Screening Report filled out by a physician. Since, before these requirements could be concluded, Tom and Carol had made other arrangements for Joann, John and Lois were free to accept any foster child. On the first of April, they accepted Alan.

Like many foster families, John and Lois wanted to provide Alan with the family life of which they felt he had been deprived. But Alan was resentful from the start. Tom and Carol had encountered similarly resentful children and, if the child's attitude didn't improve, they would return him to the agency. But Lois was determined to make it work with Alan. After all, wasn't he just a child who really needed help? She fully planned to raise him to adulthood along with her own two children. And she continued to talk this way even after learning the extent of his problems.

John and Lois had been warned that he wet his bed at night. But they hadn't been told that he also wet his pants in the daytime or that he habitually

defecated in his pants. John characterized him as not being toilet trained.

To keep tabs on their progress as well as to assist them, a state psychologist, Howard, was assigned to visit them weekly. He would come to the house, talking first privately to Lois, and then taking Alan aside (or sometimes out for a Coke) to talk to him. There were also regular monthly visits from a state social worker. Howard's advice on toilet training Alan was to have him hand scrub all his soiled underpants.

Thus began a wearying, daily ordeal. Lois would set aside Alan's soiled underpants. She'd wait until after supper and after Alan had relaxed a little before telling him it was time to wash them. But he was never ready or willing to do it. He whined. He didn't want to wash them and why was she always picking on him. It was because he was a foster child, wasn't it? He screamed. He wouldn't do it. Lois always stood there, persisting, patiently and calmly, until Alan finally relented and washed his underwear.

Sometimes Alan tossed out his dirty underpants and told Lois he didn't wear any. Then Lois had to rummage through the garbage to find them. It seemed as though Alan tried everything he could to get out of the washing, except to use the toilet.

Yet Alan's failure to use the toilet was just the more conspicuous aspect of a bigger, more general behavior problem. From what he had told Lois and from what they could surmise about him, he had been a neglected child. He pointed out a hotel to Lois that he said his mother had left him in for three days. He was totally undisciplined. He didn't know how to behave in a house or with a family. He'd open the front door and not shut it. He'd turn the water faucet on and not turn it off. He never washed his hands. And when he was told to shut the door or turn the water off or wash his hands, he would argue and fight. "Why do I have to?" Or, "I don't want to." And whenever John wasn't home, Alan would throw fits with Lois. He'd scream at her, right in her face.

## Life with Alan

Family life with Alan became something quite different from what family life had been before. John and Lois planned a family night out to see the new Star Trek movie at a drive-in. Though Alan seemed excited too, when they were ready to

leave, he wet his pants. Then instead of giving Lois the wet underwear, he told her he hadn't worn any. Lois found them in a waste basket. And as though his pre-movie antics weren't enough, Alan spent the movie telling them how much better his previous foster family had been.

Another weekend they drove to Las Vegas to visit friends who had just moved there from Kentucky. Lois was particularly excited since she hadn't seen these friends in over a year. While staying there, though, Alan threw a terrifying fit, screaming at the top of his lungs, ranting and raving. Their friends were horrified. John and Lois were upset. They had ideas about how they should be raising Alan, about things they could be doing that might help him, but they were obligated to follow Howard's suggestions.

Howard had told them that when Alan misbehaved, Lois (who was doing all the disciplining) could do one of several things. She could put him in his bedroom; she could ban him from playing the computer, which he loved; or she could put him in a corner with his nose touching the wall. These were "constructive alternative methods of discipline," which John and Lois were required, by the Foster Parent Agreement they had signed, to exercise. They were prohibited by the agreement from using "corporal punishment, punishment in the presence of others, deprivation of meals, monetary allowances, visits from parents, home visits, threat of removal or any type of degrading or humiliating punishment." But despite Lois rigorously using these constructive alternatives, Alan's behavior was going downhill. They were losing control over him, and it was getting closer to the point where Alan would simply refuse to listen to them. If he wouldn't stand in the corner, or wouldn't go to his bedroom, then what could they do?

Meanwhile, Tom and Carol were giving them different advice. They had been foster parents for over ten years and they had raised their foster children much as they had raised their own children, spanking included. They reassured John and Lois that once Alan felt some attachment to them, they would be able to spank him too. But John and Lois were hesitant. They were sure Alan would report them.

Nonetheless, one day John did spank Alan. He took him into the bedroom, told him what he had done wrong (defecating in his pants and talking back to Lois), and then spanked him half a dozen

times. Alan had already been warned the previous day that John—not Lois—would be disciplining him the next time he committed either of those two infractions. John said Alan seemed bewildered by the spanking, as though it had been a new experience for him, and, for two months afterwards, he did not soil his underwear once.

## A Warning

Alan did eventually tell Howard about his spanking, however, and Howard warned John not to do it again. And when Alan's good behavior declined after two months, John didn't spank him again, though he was certain a spanking was what Alan needed. There was too much to lose to risk an entanglement with the state. John and Lois owned real estate; they had their two children. Foster parents might have child abuse charges filed against them as well, and then their own children could become foster children.

Alan, though, just kept getting worse. He plugged a toilet at school and screamed at a bus driver who was threatening not to let him on the bus again. Perhaps Alan was angry because Lois had started working full-time and now had less time for him. Lois had gotten a full-time office job, because John was thinking about leaving his ranch job, which meant losing their rent-free, company-owned, three-bedroom house. In southern California, that was no small economic loss, certainly not compensated by the \$360 they got monthly for Alan. But whatever his reason, Alan was now out of their control.

In late October, seven months after they had gotten him, John and Lois returned Alan to State Social Services. He cried when he got in the car, and John and Lois were upset too. But they felt they had no other choice. Alan was now 11 years old, and he would be going to live in a group home with other hard-to-place children.

This real-life example isn't clear-cut or uncontroversial. Alan's home life with his drug-addict mother was hardly ideal. On the other hand, he wasn't being physically abused. He was neglected. He wasn't fed regularly or taught anything. Yet, he had survived under his mother's care, through infancy and early childhood, until he was 9 years old. And his mother never had abandoned him. Though she left him in seedy hotels, she always came back. Further, Alan never wanted to leave

his mother. Lois expressed the fear that if they encountered his mother somewhere, he would take off after her.

Lois also worried about Alan's constant use of the "f" word. As far as Alan viewed it, he never got a fair shake on anything because he was a "foster" child. With his own mother, he hadn't been one. His mother also had never rejected him. Under the California foster child care system, though, whole families have rejected him. He had experienced stability with his mother; he is being shuttled from family to family with the state foster care system. Under the state system, he is being labeled a problem child. Under the state, he is living in a group home, which has disturbed children and other juvenile misfits in it. Has the state, in fact, made Alan's situation worse?

## What Is the Proper Role of the State?

The pragmatic argument for state intervention is that the state is doing good for Alan. Here's a child who, without state intervention, would grow up to be a drug addict like his mother, or perhaps worse. The state believes its care of Alan does less harm than his mother's care does. But it requires omniscience to know that Alan would benefit more in the state's foster system than in his mother's care. First, it requires that the state know how Alan would have turned out under his mother's care. Second, it requires that the state know how Alan will turn out under its system. Finally, it requires knowing which outcome is morally superior. No one, not even the state, has this wisdom.

Assuming that Alan is, in fact, worse off now than before, state officials would then like to believe, or perhaps do believe, that Alan is an exception—that, on the average, the state still does more good than harm. Tom and Carol certainly met children who adjusted to their new family life. Most children will manage to adjust, but it doesn't mean that they are happier with or benefit more from their foster families than they would have with their own families.

The belief that the foster family, which is a state-controlled relationship, is going to benefit foster children is a dangerous assumption. Look at what happened to Alan, who was taken in by good people with the best intentions. Every foster child is unique, yet the state allows only one rigid, limited

approach to raising these children. Instead of allowing all actions to be legal with the exclusion of criminal acts (for example, assault, killing, or fraud), the state specifies only certain acts as legal, thereby making illegal every other (unmentioned) act. This controlling, restrictive nature of the state impedes individual initiative and progress.

John, for example, may have been wrong that spanking Alan would have been beneficial. Alan might have responded the same way to being spanked as he had to Howard's constructive alternative methods. With Alan, it may have had nothing to do with how he was being raised, but who was raising him. Nonetheless, the state, by forbidding spanking, by making only one narrow approach to child rearing legal and everything else illegal, inhibits creativity. The process of raising children becomes stagnant rather than dynamic; it remains one-dimensional rather than innovative. So, while spanking may not be productive in a specific case, the freedom to spank, in general, is productive.

The financial cost to the taxpayers of Alan's taking is also considerable. The government hires psychologists, social workers, custodians, and a network of foster families. In addition, it purchases real estate. In Alan's case, three foster families received

payment, a state psychologist and social worker are employed, and a group home and staff are financed. All these people are employed to benefit Alan more, or harm him less, than his mother. Yet, no matter how much money is spent, the state cannot know for sure what will benefit Alan.

Not knowing who or what will benefit Alan constitutes the problem of child-rearing. The state can't know and, therefore, it has no right to take a child from its mother unless it has met the burden of proving the child is being physically injured. Although it may be true that Alan was being emotionally, not physically, injured at home with his mother, the state wasn't able to stop the emotional injury. The state's actions, in fact, very likely increased the emotional injury and made Alan's childhood more miserable than it was.

Several weeks after relinquishing Alan, Lois received a phone call from a social worker about taking in another foster child. The social worker assured Lois that not all foster children are as bad as Alan. That's when Lois realized that Alan was being blamed for being bad, not the system. The state, evidently, assumes it is right. So, while the state, most likely, wrongfully took Alan from his mother, harmed him by doing it, and wasted loads of money, it can blame its failure on the victim. □

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# Low Life

by Al Garner

**A**ny discussion of crime and other anti-social behavior should take a close look at what some people call "low life"—bums and criminals. After years of social work I thought I knew something about this element, but it took renting rooms in my house to find out.

Most of the tenants were working class guys. Some were sloppy or crude, but problems could be worked out. They were okay.

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*Mr. Garner is a retired social worker in Midway City, California.*

There were others, however, who were "low life" and problems could *not* be worked out with them. They lacked empathy and wanted lots of favors—stamps, envelopes, change, jump starts, or tools. They wanted attention and wanted to talk about themselves at their convenience, not mine. They were overly sensitive, defensive, and wouldn't sit down and discuss problems. They got buddy-buddy too fast, and expected their messes to be forgotten because we were "friends." They thought they could find a job and a woman far

beyond their reach. They were impulsive in eating, drinking, entertainment, and spending. They ignored the house rules or tested them: if you gave an inch, they took a mile.

Some had terrible manners, needed haircuts, locked themselves out of the house a lot, left shopping carts out front, slammed doors or didn't close them, broke things and denied it, wasted my utilities and their food, clothing, and tools to an amazing extent, and seemed to either yell or mumble. They got behind with their rent, which brought lots of stories, moving out in the middle of the night, and bouncing checks.

Some put off small repairs on their cars, costing them twice as much. Some told adult stories around youngsters. One hid a motorcycle in his room to work on, getting grease all over.

They resented banks, bosses, cops, girls—life owed them a living. They wouldn't manage their weight, diet, health, belongings, or money and drifted from job to job. They drove uninsured cars with no spare or jack, and they ate out—always broke, but always ate out. (Show me a roomer who's always broke and I will *guarantee* he eats out.) Some stole, gambled, drank, and smoked pot. They had companions, not friends.

Many counselors would say their problem was mental, educational, intelligence, discrimination, alcohol, or "deprivation." Nonsense; it was immaturity.

Take Pete. He was 40, had nothing, and promised he would be a good tenant. He had a new job. Save his money and get ahead? No, he gambled and drank it away. His room smelled terrible, he had a bad attitude, and he made a lot of messes in the kitchen and bathroom. He loaned his uninsured car for months at a time. He got terribly drunk on a work night, and he fell behind on his rent. I asked him to leave. He did—sleeping in his car in front of the house. The police picked him up on outstanding warrants and put him in prison.

Enter Bob, a divorced 36-year-old escapee from

a Communist country, father of two, with a high-paying, skilled job. He was happy, fun, big-hearted, and very likable. He had a strong body odor. He knew it, but did nothing about it, and even went on job interviews that way. He was in and out of love every other week with barmaids, one of whom took his money. He went through a number of jobs and ran out of money. He worked around the house for minimum wage, but still ate out. Once when totally out of money during an emergency, he worked for me four days, was paid each day, and at the end of the fourth day was broke. He needed a loan for a big date who stood him up to go to bed with someone for \$50. The next day he was down in the dumps, called his kids, cried, and swore off his night life. Then what? He went out again that night! Eventually he moved out, leaving a big mess and the police on his trail.

If these types didn't respect themselves or their property, why should they respect me or mine? There were thefts, property damage, and near fights. I had to ease them out gently, taking a loss so they wouldn't retaliate. They knew where I lived; I wouldn't know where they lived.

The stories go on; you can read, hear, and discuss them, but you won't understand until it happens to your property, your time, your peace of mind.

Most middle-class people are unaware of such people, but working-class people and the police are, as they have more contact with them. They call them "riffraff, rabble, bums," and worse. They know what they are talking about. Many counselors, however, are middle class, have gotten their ideas from books, and excuse such behavior.

"Low life" have *chosen* to remain immature and irresponsible. Any rehabilitation should meet them only half way and include lots of discipline and hard-nosed counseling. They have the slow, painful job of growing up. Cold-blooded realism is needed, not hearts and flowers. Strangely enough, most of them would agree. □



# A University with a Future

by Leonard P. Liggio

**D**uring recent months, the freedom philosophy has been vindicated in Central and Eastern Europe. However, the coming years will show whether the people in those countries understand how to achieve the benefits of a free and responsible society. Having had the most oppressive of governments, they have been led as much by instinct as by reason and knowledge. They have few institutions in their countries around which to expand the islands of freedom.

The importance of building institutions was demonstrated during the recent Western Hemisphere meeting of the Mont Pelerin Society in Guatemala. Part of the program was held at Francisco Marroquín University. Founded in 1972, this institution is a monument to the intellectual contributions of Ludwig von Mises and to the organizational contributions of the founding rector, Manuel Ayau.

Dr. Ayau was influenced by the lectures and writings of Mises, and through him by the ideas of Leonard Read and F. A. Harper. Thanks to Mises' teachings, Ayau and Ulysses Dent recognized that higher education is the most important contested area for shaping social change—and the area in which the socialists have seized most of the ground. Thus, Ayau and Dent founded a new university, and through much hard work and with the inspiration of Mises, Read, W. H. Hutt, Henry Hazlitt, Henry Manne and others, the university has become a great success.

I have given courses at Francisco Marroquín on two occasions, and can attest to the very high qual-

ity of the students. They are bright, attentive, courteous young ladies and gentlemen with a strong interest in the freedom philosophy. Francisco Marroquín must compete for students with the national university. At the national university, students can study at almost no cost—the university is guaranteed 4 percent of the central government's budget by Guatemala's constitution, which was written by the university's faculty. Its campus looks like a military encampment after it was overrun by the enemy—in this case, by the students from various militant socialist groups.

In contrast, like a medieval monastery, Francisco Marroquín University was built brick by brick by dedicated devotees of the freedom philosophy. Some of these people formed the early faculty of unpaid instructors. Over time, Dr. Ayau was able to add teachers who had been trained in free market economics at New York University with Mises, at the University of Rochester, UCLA, and other leading U.S. colleges. Francisco Marroquín's programs have expanded to include economics, business, accounting, computer science, architecture, dentistry, medicine, theology, teacher training, social sciences, and law. However, all students are required to complete two semesters in Austrian economics, a semester on the social thought of Ludwig von Mises, and a semester on the social thought of F. A. Hayek. One of the most widely attended courses is "The Logic of Social Cooperation" taught by Juan F. Bendfeldt.

The core curriculum reflects the strength of the economics faculty that is headed by Fritz Thomas and includes Julio Cole, Joseph Keckeissen, and Pablo Schneider. Two outstanding scholars, Eduardo Mayora and Armando de la Torre, are

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*Professor Liggio is Distinguished Senior Scholar at the Institute for Humane Studies, George Mason University, Fairfax, Virginia.*

heads, respectively, of the law program and the social science program. The greatest limitation on the educational potential of the Francisco Marroquín University is the current lack of Spanish-language books on the freedom philosophy. The university's newly built campus is an attractive and efficient site for educational activities. Built against the walls of a canyon, the main building encloses a natural central area with a descending stream and greenery. The Ludwig von Mises Library is being built; a student activities center is planned.

The university is a monument to the Guatemalan business leaders who saw that the true foundation for a free society is built not on short-term political activities, but is based on investment in permanent change. Because of this investment in education, thousands of people will be lifetime advocates of the freedom philosophy. One may need to be more patient for the dividends, but they will be real and permanent.

Manuel Ayau is now rector emeritus, and the

current rector is Fernando Monterroso. Rigoberto Juarez-Paz is the vice-rector, and Juan F. Bendfeldt is the university's executive secretary. The trustees and faculty have a broad, international range of contacts, so the curricula are enriched by a continuous stream of lecturers. In addition, there are visiting professors such as Alberto Benegas Lynch Jr. and Eduardo Marty of Argentina, Roger Meiners and Robert McCormick of Clemson University, James Huffman of Lewis and Clark Law School, and Randy Barnett of Chicago-Kent Law School. Thus, the students enjoy some of the best educational programs in the world. These programs receive supplementary support from the Foundation Francisco Marroquín in Stuart, Florida.

Francisco Marroquín students attend the summer seminars of The Foundation for Economic Education, Institute for Humane Studies, and other organizations. They inspire the other students they meet, and return to their unique university with an even deeper understanding of the freedom philosophy. □

# Readers' Forum

## To the Editors:

Lee Ownby's detached depiction of the misuse of the government's eminent domain power ("Beyond Eminent Domain," March 1990 *Freeman*) to serve private interests tends to obscure the important moral values at issue. The forced taking of private property avowedly to promote the business of another private individual is a pervasive scandal in American law. That it has gone on for over a century, and that it happens all the time—not merely in the case described by Mr. Ownby, or in the Poletown taking in Detroit to subsidize General Motors—is all the more reason to oppose it forthrightly and vigorously. There are two sets of villains in this drama, working hand in

hand. They are the business people willing to sell their birthright and their society's freedom for a mess of profits, and judges who have, for all practical purposes, read the "public use" limitation on takings out of the Constitution, so that it retains no pragmatic meaning whatever. These people need to be confronted with the profound immorality of their deeds.

Thus, Mr. Ownby's equivocal if not actually sympathetic depiction of the Knoxville businessman benefitting from such misuse of eminent domain is unfortunate. Justice Brandeis cautioned that the greatest threat to liberty comes from well-meaning but misguided people who erode our freedoms by

degrees. Such concerns surely apply to the misuse of eminent domain to fatten the purses of business people who are unable or unwilling to compete effectively in the private market to obtain the property they want, and who instead turn to the government to get it for them by force.

The ultimate scandal inherent in this process is that the courts proclaim themselves all but powerless to enforce the "public use" Constitutional limitation, then go on in the name of "just compensation" to deny compensation to the condemnees for a variety of economic and personal losses actually suffered, but judicially declared to be "non-compensable."

GIDEON KANNER  
Professor of Law  
Loyola Law School  
Los Angeles, California

### Lee Ownby replies:

I concur with Professor Kanner in his assertion that important moral values are at issue when private business interests enlist state power to forcibly obtain another's private property. As he indicated, this legal plunder is widespread and continues unabated on many fronts. While I don't believe that I was as sympathetic to this misuse of power as he suggests, I do admit to not being as forceful as my convictions would demand.

Much of the public has been anesthetized to government's steady encroachment onto private property rights. My approach was to subtly challenge those who may have nascent seeds of doubt about the private sector's role in the state's wrongdoing. Defenders of private property rights have no difficulty understanding what is being lost. It is the multitudes that have not been given the tools of analysis by which they can conclude that such actions are improper. I acknowledged some of the positive contributions of Whittle, even if tainted in Professor Kanner's view, in hopes that the property rights position might receive a more earnest hearing.

I welcome Professor Kanner's forceful and persuasive arguments in the defense of private prop-

erty. I regret that I did not have the benefit of his viewpoint during my law school career. If I had, perhaps, my own awakening to the important link between private property and freedom could have been hastened.

LEE OWNBY  
Knoxville, Tennessee

### To the Editors:

In his "Academic Freedom at a Public University" (March 1990 *Freeman*), John Lott tells of what he thinks "are not unusual events at public universities." The happenings he describes are certainly not unique. In an uncanny fashion, they parallel occurrences in Ohio during a 1983 income tax repeal initiative. I and a colleague supported such an initiative. We were assailed in the public press by the state's Governor. A trustee of another state-supported university wrote to say that if he had anything to say about it, we would be fired. There were phone calls from the Governor's office to the president of our university urging him to "shut us up." At times, we were accused of "ruining" the university. An academic campaign to discredit us was organized. Rumors were circulated questioning our personal motives and integrity. And, elsewhere in the state, academics who might have supported us were threatened with zero salary raises for years to come. John Lott's story is quite familiar. To quote Yogi Berra's malapropism, for me, it was "*deja vu* all over again."

LOWELL GALLAWAY  
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# Israel's Dilemma

by John Chamberlain

**I**srael's *Dilemma: Why Israel is Falling Apart and How to Put it Back Together* by Ezra Sohar (Shapolsky Publishers, 136 W. 22nd Street, New York, NY 10011, 263 pages, \$15.95) tells the same sort of story about the strangulation of industry in Israel by socialist monopolies that made Alvin Rabushka's and Steve Hanke's *Toward Growth: A Blueprint for Economic Rebirth in Israel* one of the notable books of 1988. The lesson of the two books is what any believer in the free market might expect: you can't get competition, with its attendant plenty, in a system that offers nothing but subsidies and jobs on the State payroll.

Sohar makes his points dramatically by comparing Israel to Taiwan. Both countries were established in the late 1940s. "Both," says Sohar, "were founded by immigrants who put ashore at a small, resource-poor new home. Both have to bear onerous defense burdens." But Taiwan cut loose at an early date from dependence on government grants from abroad. It made landholding easy for accomplished farmers, and it learned much about the ins and outs of international trade. Israel followed a different course: it socialized practically everything.

The result is apparent to even the most casual observer. The Israeli government now owns the country's railroad, the El Al airline, the telephone company, the radio networks, two TV channels, several oil refineries, and the largest department store chain. It controls access to the land through regulation of the water supply, and it drives even the sons of landowners into *kibbutzim*.

Sohar doesn't feel comfortable with the fact that the average Israeli, to pay his incredible taxes and

the bill for monopolized goods, has to cheat in various ways. His tone differs from that of Sam Lehman-Wilzig of Bar-Ilan University, who contributed a remarkable article on "Israel's Grassroots Libertarian Revolution" to the April 1990 issue of *The Freeman*. Lehman-Wilzig accepts the Israeli black market as a fortunate thing. It may be evidence of what he calls "quasi-criminal behavior," but there seems no way of avoiding it.

Where Sohar's book does some "tut-tutting," Lehman-Wilzig glories in the ingenuity used by Israelis to engage in "pirate" cable television, to find doctors willing to take on patients out of hours, to hire teachers for afternoon "enrichment" education. Socialism is being "dismantled" in Israel according to Lehman-Wilzig, and "there is all the chance in the world that the new system taking its place will be successful and stable, once the not-inconsiderable transitional difficulties are overcome."

I could wish that our various authors—Rabushka, Hanke, Sohar, Lehman-Wilzig—had done a more specific study of the role played in Israel by the organization called the Histadrut. This seems to be a state within a state. Says Sohar: "The Histadrut became the de facto government of Palestine's Jewish workers, embracing a wide variety of functions in its bearhug. Such a complex task required it to assemble a massive bureaucracy." We could stand more information about the workings of this bureaucracy. It sounds truly formidable.

The complaint voiced by Norbert Yasharoff in the quarterly magazine *Lincoln Review* is that there is an "Israel We Rarely Read About." Yasharoff was surprised by accounts of growing

grassroots cooperation between Jews and Arabs within the pre-1967 boundaries of Israel. He made visits to two of the better known cooperative projects.

There was the Friendship's Way Center in Jaffa, with its all-volunteer staff of 50 that includes Israeli university students, Arab and Jewish high school pupils, as well as young students from the United States, England, and West Germany. Friendship's Way was the brainchild of Motti Golan, a Jewish public accountant who decided six years ago that "somebody's got to do something to improve the miserable lot of the Arab residents of Jaffa, especially their children."

The second project visited by Yasharoff was the Neve Shalom, or Oasis of Peace, founded by Father Bruno Hussar of the Dominican Order in Israel. Neve Shalom has evolved into a cooperative village of some 60 Arabs and Jews.

The Western press and TV coverage of Israeli affairs impresses Yasharoff as "one-dimensional" and "all-negative." "What," he asks, "can be done to correct the lopsided reporting. . . . The obvious remedy would be for American newspaper editors to encourage, and demand, the kind of coverage that goes beyond depiction and analysis of violent or other negative events. . . ."

The next best thing, of course, would be to depend less on the big press and more on the little magazines such as *Lincoln Review* and, yes, *The Freeman*. □

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## THE DIARY OF H. L. MENCKEN

Edited by Charles A. Fecher

Alfred A. Knopf, 400 Hahn Road, Westminster, MD 21157 • 1989  
476 pages • \$30.00 cloth

*Reviewed by David M. Brown*

**H.** L. Mencken was an American phenomenon.

His was a gaudy and gorgeous career, propelled by a divine afflatus. Born Henry Louis Mencken in 1880, he began his literary life as a workaday journalist in turn-of-the-century Baltimore. In 1914, having conquered the world of newspapers, he joined theater critic and fellow booboisie-slayer George Jean Nathan as co-editor of *The Smart Set*. From this makeshift perch Mencken alternately terrorized and bemused the culture as the most daring social critic of his time;

he was to reach the zenith of his influence in the 1920s as editor of *The American Mercury*.

In addition to being a prolific essayist, reporter, and book reviewer, he found the time to publish books on literary and political matters, and in his later years became known as a formidable scholar of the "American" language, a field of study he pioneered. He also prepared two bulky, as yet unavailable accounts of his experiences in the newspaper and magazine business, and wrote a 2,100-page diary, a third of which has now been selected for public consumption. And all this without a word processor!

Mencken, ever the beleaguered champion of civilization fending off the invading hordes, was an archenemy of all things banal, mediocre, and hypocritical. His forte was a devastating (albeit usually venomless) satirical wit that blended a stupefying erudition with a kind of disingenuous barnyard raillery. The style that was the product of these attributes was, and remains, utterly unique.

Though he certainly favored being on the attack, Mencken's work is more fundamentally preoccupied with the promotion of positive values than with the demolition of bad ones. He was a tireless defender of men of ability and originality, as well as of the individualist creed and political freedom that made the achievements of such men possible. As the premier literary arbiter of his day, Mencken prodded and promoted the careers of many writers whose work is now regarded as classic. He was, as Murray Rothbard calls him, the "joyous libertarian"; and, in his total independence and indifference to opposition, the spiritual archetype of the "free man."

With his myriad critical judgments Mencken conveyed a fortitude that was tough and inspiring. But whatever his lambasting of "morons" and "mountebanks" in public, in his personal life he was not at all the ogre that his boisterous ferocity in print might suggest. Typically, he was genial, polite, and civil to a fault.

This is no contradiction. As a polemicist, Mencken was brilliant and unsparing, but this needn't imply a zealot bereft of courtesy, or blind to all perspectives save his own. There are plenty of examples of such dogmatism in any age, and they are always disheartening. Instead, what we have in Mencken's case is a man who saw with both eyes, was ruthlessly honest about what he saw, but who could also be compassionate. In the often

affecting entries of *The Diary of H. L. Mencken*, we see personal sympathy intermingled with an often harsh realism; but the judgments rarely seem unfair.

This observation leads us, however, to the media hubbub that greeted the publication of this journal, which was sealed, by Mencken's request, from public view for 25 years after his death in 1956, and which for several years past has been available only to scholars and the rumor mill.

No one who reads H. L. Mencken closely can doubt his individualism, his Jeffersonian belief in an "aristocracy of talent," and his sweeping rejection of egalitarian and collectivist notions. Yet, it is precisely Mencken's individualist social and political views which led to his popular downfall with the advent of Franklin Delano Roosevelt and the New Deal, as social planning along with its philosophical underpinnings began to spread with an ever-increasing virulence. Today, we are beset with an egalitarian ethos that often transmogrifies observation of plain facts into a mortal sin. (As witness the attacks on Thomas Sowell for his analyses of differences among racial and ethnic groups in defiance of collectivist presumptions, for instance.) This kind of blind egalitarianism seems to have infected much of the public reaction to the *Diary*.

At issue are Mencken's occasional dubious references to friends and acquaintances by their ethnic or religious background, which in the minds of many commentators demonstrate his "racism." Throw in Mencken's antagonism to the welfare programs of the New Deal, his hostility to U.S. entry into World War II, and his failure to explicitly condemn Hitler as evil in the pages of this journal, and no further proof of his Nazi sympathizing is required. (To his credit, the diary's editor, Charles Fecher, does not himself jump to this last conclusion; he merely supplies the requisite premises and evaluations.)

But racism, if the concept has any meaning at all, does not mean mere *reference* to a person's race, even in an inappropriate context, but rather judging and treating an individual based on his race as opposed to "the content of his character." Perhaps Mencken may be justly accused of a mild racial prejudice or stereotyping, but there is ample evidence even in this journal that he was hardly a racist per se in his attitudes and behavior—for example, his praise of black journalist George



H. L. Mencken

A. AUBREY BODINE

Schuyler, or his general support as editor and critic of the so-called Harlem Renaissance, documented by Charles Scruggs in *The Sage in Harlem*. As for the charge of anti-Semitism, Sheldon Richman reminds us that Mencken expressed private concern for the situation of German Jews as early as 1922, and in early 1939 attacked U.S. policy makers for failing to admit German refugees into the country. "[The initiative] should be taken by the political mountebanks who fill the air with hollow denunciations of Hitler, and yet never lift a hand to help an actual Jew," he wrote in the *Sun*.

Editor Fecher and his uncritical media parrots, however, grab at a few offhand characterizations in Mencken's private journal in order to brand him as a bigot at the expense of the example of his whole life. Even the "Communist presidium" of the Progressive Party's 1948 Presidential convention (attended by "all the worst idiots in the United States") refused to entertain a Maryland resolution "denouncing me as anti-Semitic and anti-Negro," as Mencken ironically notes in his entry of July 26, 1948, one of the last.

The Sage of Baltimore would no doubt have chuckled over the current uproar, given the serene

amusement with which he tolerated even the most vituperative abuse in his own day (he even anthologized some of it just for fun, in a little book called *Menckeniana: A Schimpflexikon*). In any case, the controversy cannot obscure the tremendous value of his journal, valuable especially for the light it sheds on how Mencken dealt with the adversity of his later years.

Mencken began his diary in 1930, at the age of 50, and as his influence was beginning to wane. Discussed in it are his brief marriage with his beloved Sara, her death from meningitis in 1935, the physical and sometimes mental decline of many of his friends and associates, his own ailments and physical deterioration, and the wartime censorship that prevented him from airing his political views in print. But despite many opportunities for bitterness, Mencken possessed a genuine equanimity and peace of mind that sustained him through the worst of times and the saddest memories.

Writing a decade after Sara's death, he notes that "I shall not forget her. My days with her made a beautiful episode in my life, perhaps the only one that deserves to be called romantic. It seems to me to be vain and even a bit silly to resist the irremediable, but I think of her with tenderness and a kind of longing." There is a wistfulness here, but also acceptance, and dignity. In other entries, Mencken weighs the good and the bad in his life and concludes that despite his problems, the scale is tipped in his favor, with reasonable prospects for achievement in the years remaining to him. His public skepticism and cynicism notwithstanding, he was not only a realist but an optimist as well.

The journal is also of interest for Mencken's political gripes, mostly familiar; for its account of the author's work habits; and for his pungent assessments of everyone from his next-door neighbor (a "complete moron" who led a life of "utter vacuity") to Sinclair Lewis and other literary notables, to his publisher Alfred Knopf, his colleagues at the *Sunpapers*, and his cohorts of the Saturday Night Club, where the sine qua non was music, beer, and conviviality.

*The Diary of H. L. Mencken* is not the first Mencken book to read—his *Mencken Chrestomathy* is probably that—but it is an important supplement to his other work, revealing intriguing facets of his personality not manifested elsewhere. Last but not least, and certainly not to be missed, is his perspicacious endorsement of "the

Chinese maxim that it is foolish to do anything standing up that can be done sitting, or anything sitting that can be done stretched out." How true.

The *Diary's* final entry is dated November 15, 1948, eight days before the stroke that ended Mencken's productive career, though not his life. That end would not come until seven weary years later. Mencken's legacy, of course, is timeless. □

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### THE HOLOCAUST CONSPIRACY: AN INTERNATIONAL POLICY OF GENOCIDE

by William R. Perl

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*Reviewed by Jorge Amador*

One morning last December, Hong Kong police entered a camp for Vietnamese exiles and herded 51 of them onto a chartered flight to Hanoi. The nations of the world protested this treatment, but none has offered to take in the exiles, and so the British government pledges to continue the deportation program in order to "deter" more people from leaving Vietnam.

The story is nothing new. Half a century ago, as Jews clamored to escape Nazi persecution and Hitler threw open the gates for their exodus, the West lamented the fate of the Jews—and shut its doors tighter.

It is well known that the Nazis corralled Jews into concentration camps, where unspeakable suffering awaited them. But the "civilized" world's role in keeping them there has been overlooked. History is written by the winners, but a history that consists of half-truths enables us to avoid repeating only half the mistakes of the past. Here then is a most unusual work: a book by one of the winners exposing the whole, ugly truth.

Perl, himself a Jewish refugee and a lieutenant colonel in the U.S. Army Intelligence Service during World War II, examines the immigration policies of dozens of nations, tracing their history up to and during the war. While previous studies have focused on the policies of this or that country, Perl's is the first to put the facts on each all in one volume and to show how together they precipitated the Holocaust.

Be ready for some shocks. Contrary to popular belief, the National Socialists did not—at least initially—intend to exterminate the Jews: They would have been perfectly happy to see them all emigrate from Germany. However, “Except for the very last years of the Nazi regime,” notes Perl, “the question was not at all how to get out, but rather where to go.”

As late as April 1944, SS leader Heinrich Himmler offered to empty the concentration camps in exchange for increasingly scarce basic goods. He proposed to barter one million Jews for two million bars of soap, 800 tons of coffee, 200 tons of tea, and 10,000 trucks which, he pledged, would not be used against the Western Allies.

The Allies rejected the offer out of hand. British authorities arrested the Jewish agent who served as go-between. “Save one million Jews?” fussily demanded the United Kingdom’s colonial secretary. “What shall we do with them? Where shall we put them?”

Canadian authorities admitted an average of 385 Jews per year from 1933 to 1945. “None is too many,” quipped one official. Lest we think that they simply didn’t want the burden of refugees, even Jews with capital to invest were rejected. As one businessman complained, “Canada should have sent trade missionaries to beg such people to come and not to wait for them to seek and beg us.”

Certainly many nations simultaneously displayed a practical indifference, even hostility, to

the worst victims of National Socialism. At the Evian Conference on refugees in 1938, diplomats took turns at bemoaning the Jews’ predicament, but only the Dominican Republic offered to let more immigrate. However, did all this amount to a “conspiracy,” as Perl charges?

We don’t need conspiracy theory to explain what happened. Domestic political dynamics suffice to explain the Western nations’ prewar and wartime immigration policies. For instance, Americans’ opposition during that period to immigration generally, and to Jews specifically, has been amply documented. In an Opinion Research survey in March 1938, 75 percent of Americans interviewed opposed admitting “a larger number of Jewish exiles from Germany.” Given the overwhelming public sentiment against immigration, it isn’t surprising that most politicians were reluctant to liberalize admission quotas, or that the efforts of those who tried went nowhere.

Despite poor editing and proofreading, *The Holocaust Conspiracy* is an important volume. It shows in the starkest terms what can happen when nations curtail the freedom to migrate. The answer to Perl’s anxious question, “Could it happen again?” is that it is happening now. The lesson has yet to be learned. It barely has been heard. □

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