

THE FREEMAN

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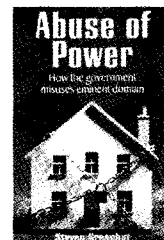
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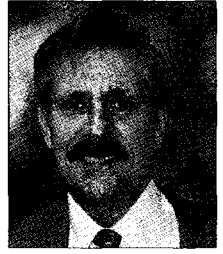
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No “Buts” about Freedom

BY RICHARD M. EBELING

Back in the early 1970s, the late Leonard E. Read, founder and first president of FEE, wrote a short piece in *The Freeman* called “Sinking in a Sea of Buts.” He said it was not uncommon for someone to say to him, “I agree with you in principle, *but* . . .” The “*but*” invariably referred to some exception from the principle of freedom in the form of a desired government intervention. The problem, Read pointed out, is that when everyone’s exceptions to freedom are added up, well, freedom ends up being sunk by all the “*buts*.”

We still suffer today from a big “*but*” problem. Even many friends of freedom are afflicted with the “*but*” syndrome. One example of this is the welfare state. “Sure, it would be preferable if individuals planned their own retirement and health-care needs rather than having government manage and manipulate these things, *but* . . .” “Of course it would be better if individuals were more self-responsible in taking care of the uncertainties and occasional tragedies that may impinge on life, *but* . . .” “Without a doubt it would be better if we could count on people to help their fellow men in time of need without state action, *but* . . .”

The “*but*” often arises because that person is not confident that a system of freedom would “really work” in one of these corners of social and economic life. Or it may arise because the individual thinks that in the climate of current public opinion most people will not accept a fully free system. So it is better to make the case for a supposedly partial private solution, it is said.

Part of this lack of confidence in freedom comes from the loss of historical memory. There is little understanding of how many of the “social problems” that confront members of a community successfully had their solutions either in the marketplace or through various other forms of voluntary association before government co-opted them through the modern welfare state.

For example, in nineteenth-century Great Britain many of these welfare-state “functions” were provided

by a network of mutual-assistance associations known as “friendly societies.” At first they provided insurance for the cost of funerals for workers or their family members. But by the middle of the century, they expanded their coverage to include: accident insurance that provided weekly allowances for the families of workers who were injured on the job; medical insurance that covered the cost of health care and medicines for workers and their families; and life insurance and assistance for keeping a family intact in case of the breadwinner’s death. And by the end of the century the friendly societies offered fire insurance and savings-and-loan services so members could buy homes.

Indeed, by 1910, the year before Parliament passed Britain’s first National Insurance Act, around three-quarters of the entire British workforce was covered by these private, voluntary insurance associations. Membership in the friendly societies covered the entire income spectrum, with those at the lower income ranges most highly subscribed. They also offered public lectures for members and their families on self-responsibility and the moral value of voluntarism over government compulsion.

What the modern welfare state did in the twentieth century was to undermine these free-market methods for providing what is now referred to as “social services.” The introduction of state regulation of the friendly societies, as well as the British government’s “free” national health and insurance services and the many new taxes to cover their cost, all resulted in crowding out the voluntary, market-based alternatives of the private sector.

We also need to relearn the successes of private charity and philanthropy in the glory days of classical liberalism. During the middle and late decades of the nineteenth century the state was not regarded as either

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the proper or most efficient vehicle for the amelioration of poverty. Especially for the Christian classical liberal in Great Britain, his faith required him to take on the personal responsibility for the saving of souls for God.

Most of these Christians also believed that to help a man in his rebirth in Christ, it was essential to help him improve his earthly life as well. Soup kitchens for the hungry, shelters for the homeless, job training for the unskilled, care for the abandoned or poverty-stricken young, and nurturing of a sense of self-respect and self-responsibility were all seen as complements to the primary task of winning sinners over for salvation.

By the 1890s most middle-class British families devoted 10 percent or more of their income to charitable work, an outlay from the average family's income second only to expenditures on food. Total voluntary giving in Great Britain was larger than the entire budgets of several European governments; and half a million women worked as full-time volunteers for charitable organizations such as the Salvation Army.

A vital advantage to this world of private charity was that it enabled innovation and experimentation to discover the better means to assist people in their spiritual needs and material conditions. At the same time, the competition among charities for voluntary contributions rewarded those organizations that demonstrated the greater effectiveness of the methods they used, and weeded out the less successful ones.

As the government began to create the welfare state, many of these private charities found it increasingly difficult to compete with the "free" services supplied by the state. At the same time, the higher taxes to fund these government welfare programs reduced the financial ability of many people to contribute as much to charities as they had in the past.

Not only have we lost our historical memory about these private solutions to supposed social problems, we are ignorant about what the private charitable sector does even with the welfare state and the heavy burden of taxation. In 2003, Americans contributed over \$240 billion to charitable causes. Almost 75 percent of this total was given by individuals (the rest by foundations,


bequests, or corporations). Americans not only contribute their money, they also give of their time. Forty-four percent of the U. S. population did volunteer work for charitable causes in 2000, on average over 15 hours per month.

No Need for the Welfare State

There is no need for the welfare state, in any shape or to any degree. It is the market economy—through innovation, investment, capital formation, and the profit motive—that is raising a growing percentage of humanity out of the poverty that has been man's tragic condition during most of his time on earth. It is the free and responsible individual who can be relied on to manifest the moral sense to assist those who may need some help to become self-supporting men and women.

More deeply, there is the fundamental issue of freedom versus coercion. No compromise is possible with the welfare state without abridging the individual's right to his life and property, and his freedom of choice. Government has only one means of funding the welfare state—compulsory taxation for redistribution of income and wealth. This has nothing to do with government as mere guardian of each person's liberty against aggression.

Indeed, the welfare state abrogates the individual's ability to act on his moral precepts by extracting from him the financial means out of which he could have made such decisions. It therefore denies him the potential of more fully acting as an ethical being.

It may very well be true that many of our fellow citizens are not yet ready intellectually or emotionally for the uncompromising and principled case for liberty. They have lived too long under the propaganda of the welfare state and have become used to taking for granted their dependency on government largess. But how will the spell of welfare statism ever be broken if those who see more clearly the logic and potential of the free society do not present to the best of their ability the principles and possibilities of freedom? The alternative is to continue sinking in that sea of "buts." 

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Perspective

Pharmacists and Freedom

According to the newspapers, pharmacists throughout the United States are refusing to fill prescriptions for the “morning-after” pill and other contraceptives because of religious objections. This has caused some concern and has prompted at least one governor to intervene. Last spring Illinois Governor Rod Blagojevich issued an emergency order requiring pharmacies to honor all prescriptions. The Osco drugstore where a pharmacist refused customers faced loss of its license for “failure to provide pharmaceutical care” and “unprofessional conduct.”

The Illinois pharmacists who object to selling abortifacient birth control argue that their refusal is sanctioned by the state’s “conscience clause.” But critics say that clause applies only to doctors who don’t want to perform abortions. The morning-after pill prevents a fertilized egg from implanting in the woman’s uterus. The *Chicago Sun-Times* reports that this “has motivated pharmacists in at least a dozen states around the country to refuse to dispense contraceptives.”

Fortunately, we can resolve this problem without getting into the birth-control or abortion controversies. In a free society, human relationships, including commercial relationships, must grow out of the consent of all the people involved. A forced sale is theft; forced service is slavery.

The owner of a drugstore, by virtue of the nature of private property, sets the rules. If customers don’t like them, they are free to go elsewhere. They can even shop on the Internet. Similarly, if a pharmacist-employee with convictions opposed to the morning-after pill works for someone who thinks differently, he will have to find another job if he can’t work things out with his boss.

No one has the right to make demands on other people’s property and then run to the state if turned down. All peaceful means of persuasion are acceptable. But force is not. This is the most basic condition of a fully civilized society. Most store owners, I imagine, will not want to turn away customers, but some will feel so strongly about certain matters that they do not mind los-

ing business. That is their right. That's how the diverse marketplace works.

Would we hear objections if a supermarket owner refused to sell beer and wine because of his belief that drinking alcohol is sinful or harmful? Probably not. But for many people, birth control requires special rules, and pharmacists do not have a "right to choose."

It is argued that since drugstores and pharmacists are licensed, the state may attach conditions. But that is one of the objections to licensing: it opens the door to further infringements on individual liberty. To be sure, licensing is always protectionist. In profession after profession, the demand for it came not from consumers seeking safety, but from the practitioners themselves who sought shelter from income-reducing competition. Thus we can assume that licensing reduces the number of drugstores, especially in small towns and rural areas. So is the state justified in requiring that all customers be served? I think not, for this would merely stack intervention atop intervention. We need to move the other way and peel off layers of intervention. Advocates of the freedom philosophy should use cases such as this in arguing against occupational licensing.

That is not the only intervention involved here. The pharmacists refuse to fill *prescriptions*, which are made necessary by law. Again, this has more to do with supporting the incomes of doctors and pharmacists than with consumer welfare. The problem would not have arisen if products were available without prescription. As the *New York Times* editorialized, "Pharmacists who refuse to fill prescriptions for morning-after pills are inadvertently strengthening the case for providing them as nonprescription medicines on the open shelves. Such availability would allow women to get the pills promptly without going first to a doctor and then to a potentially obstructionist pharmacist."

Once again, individual freedom and private property are shown to be indispensable for resolving disputes.

After so many years of neglect, the subject of Soviet concentration camps has started getting the attention it deserves. Jon Utley, who has a special reason to be inter-

ested in the camps, recently took a tour. See his report inside.

The success and prosperity of a society depend on freedom and private property, which are really the same things. James Dorn elaborates.

It's been 36 years since Neil Armstrong set foot on the moon and almost 33 years since the last trip. Bill Walker says it's about time moon and space exploration were turned over to private enterprise.

It's been a bad couple of years for the Food and Drug Administration, and reform is in the air. Don't bother, Arthur Foulkes says.

Today the government's degradation of the American medical system is a topic of much discussion. But as this month's FEE Timely Classic shows, Dr. Frank Primich had the ailment perfectly diagnosed in 1980.

The U.S. Postal Service is asking for another hike in first-class postage. This prompts Robert Carreira to wonder what we would expect from a legally protected monopoly.

The threat of state encroachment on private and home education is an ever-present threat. Hal Young describes how the parents of North Carolina have exercised eternal vigilance.

When an establishment "progressive" discovers that government intervention ostensibly on behalf of the poor actually harms its intended beneficiaries by stifling economic growth, it is indeed a newsworthy event. George Leef has the details.

Do we ever have thought-provoking columns this issue! Richard Ebeling makes the case against the welfare state. Lawrence Reed ponders the importance of ownership. Thomas Szasz examines the relationship between mental illness and legal incompetence. Stephen Davies looks at J. A. Hobson, a key figure in the change of the term *liberal*. Russell Roberts wonders why some people hate Wal-Mart. And Aeon Skoble, reading the claim that choice is a burden, responds, "It Just Ain't So!"

Books subjected to our reviewers' scrutiny deal with national greatness, protectionism, eminent domain, and conservative power.

—Sheldon Richman
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Choice Is Too Burdensome? It Just Ain't So!

BY AEON J. SKOBLE

It's pretty well certain that the money taken in Social Security payroll taxes would produce greater returns if invested by your financial adviser than it is likely to produce in the government's pyramid scheme. But proponents of maintaining the Social Security status quo object that not everyone has a financial adviser, and if people had to invest their own money, they would be either incompetent to do so or at best overwhelmed by the range of choices.

For example, Noam Scheiber writes in the March 7 *New Republic* that "an affluent voter knows he's going to retire in relative comfort whether or not Social Security is privatized; for a voter who sees Social Security as his main source of retirement income, the prospect of exchanging private accounts for benefit cuts is pretty alarming."

Why? If one's main source of retirement income is Social Security, what's really alarming is the idea that this money hasn't been put to better use, which is what private accounts would do. This would only be alarming if we assume that the average person can't invest responsibly. But other critics of privatization seem to argue that the real problem is that people don't want to. On December 20, 2004, *Washington Post* columnist Sebastian Mallaby claimed that the flaw in the "Ownership Society" model is that ownership is stressful: "If it's up to you to choose how to invest your pension account, agonizing over health stocks vs. Asian bonds may not be such a privilege." Well, thanks for

your concern, but you'll forgive me if I make that decision on my own.

Of course, this is to a large extent a straw man: Most private investment isn't like this at all. When you buy into mutual funds or invest in a 401(k) plan or other plans, such as those offered by TIAA-CREF, financial professionals are watching the market and making most of these decisions on your behalf. The idea that the "regular Joe" doesn't have a financial adviser is a class-warfare scare tactic, evoking perhaps the Eddie Murphy character in *Trading Places*. But the truth is that anyone who buys an IRA or a mutual fund is employing a financial adviser. So I don't necessarily have to "agonize over health stocks vs. Asian bonds."

What is surely the case is that some people will want to take a more active role than others in choosing how their retirement money gets invested. According to Mallaby's argument, the fact that some people wouldn't care to be bothered by this choice-making is sufficient grounds for denying it to everyone. Mallaby says, "Freedom and choice are wonderful things that allow us to realize our human potential. But there's a limit to how many choices each of us has time to make."

That's true, but regarding private retirement accounts, it's a non sequitur. It doesn't follow from the

The idea that the "regular Joe" doesn't have a financial adviser is a class-warfare scare tactic. The truth is that anyone who buys an IRA or a mutual fund is employing a financial adviser.

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fact that we don't have unlimited time that the government should provide for my retirement.

Mallaby notes that the rich sometimes pay to avoid choices, for instance by hiring home decorators, and then concludes, "If the rich are deliberately avoiding choice, why are we so sure that the majority want more of it?" This misses the point of what the rich are doing. They are buying time. They still have to choose a decorator and then choose whether to accept the decorator's suggestions. More to the point, to hire a decorator is not to give up any rights. So this is a terrible analogy. The current system strips taxpayers of their right to invest their retirement money in more profitable ways. If we're going to stick with Mallaby's analogy for a moment, hiring a decorator is akin to investing with financial professionals. Social Security is akin to having the government tell you how to decorate the house—and then never deliver the sofa.


Mallaby argues that people may actually prefer a "big government" society to an "Ownership Society." This is an odd move to make—does Mallaby mean that *even if* people thought they would have more money in their retirement they'd still prefer to have the government run the program, just so they don't have to make all those choices? I can't imagine that people are so paternalistic toward themselves that they would actually choose to make less money. But perhaps Mallaby is speaking instead of people being risk-averse: the market is uncertain, and people may prefer the stability of a government program to the vicissitudes of the market. That would be funny if it weren't tragic: any number of conservatively managed index funds are both stable and more profitable than Social Security, and Social Security isn't especially secure—the money to pay for it is going to dry up, and if a tax hike is unattractive when it does, that will mean benefit cuts. So much for stability.

An ownership model requires a greater degree of personal responsibility, but that's a good thing, not a drawback.

What exactly is the argument against an ownership model anyway? Let us be clear about the terms of the debate: currently, we are not "investing" for our retirement when we pay our Social Security taxes. We are paying for the benefits that current retirees are collecting. Our benefits will (or won't) be paid by someone else later. It's accurate to refer to this as a "big government" model, since participation is mandatory and it requires a large government bureaucracy to operate. It presupposes that receiving a retirement benefit is a "right" (in the sense of an entitlement) that everyone has, regardless of whether they have worked hard, not so hard, or not at all; regardless of whether they have been thrifty or profligate.

Free to Donate

A truly privatized system wouldn't even be a "system," but rather several different systems, catering to various degrees of risk-aversion and risk-taking, and various degrees of hands-on investor involvement and delegation to financial professionals. But the key difference would be that in this case, you would be investing for your own retirement, meaning both the money you invest and the interest it accrues are entirely yours. So what you don't spend on your own retirement you can bequeath to your children, or donate to FEE, or Greenpeace, or whatever you wish.

Such a model requires a greater degree of personal responsibility, but that's a good thing, not a drawback, as Mallaby and Scheiber seem to imply. And it would recognize the basic fact that people are entitled to the fruits of their labor. Mallaby claims that this model is not morally better than the big-government model because some people don't like taking risks and because the system "may already be quite close to most citizens' sense of the right balance." *That's* why it's morally preferable to have the current pyramid scheme? It just ain't so. 

Vorkuta to Perm: Russia's Concentration-Camp Museums and My Father's Story

BY JON BASIL UTLEY

My father, Arcadi Berdichevsky, was executed at Vorkuta on the Arctic Circle in the Soviet Union on March 30, 1938. Last October I visited the former concentration-camp town. Copies of files detailing his arrest, indictment, and execution order were sent to me by the FSB, successor to Russia's notorious KGB (formerly OGPU secret police). Incredibly, it still has detailed records of political prisoners and willingly provides information and help to searchers like me. It also gave me three photos of my father from the file, taken at the time of his arrest in 1936. They are in better condition than any that my mother had preserved. In Moscow's FSB library, I held the files of his interrogation.

Thanks to research obtained by my friend and guide Vladislav "George" Krasnov, an early defector and former professor of Russian studies, we went on by land to Ukhta, which was the administrative capital for all the camps in Komi, a state as large as France. (Krasnov is now a State Department contract interpreter.) Then we continued by road and train to Syktyvkar and Perm in the Ural Mountains to visit the only real concentration-camp museum in Russia.

Twenty million people are estimated to have died in these camps, but they are almost forgotten. There are hardly any museums or exhibits of communist camps. Many emptied ones were burned down at the time of Nikita Khrushchev, but mostly they were scavenged by poor peasants for anything usable, and then the remains, built of wood and cheap brick, just rotted into the forest or tundra. They were poorly built by unskilled

prison labor, and many were temporary and moved when timber or easily mined minerals were depleted from nearby.

Perm's camp museum (see below) came from a newer permanent camp. It is the best and only remaining example of a "modern" camp. At Vorkuta the camps were first occupied by prisoners arriving from the Arctic Sea, pulling barges up the Pechora River, along the mosquito-infested banks in 1929. Then they built a railroad and started shallow coal mining. Russia's rivers were the historic means of communication, and you need to see them to comprehend their extensiveness. During the winter, daylight is less than three hours long and temperatures go to 40 degrees below zero. (Fahrenheit and centigrade converge at that point.) Vorkuta mainly had coal mines. In the city square sits the old steam engine that delivered Vorkuta coal to Leningrad to help save it during the German blockade in World War II.

Conditions in the camps finally improved during the war, after the disastrous winter of 1942, when food deliveries were badly disrupted. So many Russians had died that labor became scarce and many camps were emptied out. Then women prisoners were also shipped to the labor-hungry camps, even for the "crime" of simply being late to work. Later, German POW's arrived and had more value as bargaining chips, so some effort was made to keep them alive.



Arcadi Berdichevsky

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The camps were usually not efficiently run, and many had double sets of books to make them appear productive. There was tremendous waste of lives and resources.

Guards at first were hired from local villages (further south), but after 1945 army troops were used. According to policy, they were of a different ethnic group, often Asian, from the prisoners. Being a guard was hardly favored work, I thought, as I looked at the flimsy, open, and windswept towers at the Perm camp we visited. The early guards were simple men who knew almost nothing of the outside world and were told that they were guarding "dangerous" counterrevolutionaries.

Today Vorkuta is a town with some 100,000 people at the end of Russia's northernmost rail line. When the local TV station learned that I was in town, it asked to interview me. Before the show, the beautiful young anchorwoman told me that it didn't matter what I said; just my being there was "news."

After the 1940s many camp prisoners survived their sentences. On release, some even stayed on as civilian contractors. One of the camp commanders, Yakov Moroz, was noted as having eased conditions and even allowed a prison theater. He also separated political prisoners from the common criminals and used the talents of many of the engineers, scientists, and artists imprisoned to build attractive neoclassical buildings in town. Putting all prisoners together had added to the hell, for often intellectual political prisoners were abused and beaten by the common criminals, a rough bunch, often practiced street fighters. However, during the war, political prisoners were kept, while about a million common criminals were sent to the front lines to fight the Germans in "Punishment Battalions." Few survived. This was the subject of a new movie being shown all over Russia; we saw many posters promoting the movie. Comrade Moroz was Jewish and was subsequently executed (in 1940), as were many leading communists. Jewish presence was common, both among the administrators and among the prisoners.

In Vorkuta there is a well-done exhibit in the town museum that shows interesting pictures, has a small

memorial from Germany, an exhibit of the prisoners' "theater," some weaponry, and artifacts. There is also a cemetery with a memorial from Lithuanians, where prisoners were gunned down during a revolt for better conditions after Stalin's death. They died, but thereafter political prisoners were separated from common criminals, and prisoners were allowed gift packages and more mail than the two postcards per year formerly permitted.

My Father

The latest information on my father came through the Russian embassy in Washington, with files from Ukhta, the camp-administration capital of Komi Oblast (state). I learned for the first time that he had been condemned as one of three leaders of a hunger strike and for "provoking massive discontent among the prisoners." The files state that he was also condemned to solitary confinement on December 27, 1937, and then among 17 executed on March 30, 1938. He was not a large man. The police files state his height as 168 cm, about 5 feet, 6 inches, but he must have been a fighter.

He was posthumously "rehabilitated" in 1961 by the Supreme Court of Komi under the 1955 law of rehabilitation put in by Khrushchev.

My father was chief of the department of finance and accounting of Soyuzpromeksport, the government export organization. He had met my mother, Freda Utley, in 1926 when working in London for the Soviet trade mission. They had fallen in love, but he was then expelled from England during the Arcos spy scandal, although he was a commercial officer. Then she joined him in Japan in 1928, where he served in the same capacity at the Soviet embassy. My mother was a writer and researcher and had joined the British communist party after visiting Russia at the time of the New Economic Policy, when it was flowering and relatively free, while England was in the throes of its post-World War I depression.

Together they returned to live in Moscow from 1929 until April 14, 1936, when secret police came at 2 o'clock in the morning, searched their apartment for



Freda Utley

hours, and arrested my father. My mother never saw him again. Knowing the prohibition against taking Russian-born children out of the country, they had put only my mother's name on my birth certificate. Thus she, being English, was later able to leave Russia with me. My mother received two postcards, but then never heard or knew any more about my father for 30 years. After trying in vain in Moscow to help him, she returned to England and mobilized important British leftist friends, including George Bernard Shaw, Bertrand Russell, Harold Lasky, and C. M. Lloyd, to write an appeal to Stalin for my father's release. There was no answer, but a copy of the letter was in the KGB files given to me.

In 1967 the former U.S. ambassador to Moscow, Llewellyn Thompson, asked former Foreign Minister Anastas Mikoyan at a state dinner in Washington if he could find out information about my father. Six months later the Soviet embassy in Washington gave Thompson the simple information that my father had died in Komi in 1938. My mother had always assumed that he died of starvation and cold like nearly all the others.

I now know from the files that he was interrogated, accused of being a Trotskyist, and sentenced to five years in the camps. The documents state that he was not political, although he had been a student member of the Marxist Polish Bund before the Russian revolution. They also state that he was never a member of the communist party, as my mother used to tell me, although membership would have conferred many benefits on him when he worked for the Soviet government. (Copies of his interrogation, a copy of the letter to Stalin, the verdicts and other information from the KGB files are posted at <http://FredaUtley.com/Berdichevsky.htm>.)

In 1940, after giving up hope for my father, my mother wrote one of the first books describing life under communism and about how the system really worked, *The Dream We Lost in 1940*. It had very pro-

found effect on intellectuals who later built the anti-communist movement in America after 1945. (For information about her see <http://FredaUtley.com>.) A 2003 book about prisoners (published in Russian) is *From Vorkuta to Syktyvkar: The Fate of the Jews in the Komi Republic*. It lists my father (p. 266) among the prisoners executed at the "Brick Quarry," an execution site first mentioned in Solzhenitsyn's *Gulag Archipelago*.

Camps Isolated

The most interesting facts I learned were about how the Soviet government during the Stalin terror was so successful at keeping the conditions in the camps a secret. Most camps were intentionally isolated from one another. A common theme in America during the 1940s and '50s was that if Russians didn't like communism, why didn't they resist it more? In fact they did, but the information didn't get out to the West. There were many other strikes and resistance, such as led by my father.

At Ukhta I held in my hand the aged 5-by-7-inch card with information about my father, first shipped to Archangel, the distribution city for prisoners. The last entry showed his transfer to the "3rd Department," a euphemism for execution. The manager of the archives told us that she had a million files of information in her building. A law in 1986 ordered files on prisoners who died or were executed in the camps to be kept

indefinitely.

In front of the archives building in Ukhta remains a statue of Feliks Dzerzhinski, founder of the secret police, OGPU. I remarked on it to our host, Eugenia Zelen-skaya, who replied wearily, "Well, you might say our city owes its founding to his work, sending prisoners here." Interestingly, one sees statues of Lenin and boulevards still named for him, but nothing showed memory of Stalin.

The statue of Dzerzhinski is a reminder that Russians should not bear the entire rap for the evils of commu-

Together my parents returned to live in Moscow from 1929 until April 14, 1936, when secret police came at 2 o'clock in the morning, searched their apartment for hours, and arrested my father. My mother never saw him again.

nism. Dzerzhinski was Polish; Stalin was Georgian. Among the most brutal of Lenin's troops and later secret police were Latvians. Communism was a theory developed by a German from a Jewish family, elaborated from eighteenth-century French "utopians"; it subsequently killed hundreds of thousands of Russian Jews who composed much of Tsarist Russia's middle classes. Interestingly, of the 17 executed with my father, 11 had Jewish names.

Communism found a fertile soil in Russia after the devastation of World War I. But even then, says a friend, Franz Lassner, who once managed the Herbert Hoover museum, Hoover had wondered if his food-aid mission to Russia in the 1920s was responsible for letting the communists consolidate power after they were partly discredited from the ruin of agriculture they caused when first seizing power.

Memorial—Ukhta and Syktyvkar

We were helped enormously by Memorial (www.memo.ru/eng/), a Russian organization to promote education about and memory of the Soviet-era camps and to publicize violations of human rights these days. It maintains 140 offices in Russia, all supported by volunteers and local donations. In Vorkuta we were taken around by Eugenia Khaidarova and Aleksandr Kakmykov, who maintain a small single-room office for the organization.

The Perm camp and museum were sold off by the FSB for a low cost, met by a subsidy from the state government of Perm and foundation donations from the West, including the National Endowment for Democracy, Ford Foundation, Henry M. (Scoop) Jackson Foundation, and Soros Foundation. The Perm Oblast continues to provide some funding for the museum, as does the Komi Oblast help to fund research by another organization, Repentance.

Those who think that many government officials yearn for a return to dictatorship or communism should understand that Party officials were as much subject to execution or imprisonment as ordinary Rus-

sians, indeed, under Stalin even more so. Today most want a rule of law and justice as much as ordinary Russians do.

Still, human-rights groups feel threatened by the new concentration of power in the hands of President Putin and the central government. They fear that their funding may be cut, especially because of Putin's new demand that he appoint state governors. One Putin aide was quoted saying that human-rights advocates were helping terrorists and "want Russia to be defeated in its war on terrorism." A new law, part of omnibus legislation, has ended the severe legal penalties for former gulag officials having given false witness.

After leaving Ukhta we took a four-hour drive to Syktyvkar, the capital of Komi, to meet an incredible man, Mikhail Rogachev. He represents Memorial and also runs the six-year-old Repentance. This organization has researched and published six thick volumes with the names of everyone ever imprisoned in Komi, which included much of northern Russia west of the Ural Mountains. Each volume has a historical overview, copies of records and orders, and lists of names, each with a sentence or two of information and a release (or death) date. Rogachev and his staff are now working on books listing even the Kulaks, prosperous peasants who were among the first concentration-camp victims of communism. The office receives a constant flow of visitors, including many from Poland, looking for information about lost loved ones. The project gets funding from donations and also from the local state government. Rogachev's full-time job is teaching history in the city's most prestigious high school.

From Ukhta we took a five-hour drive to Kirov city, now again known as Vyatka, its pre-communist name. The high-speed trip went through endless forests. I was told that some of the mushrooms growing there are heavy with protein, and our driver showed us little red berries full of vitamins and minerals. These kept many Russians alive during some of their most desperate

The most interesting facts I learned were about how the Soviet government during the Stalin terror was so successful at keeping the conditions in the camps a secret.

times. In Kirov we drove past an old T-34 tank mounted on a concrete pedestal. This was the city where tanks poured out to defeat the German invasion. The Russians had moved much of their heavy industry by railroad to the Urals to protect it from the rapidly advancing German army. It and its sister city, Perm, the center of artillery production, were far away and safe from German bombers.

Perm Concentration-Camp Museum

The Perm concentration-camp museum is so rare that it is on the World Monument Fund (www.wmf.org) watch of imperiled cultural heritage sites. Its description and history are well explained (with large pictures) in Anne Applebaum's book *Gulag: A History* (see www.wmf.org/html/PDF/gulag.pdf).

The camp is the remains of a latter-day one and was less brutal than the Arctic Circle camps such as Vorkuta. By 1959 there were only 15,000 or so political prisoners in Russia, many of them nationalists from the captive nations. In the 1960s there were new arrests of human-rights activists, including in 1966 a dissident group of Leningrad students, some of whom my guide, Krasnov, had known.

Many of the inmates survived their five- or even ten-year prison sentences. At one time the camp housed former officers and police officials who got caught in internal Party disputes. They were treated much better than ordinary prisoners—the camp even had a library. It is over 100 miles east of Perm city. The road to it is under major construction and will be part of a new main highway to the neighboring city of Katerinberg, a major tourist site in Russia's Urals. This will make it much more accessible.

The Perm museum is directed by its founder, Viktor Shmyrov, a dynamic and imposing figure, who lives in the city. He and Krasnov were friends, and much of the information I describe above about the camps came from him, as well as Memorial representatives. There


were some 170 camps in the Perm region, mostly for mining and logging. The first camp was opened in 1927, commanded by a Latvian called Berzin. It was a major concentration-camp area, and the city itself, a big rocket-engine, artillery, biological-warfare, and industrial center, was totally off-limits to foreigners during the communist era. Victor's wife, Tatyana Kursina, is a retired schoolteacher whose expertise is in Russian capitalism before the communist revolution.

The museum has substantial programs for Russian schools, dividing the communist era into the time of terror and then later the time of "unfreedom" from 1945 until 1991. It also offers oral-history programs with student volunteers.

I asked Victor how young Russians today viewed the pictures of totalitarian-ruled Russians all in lock step. He answered that they were amazed and could not understand how people would submit to such regimentation.

The museum is, of course, short of funding and is still under reconstruction. It has artifacts and video exhibits, but mainly it offers a real presence. The guard towers are much more flimsy and bare than Hollywood versions; still

they are a sordid reminder of the horrors of being a prisoner. Victor told us of his plans, including a project to recover remains of some 5,000 men sent north of Vorkuta to start a railroad project in 1941. All of them—engineers, guards, prisoners—were abandoned to starvation and freezing when World War II disrupted food deliveries. The museum will have a website next year and will bring exhibits to major American cities in 2006, sponsored in part by the U.S. National Park Service's Boston office. It has raised about half the funds necessary for the tour.

Our trip was fascinating. Always one is astounded by the many great Russian people one meets, well-educated, brave, and vivacious. The volunteer work they do is immensely important for teaching future generations and the outside world just what twentieth-century government terror and enslavement really meant. 

The museum has substantial programs for Russian schools, dividing the communist era into the time of terror and then later the time of "unfreedom" from 1945 until 1991.

Why Freedom Matters

BY JAMES A. DORN

The future of civilization depends on preserving and spreading freedom. As a moral principle, freedom means we ought to respect private property rights, broadly understood as the rights to life, liberty, and property. As a practical matter, when private property rights are protected by law, individuals will be free to trade for mutual gain and be held responsible for their behavior. Social and economic coordination—or what F. A. Hayek called “spontaneous order”—emerges from the voluntary decisions of millions of free people under limited government and the rule of law.

Those nations that have failed to adopt freedom as a first principle have also failed to realize the benefits of freedom. They have ignored the great liberal idea, as articulated in *The Law* by Frédéric Bastiat in the mid-nineteenth century, that “the solution of the social problem lies in liberty.”

By “social problem” Bastiat meant the problem of coordination that confronts every society—that is, the problem of satisfying people’s wants for goods and services without central planning. The beauty of the market system, based on private property rights and freedom of contract, is that it allows individuals to continuously adjust to new information about wants, resources, and technology, and to engage in mutually beneficial exchanges. Economic freedom increases the range of choices and thus the wealth of nations.

Those countries with greater economic freedom have higher standards of living than those with less freedom (figure 1). Moreover, countries that have liberalized more quickly—as measured by the index of economic

freedom—have tended to grow faster than countries that have failed to liberalize or that have liberalized more slowly (figure 2). Economists James Gwartney and Robert Lawson, the authors of the Fraser Institute’s annual *Economic Freedom of the World*, find that “long-term differences in economic freedom explain approximately two-thirds of the variation in cross-country per capita GDP.” It is no secret that countries that have opened to the forces of international trade and have restrained the growth of government have prospered, while those countries that have limited the scope of the market have stagnated.

Hong Kong’s consistent adherence to market-liberal principles has resulted in long-run prosperity and the world’s freest economy since 1970. In its *2005 Index of Economic Freedom*, the Heritage Foundation and the *Wall Street Journal* once again ranked Hong Kong number one. On hearing the good news, Financial Secretary Henry Tang remarked, “I am pleased virtues we have been upholding to keep Hong Kong flourishing as a free market economy have once again been reaffirmed by the international community.”

Those virtues include credibility and reliability, prudence and thrift, entrepreneurial alertness, personal responsibility, respect for others, and tolerance. They are

Those nations that have failed to adopt freedom as a first principle have also failed to realize the benefits of freedom.

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fostered by private property rights, the rule of law, freedom of contract, open trade, low tax rates, and limited government. Nations that have not followed the virtues of Hong Kong have not reaped the long-run benefits of economic freedom. North Korea, Cuba, Sudan, Iraq, and Haiti are but a few examples.

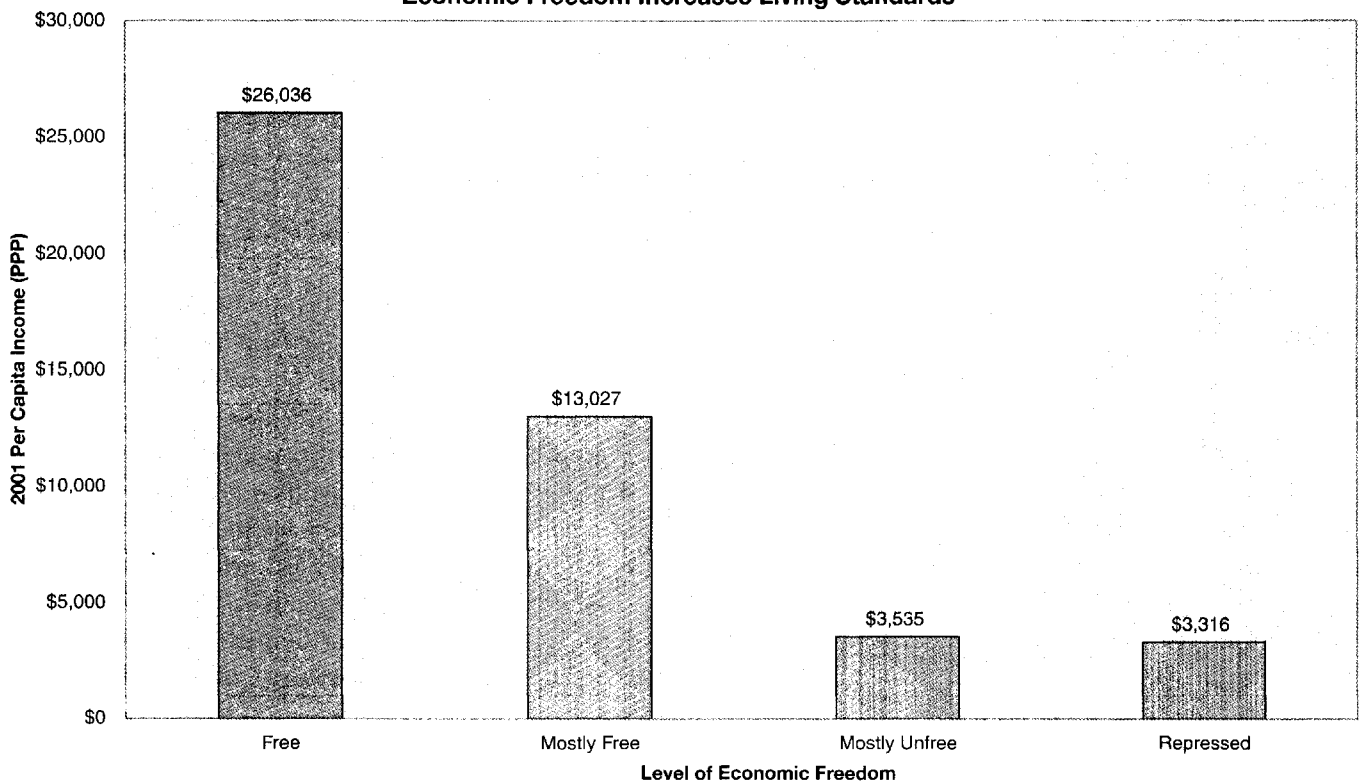
The lesson is that the virtues of the market require constant practice if they are to survive and flourish. Government policy must be market-friendly and transparent; it cannot be muddled. Markets discount future effects of current policy changes. If those changes are in the direction of greater economic freedom, they will be immediately rewarded and wealth created. Illiberal trade policies, higher tax rates, increased government spending, erratic monetary policy, and wage-price controls undermine private property rights, send negative signals to the global capital markets, and destroy the wealth of nations.

The failure of central planning in the Soviet Union and China has moved those countries in the direction of greater economic freedom, but the ghost of communism still haunts Russia, while the Chinese Communist Party has yet to abandon its monopoly on power.

Leaders of emerging market economies need to recognize that economic freedom is an important component of personal freedom, that free-market prices and profits provide useful information and incentives to allocate resources to where *consumers* (not politicians or planners) deem them most valuable, and that markets extend the range of choice and increase human welfare. Most important, leaders must understand that ultimately economic liberalization requires limited government and constitutionally protected rights.

Emerging market economies, especially in Asia, have discovered the magic of the market; they have also found that chaos emerges when the institutional infrastructure

Figure 1
Economic Freedom Increases Living Standards



Source: Ana Eiras, "Why Economic Freedom, Not Aid, Is the Answer to Poverty," in Marc A. Miles, ed., *The Road to Prosperity* (Washington: Heritage Books, 2004), p. 39.

necessary for free markets is weakened by excessive government. When politics trumps markets, coercion and corruption follow.

The Ethical Basis

The ethical basis of the market system is often overlooked, but not by those like Zhang Shuguang, an economist at the Unirule Institute in Beijing, who were deprived of their economic liberties under central planning. He compares the coercive nature of planning with the voluntary nature of the market and concludes: “In the market system . . . the fundamental logic is free choice and equal status of individuals. The corresponding ethics . . . is mutual respect, mutual benefit, and mutual credit.”¹¹

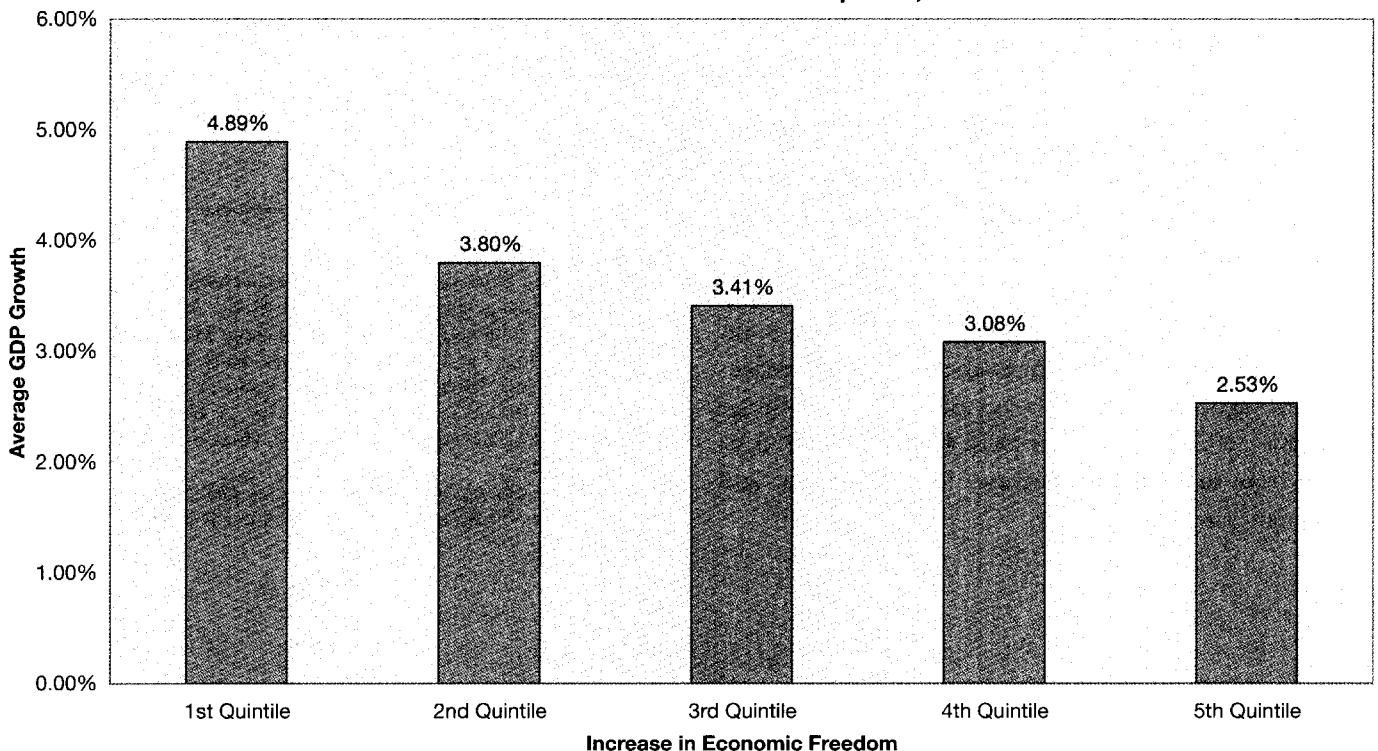
The moral justification for individual freedom is self-evident. In *Ethics for the New Millennium*, the Dalai Lama wrote: “We all desire happiness and wish to avoid suffer-

ing. . . Ethical conduct is not something we engage in because it is somehow right in itself but because, like ourselves, all others desire to be happy and to avoid suffering. Given that this is a natural disposition, shared by all, it follows that each individual has a right to pursue this goal.”

Freedom without rules is an illusion. The famous Zen master Shunryu Suzuki wrote in his classic text, *Zen Mind, Beginner’s Mind*: “People, especially young people, think that freedom is to do just what they want. . . . But it is absolutely necessary . . . to have some rules. . . . As long as you have rules, you have a chance for freedom.”

The rules necessary for a market-liberal order are rules to protect the private sphere so individuals can pursue their self-interest while respecting the equal rights of others. Without clear rules to limit the use of force to the protection of persons and property, freedom and justice will suffer—and economic development, properly understood, will cease.

Figure 2
Increases in Economic Freedom and Development, 1995–2002



Source: Eiras, p. 40.

Note: Countries with the largest increase in economic freedom, as measured by the Heritage/Wall Street Journal index, are in the 1st quintile; those with the smallest increase are in the 5th quintile.

In 1740 the great liberal David Hume wrote that “the peace and security of human society entirely depend [on adherence to] the three fundamental laws of nature, *that of the stability of possession, of its transference by consent, and of the performance of promises*” (*A Treatise of Human Nature*). His legacy of liberty should not be forgotten.

Development and Freedom

In *Economic Analysis and Policy in Underdeveloped Countries*, the late Peter (Lord) Bauer argued that economic development and freedom are inseparable: “I regard the extension of the range of choice, that is, an increase in the range of effective alternatives open to people, as the principal objective and criterion of economic development.”


Economists have found that countries with secure private property rights create more wealth (as measured by real GDP per capita) than countries in which property is not protected by law. Trade liberalization is vital to the process of development. Voluntary international exchange widens consumers’ range of effective choices and lowers the risk of conflict.

There is a saying in China: “*Wu wei ze wu shu bu wei*”—“If no unnatural control, then there is nothing you cannot do.” In the *Tao Te Ching*, Lao Tzu advocates the principle of nonintervention (*wu wei*) as the ideal way of ruling. The wise ruler says, “I take no action and the people of themselves are transformed. I engage in no activity and the people of themselves become prosperous.”² To take no action does not mean to do nothing, but rather, as Chinese scholar Derk Bodde has noted, to refrain from those actions that are “forced, artificial, and unspontaneous.”³

A natural order is one consistent with free markets and free people; it is Adam Smith’s “simple system of natural liberty.” As former Czech President Václav Havel so elegantly stated after the collapse of the Soviet Union, the free-market economy is “the only natural economy, the only kind that makes sense, the only one that can lead to prosperity, because it is the only one that reflects the nature of life itself.”⁴

Voluntary international exchange widens consumers’ range of effective choices and lowers the risk of conflict.

Leaders in the West as well as the East should keep the following five lessons in the forefront of their minds as they contemplate future policy decisions: (1) private property, freedom, and justice are inseparable; (2) justice requires limiting government to the protection of persons and property; (3) minimizing the use of force to defend life, liberty, and property will maximize freedom and create a spontaneous

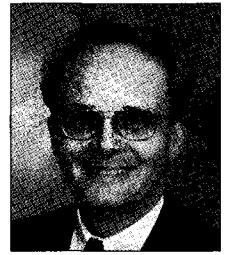
market-liberal order; (4) private free markets are not only moral, they create wealth by providing incentives to discover new ways of doing things and increase the range of alternatives; and (5) governments rule best when they follow the rule of law and the principle of noninterference. 

1. Zhang Shuguang, “Foreword: Institutional Change and Case Study,” in Zhang Shuguang, ed., *Case Studies in China’s Institutional Change*, vol. 1 (Shanghai: People’s Publishing House, 1996), p. 5.

2. In Wing-Tsit Chan, ed., *A Source Book in Chinese Philosophy* (Princeton, N.J.: Princeton University Press, 1963), p. 167.

3. Derk Bodde, trans., in Fung Yu-lan, *A History of Chinese Philosophy*, vol. 1, 2nd ed. (Princeton, N.J.: Princeton University Press, 1952), p. xxiii.

4. Václav Havel, *Summer Meditations on Politics, Morality, and Civility in a Time of Transition* (London: Faber and Faber, 1992), p. 62.



To Own or Be Owned: That Is the Question

BY LAWRENCE W. REED

In coming months, and probably years, President Bush's "Ownership Society" proposals—in particular, his plans for personal accounts within Social Security, health savings accounts, and more school choice — will stimulate national discussion in directions politicians for decades have feared to tread. Whether you think the President's specifics have merit or not, this development should be seen as an opportunity to remind the American public of some critically important truths.

The fact is, "ownership" as a *general* concept is never at issue in any society. It is neither possible nor desirable to construct a society in which people or the material things they create are not "owned." Either you will "own" yourself or someone else will own you. As far as material things are concerned, somebody must own them too. Those "somebodies" will either be those who created them, received them as a gift, or traded freely for them, or they will be those who take them by force. There is no middle ground, no "third way" in which ownership is somehow avoided.

Indeed, ownership is both a virtue and a necessity. What is yours, you tend to husband. If it belongs to someone else, you have little incentive to care for it. If it belongs to "everyone"—the nebulous, collectivist approach—then you have every incentive to use and abuse it. That's why over thousands of years of history experience continually reinforces this essential axiom: the more the government owns and thereby controls, the less free and productive the people are.

Ownership is nothing less than the right to shape, use, and dispose. Even if you have legal title to something, you wouldn't think you really owned it if the gov-

ernment told you what you could do with it, how, and when; in that instance, the government would be the de facto owner. In a real sense, ownership is control and the actual owner of anything is the controller.

For thoroughly trashing the resources of any society, no more surefire prescription exists than to take them from those to whom they belong (the rightful owners) and give them to those who are convinced in the fantasyland of their own minds that they have a better idea of

what to do with them. Think "Soviet." Socialist regimes, which take from some and give to others at the point of a gun, have their cockamamie schemes for how to squander the loot, but they display an infantile ignorance of how to create wealth in the first place.

Much has been made in the past about alleged differences between fascism and communism. Sure, the Nazis invaded Stalinist Russia (after the two had made a deal to squash and divide Poland), but that was a dispute between thieves that proved the old adage that there's no honor among them. On the question of ownership, the difference was a cosmetic one that ultimately mattered little to the ordinary citizen.

Communists didn't let you own a factory, and if you did own one when they came to power you were shot. Fascists often refrained from nationalizing a factory, but if you as the alleged owner didn't do as you were told, you were shot. Under either system, real ownership was in the hands of the omnipotent State, regardless of what any scrap of legal title paper said.

It is neither possible nor desirable to construct a society in which people or the material things they create are not "owned." Either you will "own" yourself or someone else will own you.

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The myth of “common ownership” only muddies the issue. Public parks are thought of as held in common (“the people’s property”), but that really means that the government owns them, the taxpayers pay the bill, and the public gets to use them according to the rules established and enforced by the government. Some have argued that the post office is another example of common ownership. That would mean that theoretically, each American owns about one-three-hundred-millionth of it, but show up at the counter and try to redeem your share and you might be surprised how fast the response can be.

The debate over the President’s Ownership Society proposals should be framed in these stark terms: It’s either you or somebody else. Who should own your retirement savings—you or the government? Who should own your health-care dollars—you, the government, or some third-party payer you’d prefer to avoid? Who should decide where your child goes to school—you the parent or a handful of *other* parents different from you only by virtue of the fact that they work for the government?

Those questions should not be answered solely on utilitarian grounds. In a free society, Person A might choose a better school or make a better investment than Person B—a fact that can’t be known for certain in advance. But in any event, that does not mystically grant Person B the right to make Person A’s choices for him. If freedom means anything, it means the *right* to make your own choices even if you make what others regard as mistakes. When someone argues that we cannot allow

people more choices over their retirement, health care, or schools, we should demand they tell us by what right do they make these decisions for us?

Make no mistake about it: the more someone else controls you and the important decisions that govern your life, the more they own you.

Modest Proposals

In this light, President Bush’s initiatives actually appear downright modest. Even if passed, the government would still own a large majority share of each American’s compulsory Social Security dollars. Government and third-party payers would still dominate the health-care market, and most parents who want to send their children to schools other than government schools wouldn’t get much of a break.

But the ferocity and the shallowness with which the ideological opposition in Congress has responded speak volumes about what their core values really are. To many, it’s more important that government be in control and you be dependent on it than that your retirement savings are secure, your health-care are needs taken care of, or your children get a better education. They freely pile on new duties for government to perform even as it breaks previous promises and racks up trillions in debt. We are supposed to believe the utter fancy that life will be less risky if we trust to them and government’s handiwork instead of to ourselves. I suspect that some of these social engineers will not be satisfied until they own the rest of us lock, stock, and barrel.

Own or be owned. Take your pick.



Make no mistake
about it: the more
someone else controls
you and the impor-
tant decisions that
govern your life, the
more they own you.

Thirty-Six Years After Neil Armstrong

BY BILL WALKER

“The Earth is the cradle of the mind, but we cannot live forever in a cradle.”

—KONSTANTIN E. TSIOLKOVSKY, 1911

Thirty-six years ago men could walk on the moon. Today they can't; the only moon rockets on this planet are serving as lawn decorations in Huntsville and Houston. Is this because 21st-century technology is less advanced than that of 1969? Obviously not. America's failure in space is due to our re-enslavement to medieval economics; we believe that government owns everything outside the earth's atmosphere.

Without private property, there will be no markets, no profitable commerce, and no permanent progress in space. How can I be so sure? Because it has all happened before, both on Earth's seas and in space.

China is well known for inventing gunpowder, paper, silk, the compass, the rocket, and more centuries before Europeans could even copy them. But it is less well known that the Chinese actually had an Age of Exploration long before Columbus.

From 1405 to 1420, Chinese fleets under the eunuch admiral Zheng He visited India, Sri Lanka, Saudi Arabia, and Africa's east coast. The ships were gargantuan for the time, some with more than ten masts and with displacements up to 500 tons. The fleets made seven long voyages, carrying Ming vases and other treasures to impress the distant civilizations they visited. They brought a giraffe (and an insufficiently impressed Sri Lankan ruler) back to the emperor.

Then the winds of imperial fashion changed, and the voyages stopped. Not only did the “treasure fleets” never again set sail, but the shipyards were destroyed along with the ship's blueprints and most of the records of the

voyages. Later emperors implemented actively anti-maritime policies. By 1520, when Europeans had already been exploring the Americas for three decades, it was illegal for a private Chinese subject to own a ship with more than two masts. The future belonged to the Europeans, with their smaller ships and their vastly greater level of private ownership and economic freedom.

In an exact parallel with Imperial Chinese sea exploration, seven moon-landing voyages were launched (though Apollo 13 had to abort; remember, it's bad luck to be superstitious). Then they stopped. Three years after Neil Armstrong's landing, the first and last NASA moon field geologist (Harrison Schmidt) walked back into a LEM (lunar excursion module) ascent stage and returned to earth to take off his helmet and become a U.S. senator. No one has been to the moon since. No one *can* go to the moon today. Just like the mandarins, NASA destroyed the rockets. Those Saturn Vs and Saturn Is we visit in the museums today were real, operational rockets . . . tossed away and left to collect dust.

Since 1972 NASA has not failed to spend money; it will spend over \$16 billion next year. Military space programs are reported to spend even more. But the NASA and military rocket fleets of today are inferior to those of 1969. After an indecisive hiatus of many years, the Saturn rockets were replaced by the shuttle. The shuttle launches payloads at a higher cost per pound, launches only 29 tons versus the Saturn's 125, and is more vulnerable to launch delays through the loss of a vehicle. And the shuttle can never go higher than low earth orbit.

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Astronauts Neil A. Armstrong (left) and Buzz Aldrin, July 20, 1969.

NASA.

When the shuttle staggers into orbit again, it will carry even less useful cargo; NASA has loaded it down with “safety gear” to repair its own flaking tiles. Now and for the foreseeable future, American astronauts can only reliably travel to the International Space Station by buying tickets for seats in obsolete 1970s-technology Russian capsules. The European Ariane 5 rocket can carry ten tons into geosynchronous orbit. China, India, and Japan also have rapidly expanding booster programs. The United States is no longer pre-eminent in space.

NASA has no concrete plans to remedy this situation. As John Cserep of the Space Frontier Foundation points out: “NASA’s unbroken string of cancelled vehicle programs stretches back to the Reagan Administration’s X-30 NASP, and continued with the X-33, X-34, X-38, 2GRLV and, most recently, the Space Launch Initiative or SLI. The two remaining ‘X-vehicle’ programs—the X-37 and X-43—are both well behind schedule and over budget, making their cancellation likely.”

The first moondoggle proved that even a government agency could put men on the moon. But it also proved that government space efforts are a dead end, unless private property, markets, and freedom follow them. There is a huge legacy of never-used space technology from the moon-race period. This technology could indeed let

men return to the moon, protect life on earth from asteroid extinction events, and even bring new life to Mars. But this is only possible if we abandon the Imperial Chinese model of centralized bureaucracy. The solar system can only be opened by multiple ventures launched by industrialists and homesteaders.

Most people have the impression that space is impossibly difficult, waiting for far-future technological breakthroughs. Nothing could be farther from the mundane truth; rocket science just ain’t “rocket science” anymore. In the 1960s the Atomic Energy Commission developed not one but three nuclear rocket technologies: NERVA, ORION, and POODLE.

Nuclear Rocket Engine

NERVA was a nuclear rocket engine that worked much like the fictional engines in Robert Heinlein’s 1940s book *Rocket Ship Galileo*. A nuclear reactor heated hydrogen and expelled it through a nozzle. NERVA-style engines were tested from the late 1950s through 1972 when the program was shut down. Twenty-three different engines were tested. The later models ran for hours at a time, producing 250,000 pounds of thrust. One of the test engines is in on view outside the Huntsville space museum. (There are some nice pictures of NERVA at www.lascruces.com/~mrpbar/rocket.html.)

The nuclear engines tested in the mid-1960s were twice as efficient as any chemical rocket. Although NERVA actually ran cooler than a chemical rocket, it was exhausting pure hydrogen instead of water or water and CO₂. Since temperature is the average kinetic energy of molecules, at any given temperature H₂ molecules have to go a lot faster than H₂O molecules. This gave NERVA's exhaust about twice the "specific impulse" (newton-seconds of thrust per kilo of fuel) of any chemical rocket.

NERVA was a potential quantum leap ahead in space propulsion, but not just because it was more efficient. NERVA carried its energy in its nuclear fuel rods, not in its hydrogen tanks. NERVA rockets can refuel anywhere there is liquid or gas, cruising the solar system for years before needing to replace the nuclear fuel rods. A NERVA-powered cruiser could pump water out of the ice inside the thousands of ex-comets that we now call "near-earth asteroids," or pump its tanks full of CO₂ from the Martian or Venusian atmosphere, or methane from Titan's. So instead of trying to bring all the fuel it would ever need from earth, a NERVA could live off the land. Once launched from earth a NERVA could shuttle between the moon, asteroid colonies, and Mars settlements for years.

Now of course I'm not saying that we in the 21st century should spend our time restoring retro 1960s rocket designs. Nuclear material science has progressed far since 1965. The Timberwind project, funded by the SDI program in the late 1980s, developed improved nuclear thermal fuel elements. Pratt and Whitney has recently proposed a modernized nuclear thermal engine that would run hotter and more efficiently. And there are hundreds of other propulsion concepts out there, both nuclear and non-nuclear. Future space transportation may use jet bottom stages (like Rutan's SpaceShipOne), electromagnetic launch tracks, graphite tethers hanging from orbiting asteroids, gas-fission reactors, fusion engines, combinations of the above, or technologies still unknown. But NERVA serves as proof that sufficiently powerful engines have already been built once, by people working without personal computers, the Internet, or modern materials science. There is no technological barrier to space colonization.

There is no intrinsic economic barrier to space col-

onization either. Space travel is not "too expensive for anyone but government"—unless it's being done by a government (in which case it may be too expensive period). We already routinely use energy in the amounts necessary for space travel. It takes about as much fuel energy to get from the United States to Australia at 550 mph, plowing through air all the way, as it does to get into orbit. Once in orbit travel becomes much cheaper and easier than on earth. Even moving mountains becomes easy in the vacuum of space. Compared to everyday industrial activities, such as drilling oil miles beneath the ocean floor, maintaining thousands of passenger airliners, and building tunnels under the English Channel or bridges across the Baltic, the capital requirements for private space ventures are modest.

The economic barriers that do exist in space are solely due to NASA's Soviet-style organization. The Saturn V, for instance, carried all its own fuel for a trip to the moon—and back. If a 747 were built that way, it could only take three people to Australia round-trip and the aircraft would be thrown away each time. If markets were allowed to flourish, entrepreneurs would set up fuel stations (among thousands of other businesses) in appropriate locations. Even chemical rockets would be more practical if they could purchase fuel on the moon or other destinations. Nuclear rockets refueling at each stop would make inner solar-system travel routine.

New Worlds of Private Property

Chinese mandarins in the 1430s tried to pretend that nothing outside the Middle Kingdom was important. Likewise, our mandarins are trying to pretend that nothing outside their existing national borders (and docile, taxable populations) could be of any significance. Private property is forbidden even in the earth's oceans (with predictable tragedy-of-the-commons results on fish stocks and pollution), let alone in the rest of the solar system. This absence of private opportunity has caused a general blindness to the rest of the solar system in the business community. Since it can't be owned, it doesn't exist.

There are some limited exceptions. Communication satellites have become a mature multibillion-dollar industry. Weather and survey satellites are economically important. And of course all the ballistic missiles aimed

at the world's cities will pass through space on their way to their undefended civilian targets. But these are rather peripheral uses for the entire solar system.

If a 21st-century version of the Homestead Acts were passed, what would a solar system pulsing with commercial operations look like? At this point we are like Europeans in 1500s trying to see the commercial opportunities in the Americas. We will not be able to predict even a fraction of a percent of the eventual wealth and culture that will flow out of space civilization. But even the little that we can foresee with certainty surpasses all earthbound economic accomplishment. There will be trillionaires out there; there's platinum in them there asteroids.

Currently it costs over \$25,000 to put a kilogram into earth orbit by space shuttle, whether you're sending up a computer or a liter of water. Even Boeing subsidiary Sea Launch charges over \$1,000 per kilogram, sending your cargo up on old Russian rockets. Ironically, it is easier to transport bulk cargo into earth orbit from millions of miles through space than from the ground. Physics will probably ensure that this remains true even when private launch companies take over from governments.

The Wealth of Asteroids

Hundreds of "near-earth asteroids" are known: more are discovered every year. Some asteroids are energetically "closer" than the moon. To reach them, a vehicle would need to travel only a couple hundred miles an hour. Conversely, to land on the moon you must brake against its gravity, then fight it on takeoff. Since the moon's escape velocity is about 5,000 miles per hour, the rocket must change speed a total of 10,000 miles per hour. And all this speed must be applied quickly; a gentle push (say, from a solar sail) won't get you off the moon, while a small constant thrust can move an asteroid.

Unlike earth's heavily oxidized crust, asteroids come presorted into different ore types. Asteroids range from pure-metal types richer than any earth-surface ore to "rocks" to carbonaceous chondrites rich in water and carbon. (Earth ores are oxide or sulfide rocks; metal asteroids are pure metal; many contain more platinum than any earth ore.)

While it may seem outrageously expensive to talk

about moving a whole mountain of ore millions of miles through space, in terms of energy it is much easier than moving the same millions of tons of material out of Africa on trucks, then on ships across the ocean, then back onto trucks, and so on. An asteroid in orbit has no friction to obstruct movement; even the slightest push in the right direction will accumulate. A nuclear rocket could move a carbonaceous asteroid by pumping water or other volatiles from the core; a "mass-driver" could throw chunks of rock or metal asteroid; less patient asteroid miners could deliver gentle kicks with nuclear bombs.

If you happen to be of the persuasion that is terrified by all things nuclear, remember that a large proportion of the earth-crossing asteroids will eventually hit the earth with gigaton explosions if we *don't* alter their courses. If you really care about the long-term future of life on earth, moving asteroids is an essential task to prevent extinctions (and possibly a permanent Ice Age). Asteroid mining provides the ability to defend the ecosystem as a free byproduct.

Another minor safety note: in 2004 a smallish asteroid passed less than 8,000 miles from the earth. It would have made a mere one-megaton blast had it hit. Of course had it hit in India, Pakistan, Israel, or any other hair-trigger hot spot, it might have been rapidly followed by many other manmade blasts. Asteroid mining would warn against such surprises.

Small bits of metal asteroids may be splashed down into shallow seas and mined for use on earth. But the real significance of asteroid mining is that it will allow construction of large, cheap, safe structures in space. Solar-system civilization will probably parallel the history of the Americas in this way. While there was some initial fishing and mining for return to Europe, the real significance of the New World was the civilization and people that grew here.

Another use for moving asteroids and/or comets around is to terraform Mars or other bodies. A variety of techniques have been suggested, from adding fluorocarbons to create a greenhouse effect to simply adding water from carbonaceous chondrite impacts. All the climate-changing effects that worry us so much on earth could be beneficial to a world already empty of life or mostly so.

Mars probably has enough frozen water and CO₂ to provide an ecosystem for plants, if it could all be melted at the same time. Terraforming may seem like a big project to us now, but where else can we put all those mammoths once we restore them from frozen DNA?

Supertankers in Space?

Current U.S. fusion-energy research concentrates on fusion reactions that release a large fraction of their energy in fast neutrons. This neutron radiation requires thick and costly shielding, and the neutrons will perform alchemy on the structure of the reactor itself, changing harmless elements into radioactive isotopes. So even if current fusion reactors can be made to produce more energy than they consume, they will still produce large amounts of radioactive waste.

There is a fusion reaction that produces only heat energy and no neutrons. It uses helium-3, a fairly common isotope of helium, in a reaction with tritium. One great advantage of this reaction is that it would not require vast amounts of shielding, so it could be used in mobile applications (such as rocket engines).

Unfortunately, there is no good source of helium-3 on earth. (The helium that we drill from underground is actually the alpha particles emitted by radioactive elements deep in the earth's crust.) The gas-giant planets (Jupiter, Saturn, Uranus, and Neptune) contain large amounts of helium-3. John Lewis has suggested in his book *Mining the Sky* that this helium-3 could be separated out by cooling (helium-3 displays different properties at low temperatures than the more common helium-4). Fusion releases so much energy that the energy necessary to travel to the gas giant and back is a small amount of the energy available.

So one day tankers may cruise from Uranus or Saturn to earth, holds full of clean-burning nuclear fusion fuel. Or not; just because there is a potential energy payback does not mean that there is an economic return. Better sources of energy may be discovered. But as long as the discovery process occurs on the free market, no one will be forced to pay for any boondoggles.

If President Bush wants to go down in history as the President who *really* put man on the moon to stay, he shouldn't give one more billion to NASA or to the Russian kleptocracy that is currently supplying NASA


with transport to the space station. New worlds aren't developed by government bureaucracies, but by industries, foundations, and individuals. To allow some freedom into the solar system, the U.S. government should do the following:

1. Eliminate the regulatory barriers to American space companies operating from equatorial bases (Beal Aerospace, Boeing Sea Launch, and others.). This means no more export controls against American-made satellite-launch rockets on their way to equatorial launch sites. And no more import controls on American companies buying ex-Soviet missiles and commercializing them. Fewer foreign nuclear missiles aimed at us would be a good thing in itself, and U.S. restrictions on their acquisition by private companies (in place since the elder Bush administration) are exceptionally stupid and dangerous trade restrictions.

2. Finally allow a private-property-rights regime in space. This means allowing private homesteading and trading of extraterrestrial property of all kinds: asteroids, planetary surface, orbital slots, and more. If someone (from whatever country) tows an asteroid back into earth orbit, he should own it. Likewise if someone constructs a facility on the moon or Mars, it should be his. Naturally there will be massive whining in the UN from "nations" whose rulers subsist mainly on U.S. Aid to Dependent Dictators. The Ugandan government once tried to claim the geosynchronous satellites over its country; but since they don't have any rockets, their claims were eventually treated with the respect that they deserved.

3. Contract out U.S. government space transportation needs, most military and all civilian. There is no more reason for NASA to be in the launch business than for the Food Stamp program to be in the farming business. If NASA wants to go somewhere in the solar system, it can buy a ticket from a private launch contractor, with competitive bidding.

4. Sell the three remaining 1970s-era shuttles—if anyone can get liability insurance on them.

Thirty-six years since Armstrong has been long enough to demonstrate the futility of NASA's bureaucratic model. America is not Imperial China and shouldn't be repeating the same mistakes. It is time to introduce private property into the rest of the solar system. 

The FDA Cannot Be Reformed

BY ARTHUR E. FOULKES

The past year or so has been tough on the Food and Drug Administration (FDA). In that time, the agency has taken heat over the discovery of a statistical correlation between antidepressants and “suicidal thinking and behavior.” It has also been accused of sitting on information regarding another statistical correlation, this time between pain drugs such as Vioxx and an increased risk of heart attack or stroke. And it was accused of failing to foresee (and do something about) last fall’s flu-vaccine shortage. All of this has led to negative publicity, congressional hearings, and (of course) calls for a bigger budget and more authority for the FDA.

But giving the FDA new powers and more money will only make things worse. The agency is beyond being “reformed.” Here is why.

Monopoly

First, the FDA is a legally protected monopoly. It has the sole authority to ascertain the safety and effectiveness of all new drugs and medical devices for the U.S. market. Like all such monopolies, the FDA faces no competition and therefore offers a lower standard of service at a higher cost than would otherwise be the case.

In Europe, for example, makers of low-risk medical devices such as tongue depressors are free to certify that their products meet European Union standards, while private “notified bodies” compete with each other for the business of certifying new, higher-risk devices. This competition gives each notified body an incentive to be both thorough and expeditious. “As a result,” Henry Miller, formerly with the FDA, writes, “approval of new medical devices in Europe takes only half as long as in the United States, shortening the development process

by roughly two years without compromising safety.”¹

Furthermore, bringing a new drug to market in the United States is “more lengthy and expensive than anywhere in the world,” according to Dr. Miller. It now typically takes between ten and 15 years to bring a new drug to the U.S. market at a cost of over \$800 million.²

All this means the overall supply of new drugs and medical devices in the United States is kept artificially low, driving up the price of existing products. (In this way, large established pharmaceutical companies with expertise in dealing with the FDA benefit from the agency’s regulatory regime.) It also impedes the development of marginally profitable health-care products designed to help people with more unusual conditions.

Skewed Incentive System

Another reason the FDA cannot be reformed is its lopsided incentive system. With the exception of politically sensitive drugs, such as new treatments for AIDS, the agency’s employees have little incentive to speed new drug approvals and strong incentives for sometimes needless delay. There is often little cost to delaying the introduction of a drug or medical device, while there is a potentially enormous cost—in negative publicity, career damage, and so on—to FDA approval of a drug that is found to have a potentially dangerous side effect. As a result, FDA officials have an institutional tendency to err on the side of caution—even if this keeps a potentially helpful drug or medical device off the market for months or even years. As political scientist Daniel Carpenter has written, “because learning more about [a]

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drug requires additional studies and additional time to review them, *there is always a value to waiting.*"³ This cautious posture—whether it takes the shape of delayed approvals, advertising restrictions, or other types of obstructions—can result in needless suffering and death.

For instance, the FDA for many years prohibited aspirin makers from advertising the potential cardiovascular benefits of their product since the agency had not originally approved it for that purpose and despite widespread knowledge that aspirin therapy could significantly reduce the risk of heart attack in males over 50. In the words of economist Paul H. Rubin, "The FDA surely killed tens, and quite possibly hundreds, of thousands of Americans by this restriction alone."⁴

In another example, the FDA approved the gastric-ulcer drug Misoprostol in 1988—three years after it had been available in other countries. Analyst Sam Kazman estimated—using the FDA's own figures—that this delay may have led to between 20,000 and 50,000 unnecessary deaths.⁵


These are just two examples and obviously do not include the needless suffering resulting from the drugs and medical devices that were *never developed in the first place because of the FDA*. At least two studies have led researchers to believe that the agency dramatically reduced the number of new drugs introduced each year in the U.S. market after its powers were significantly expanded in 1962.⁶ (One study, by Sam Pelzman, showed that before 1962 an average of 40 new drugs were introduced each year. After 1962 that figure fell to just 16.)

Mission Impossible

A final reason the FDA cannot be reformed is that it has an impossible task. The agency is charged with weighing the risks and benefits of new drugs and devices for *everyone*. This is preposterous. All drugs have potential side effects. Yet no person, committee, or bureaucratic agency can know what level of risk is appropriate for all people. Only individuals themselves can possibly make this choice because only they know their own circum-

stances. By attempting to set an acceptable level of risk for everyone, the FDA merely prevents some people from exercising an option they might otherwise be willing to take. The FDA's one-size-fits-all standard cannot possibly "fit-all" since everyone has a different level of risk tolerance.

Private companies could replace the FDA in cases in which consumers demanded product safety and efficacy assurance or whenever manufacturers believed their products would benefit from a private certifier's "seal of approval." Private quality-assurance certifiers already exist in the markets for many consumer products and even—informally—many health-care products.⁷ Private providers of assurance for medical products would have market-incentives to protect their reputations for accuracy and fairness while having a further incentive—something the FDA lacks—to act expeditiously.

Americans like to believe they live in a free country. But how free is a land in which bureaucrats and politicians decide which health-care options are legal and which are not? No one is made better off by having peaceful options in life denied him. The FDA is beyond being reformed. It should be abolished. 

1. Henry I. Miller, "Americans Are Dying for FDA Reform," Hoover Institution, April 9, 2001.

2. "Backgrounder: How New Drugs Move through the Development and Approval Process," Tufts Center for the Study of Drug Development, November 1, 2001.

3. Daniel P. Carpenter, "Groups, the Media, and Agency Waiting Costs: The Political Economy of FDA Drug-Approval," *American Journal of Political Science*, July 2002, pp. 491–92.

4. Paul H. Rubin, "FDA Advertising Restrictions: Ignorance Is Death," in Robert Higgs, ed., *Hazardous to Our Health?* (Oakland, Cal.: Independent Institute, 1995), p. 30.

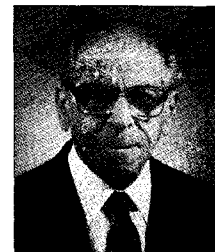
5. Cited in David Henderson, *The Joy of Freedom* (Upper Saddle River, N.J.: Prentice Hall, 2002), p. 277.

6. "Theory, Evidence and Examples of FDA Harm," FDAREview.org, a project of the Independent Institute, <http://www.fdaireview.org/harm.shtml>.

7. See Daniel B. Klein and Alexander Tabarrok, "Do Off-Label Drug Practices Argue Against FDA Efficacy Requirements?" George Mason University, March 2003, <http://mason.gmu.edu/~atabarro/DoOffLabel18.pdf>. Also see "The Sensible Alternative: The Voluntary Provision of Assurance," FDAREview.org, www.fdaireview.org/voluntary_assurance.shtml.

“Idiots, Infants, and the Insane”: Mental Illness and Legal Incompetence

BY THOMAS SZASZ



In principle, mental patients are considered competent, free to accept or refuse treatment. In practice, they are often treated as if they were incompetent, forced to submit to treatment in their own best interest. This conflation of mental illness and legal incompetence—and the concomitant transformation of the mental patient in the community into the (potential or actual) ward of his psychiatrist—are relatively recent phenomena.

Prior to World War II, only legally incompetent persons were incarcerated in state mental hospitals. In the aftermath of the war, social attitudes toward mental hospitalization began to change. Journalists compared state mental hospitals to Nazi concentration camps and called them “snake pits.” Erving Goffman’s book *Asylums* and my book *The Myth of Mental Illness* challenged the moral and legal legitimacy of psychiatric coercions, epitomized by involuntary confinement in a mental hospital. Presidents of the American Psychiatric Association and editors of psychiatric journals acknowledged the problem of hospitalized mental patients becoming “institutionalized.”

At this critical moment, the psychiatrist’s drugs *ex machina*—like the Roman dramatist’s *dei ex machina*—appeared and saved the profession. Politicians and the public quickly accepted the doctrinaire psychiatric claim that mental illnesses are brain diseases, and that neuroleptic drugs are effective treatments for them. Psychiatrists used the fictions of “chemical imbalance” and “neuroleptic drug treatment” as the pegs on which to hang the complexly motivated program of emptying the state mental hospitals, misleadingly called “deinstitutionalization.” Thus arose the three mutually reinforcing characteristics of modern psychiatry: psychiatric drugs,

deinstitutionalization, and the conflation of mental illness and legal incompetence.

The much-celebrated “deinstitutionalization” of mental patients was a hoax. Some mental hospitals inmates were “transinstitutionalized”—re-housed in parapsychiatric facilities, such as group homes and nursing homes. Others were imprisoned for offenses they were prone to commit, transforming jails into the nation’s largest mental hospitals. Still others became “street persons,” living off their Social Security Disability benefits.

Today, more people than ever are being committed to mental hospitals. The powers of courts and mental-health professionals over persons called “mentally ill” have been vastly expanded. Before World War II psychiatrists could forcibly “treat” only persons housed in mental hospitals. Today, armed with “outpatient commitment” laws, they can forcibly “treat” persons living in the community.

Medical practice rests on consent. Psychiatric practice rests on coercion, actual or potential. It is the duty and power to coerce the mental patient—to protect him from himself and to protect society from the patient—that has always set, and continues to set, psychiatrists apart from other medical practitioners. Nevertheless, the conflation of mental illness and legal incompetence—defined as “protection of the patient’s best interest” or even as “protection of the patient’s right to autonomy”—is widely regarded as an important advance in medical and psychiatric ethics.

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Obscuring the Distinction Between Mental Illness and Incompetence

In the days of asylum psychiatry, the distinction between mental illness and legal incompetence was unambiguous. If a person was mad enough to merit confinement in a madhouse, then he was manifestly incompetent. Whereas if he was competent, then he was manifestly not a fit subject for incarceration in an insane asylum. To this day, a history of psychiatric commitment remains the most incontrovertible evidence that the subject "has a mental illness."

After World War II psychoanalysis and psychotherapy achieved sudden popularity. A new class of mental patients thus came into being: like medical patients, these persons sought help, paid for the services they received, and were regarded as legally competent. This development greatly enlarged the number of persons classified as mentally ill, contributed to the false belief that legal competence is a psychiatric issue, and confused legal relations between psychiatrist and mental patient. The confusion was compounded by the introduction of neuroleptic drugs into psychiatry and the exchange of doubt about the therapeutic benefits of long-term mental hospitalization with confidence in the therapeutic effectiveness of outpatient chemotherapy for mental illness. The result is that psychiatrists sometimes view mental patients as competent, sometimes as incompetent. Neither party can be certain of the law's expectations of him.

Just as there is no objective test for mental illness, there is none for competence. How, then, do psychiatrists know when a mental patient is competent and when he is not? They never know it. Legal competence is not an attribute; it is an attribution. As a general rule, the patient who behaves properly and cooperates with the psychiatrist is considered competent, and the patient who misbehaves and refuses to cooperate with the psychiatrist is considered incompetent. These novel legal presumptions have novel psychiatric consequences. For example, if the patient kills himself or someone else, then, *ex post facto*, he is considered incompetent and his psychiatrist's treatment of him is judged to be "medically negligent." Viewed as the patient's guardian, the psy-


chiatrist is considered to have failed to fulfill his "duty to protect" his ward.

We are proud of our criminal-justice system, because it protects the accused from the power of the state—a power we distrust because its avowed aim is to harm the individual. We are also proud of our mental-health system, because it protects the mentally ill person from the dangers he poses to himself and others, a power we trust because its avowed aim is to help the individual.

Ironically, it is precisely because the American system of criminal justice is so intensely concerned with protecting innocent persons from punishment that it is especially vulnerable to corruption by excuses couched in terms of psychiatric disabilities and coercions justified as psychiatric treatments. The root of the problem lies largely in the concepts of mental illness and dangerousness, and partly in the doctrine of *mens rea*.

On Psychiatric "Reform"

The use of certain psychiatric coercions—such as beatings, cold showers, and mechanical straitjackets—are no longer fashionable. However, changes in mental-health policy have failed to increase the mental patients' responsibility to care for himself and be legally answerable for his criminal conduct. On the contrary, more people than ever are now defined as mental patients and are treated paternalistically, without their consent, as if they were incompetent. Moreover, the practice of commitment, formerly confined to the mental hospital, has metastasized: outpatient commitment has turned all of society into a kind of mental hospital.

We cannot make progress in mental-health-care policy until we agree on what we mean by progress. Psychiatrists and politicians mean making more and better mental-health services available to more and more people. I consider this not progress, but a plan to turn more people into "consumers of mental health services." There can be only one humane goal for mental-health-care policy, namely, reducing and ultimately eliminating the number of persons in the population treated as mentally ill. This goal will remain unattainable as long as we cling to the notion that "mental illness" is a disease that the patient "has." 

Free Enterprise and Health Care

BY FRANK J. PRIMICH

Any discussion of free enterprise or of the free market requires a clear definition of these terms. Free refers to freedom of choice, not freedom from cost or responsibility. Free refers to freedom from regulation and restriction, other than those laws necessary to protect individuals from force and fraud. The free market implies the willful exchange of goods or services, either directly or through the intermediate utilization of a stable measure of value, such as money.

This country's economy was originally based upon such a system, and prospered in direct proportion to the extent of adherence to the principles involved. From the very beginning, there were those who realized the advantages to individuals or pressure groups of selected interference with the process which would benefit some, at the expense of others. The miracle of market exchange and pricing is that it tends to bring supply and demand toward a balance. The steadily increasing intervention of government into the process has deprived the free market of the pricing mechanism indispensable to its success. It is the ultimate irony for those responsible for our current dilemma to justify further intervention by claiming that the free market does not work, when in reality it is government which created and continues to intensify the problems.

Inflation, once it is understood, illustrates most clearly how government creates problems, and then deceitfully uses its access to the media to shift the blame onto the victims of its action. Inflation is purely and simply the expansion of the money supply. By printing worthless paper dollars to pay for deficit spending, previously circulating money is diluted and devalued. Rising prices, rising wages, and the rising cost of living are not the cause of inflation; they are its results. Appeals to "fight

inflation" by voluntary or mandatory restraints constitute a smokescreen.

To obtain votes, essential for election and re-election, and ensure the power and benefits to which their offices entitle them, our elected officials, in varying guises, have brought into being innumerable programs for the involuntary transfer of wealth. Since there are more poor than rich, even in our affluent society, it is effective political practice to appeal to the masses with the "soak the rich" approach. The truly rich have the influence and means to avoid most if not all of the burden supposedly aimed at them. As it turns out, the "rich" who are being "soaked" are you and I.

Every additional governmental rule and regulation created in the past 50 years can be readily shown to offer an advantage to some individual or group, at the expense of competitors and the general public. Subsidies, bailouts, wage and price controls, minimum wages, "free" services, and the like further disrupt and destroy what is left of our no longer free market.

When Wealth Is Dissipated

The socialist egalitarian concept of redistribution of wealth requires a wealth to be redistributed. What happens when that wealth, in our case the product of the free market, has been dissipated, and no new wealth created? More "funny money" from the federal printing press will not forestall for very long the inevitable economic collapse and subsequent social chaos.

Health care is a rather vague term that is interpreted in many differing ways. There are some well-documented

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ed facts that must be understood in order to intelligently discuss the subject. Of the physical and emotional problems for which people seek aid, about 80 percent are directly or indirectly self-induced, and as such, with adequate understanding, are amenable to self-correction.

Since it is often easier to have someone else correct the problem through the use of medication, surgery, or any of the prevalent methods of mind control, such services must represent a value to the recipient. Willingness to pay for such services with part of the income from one's productive efforts is in keeping with the free-market principles. When that service becomes "free at the point of consumption" demand becomes infinite, exceeds supply, and astronomically increases the actual cost of provision.

As a rather simple example of the above, let us assume that you come to me for relief of what we will both eventually agree is a common head cold. You present with a runny nose, a headache, a slight temperature elevation, a cough, and "generalized malaise," which means you feel lousy all over. I now order a complete blood count, and since we have drawn the blood, a battery of blood chemistry tests. A chest x-ray and x-rays of your sinuses come next. Since your headache could be an early symptom of a brain tumor, a CAT scan is ordered. Assuming none of these studies show any significant abnormalities, I might now prescribe a cough medicine, a "strong" pain reliever, a nasal decongestant, and an antibiotic, useless for a cold, but occasionally justified as preventing further complications. Hopefully, I will also suggest that you go home to bed and drink plenty of fluids.

If I were to tell you that there was no charge for all of these services, you might consider me very thorough and efficient. Were I to demand the going rate, you would certainly view me as a charlatan. Am I any less a charlatan because you fail to realize that ultimately you or your neighbor will pay that bill through higher taxes or higher insurance premiums?

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Irresponsible Promises

Medicare and Medicaid were proposed to cost a fraction of their present expense. Part of the problem was the unrealistic projection by would-be experts who had little understanding of the unlimited demand that arises for anything presented as free of charge. A far greater responsibility should be borne by those who were aware of this fact, but for political benefit gave their support, confident that they could eventually shift the blame for failure to the would-be providers of these services. This in turn would justify additional expenditures and further intrusive regulations by a bigger bureaucracy to control the scapegoats. When this predictably failed, still another round of the same would maintain the upward spiral of cost, while assuring the comparable degree of deterioration in the quality of care.

We are well into the scenario I have just outlined, and the oft-repeated accusations against the scapegoat providers are gradually gaining credibility through mere repetition. I have long contended that physicians, and health providers in general, are made up of a relatively small percentage of truly dedicated and highly ethical individuals, an equally small but far more evident number of rip-off artists, with the vast majority spread between the two extremes. Unfortunately, as the realities of the situation become more obvious, those near the lower end of that middle group are opting to become dishonest in order to survive in a dishonest system.

These defectors have discovered that in our contemporary society crime not only pays, it pays well. Faced with unrealistically low remuneration for their services, they have used the easy expedient of additional short unnecessary visits and rarely or barely indicated tests and procedures to resolve the inequity. I do not offer this observation as any justification for their actions but simply as a sad commentary on the results one might easily have predicted for these pie-in-the-sky programs.

We hear much about the high cost of health care, which I freely admit is exorbitant. At present, hospitals are under attack with threats of “mandatory cost containment,” a concept as anti-free market and short-sighted as one will find. It is another name for the old wage-and price-control approach. Even the “liberal” economists have, after observing repeated failures of such programs, conceded that they do not work. There is a limited short-run effect that has appeared politically advantageous, but is impossible to sustain. The best description is to liken the process to locking the lid on a boiling pot. Unless you put the fire out, an explosion is inevitable.

High Hospital Costs

Let me give you my analysis of the causes of high hospital costs. These opinions are not something I dreamed up, but the result of my study of those free-market economists whose advice has been so much scorned and suppressed by “liberal” politicians and communications media.

1. *Inflation.* Government caused, it is reflected in the higher prices of supplies, labor, and capital improvements.

2. *Compliance with governmental regulations.* Recent estimates of the cost of compliance with those regulations not directly related to patient care in New York range between \$45 and \$50 per patient day.

3. *Minimum-wage laws.* This greatest single cause of unemployment strikes particularly hard at hospitals. The biggest single item in any hospital budget is payroll. While most of us agree that nurses are underpaid, the relegation of increasing numbers of them to paperwork may reopen that old argument. Rules, regulations, and attempts at giving adequate service necessitate the employment of many individuals not directly involved in patient care. Many of these have menial jobs with productivity that in the free market would not merit the \$3.10 hourly minimum wage. Mandatory employer contributions to Social Security, unemployment and disability funds raise this hourly cost excluding “fringe benefits” to between \$5 and \$6. Do you still wonder where your money is going?

4. *Excess beds.* This frequently distorted factor, originally created by governmental promises and subsidies, would be readily correctable, were it not for governmental regulations and job-security considerations.

These four major factors are government caused, and can only be made worse by government takeover. Removal of government involvement would resolve, or at least vastly improve, the problem in each category.

5. *Cost of technological advances.* To some degree, this is a necessary price for progress. Injudicious exploitation can only be controlled by individual responsibility on the part of both doctors and patients. Declaring a moratorium on progress is a poor solution.

6. *Overutilization and unnecessary surgery.* Both abuses exist, the degree depending upon definition. The cause is shared by mercenary providers and irresponsible patients. Since this subject is so often distorted in its presentation, it deserves discussion.

Let me start by not merely conceding, but deploring the fact that there are far too many doctors who misdiagnose, or worse yet, misrepresent in order to perform what I call “remunerative surgery.” I am not advocating the abandonment of fees. The term “remunerative surgery” is reserved for

those cases where the sole indication for the operation is the fee. In this same category are those physicians who hospitalize patients for non-surgical conditions when hospitalization is not essential to the treatment. The current policy of third-party payers which rejects claims for the same services if performed on an outpatient basis is a major contributing factor. These same doctors are often guilty of extending hospital stays for no better reason than the prospect of payment for additional daily token visits.

In most better hospitals, these practices are kept to a minimum by means of the long-standing peer-review process. This requires but a few of the staff members to be willing to expend the time and effort needed to police the activities of all the staff members through the appropriate review committees. Sadly, there are innumerable obstacles, legal and otherwise, to the exposure and control of the guilty. However, persistence and what

Medicare and Medicaid were proposed to cost a fraction of their present expense.

can only be described as harassment have proved effective. Real punishments are rare, but the deterrent effect is indisputable.

Real Demand Stems from the Individual Consumer

Probably the most vital factor in the health-care equation is the consumer. Since it is the demand for services that governs the amount, quality, and cost of provision, let's examine the word *demand*. As used in the law of supply and demand it represents a desire or need for a product or service. In reference to a hold-up man, tax collector, or the holder of a promissory note, it is a more forceful term. The respect of such demands, backed by law or force, or both, becomes mandatory.


As with so many political perversions of our language and our Constitution and Bill of Rights, you may be surprised to learn that there is no such thing as a "right to health care." Nor is there a "right to food," a "right to clothing," a "right to shelter," or any of the other wrong rights being advocated. Where health care is concerned, the unconstitutional application of majority rule to provide benefits to almost everyone at the expense of relatively few gains wide acceptance. In the free market, on the other hand, one gets what one pays for. As such,

Probably the most vital factor in the health-care equation is the consumer.

responsibility for the nature and degree of demand rests with the individual consumer.

Remember that individual responsibility, or lack of it, is the determining factor in the preservation or loss of individual freedom. If an individual desires to live his life as he chooses, so long as he does not infringe upon the equal rights of others, he must accept full responsibility for himself. If good health care were freely available, we could then afford the waste of government allocation and control. But because it is so scarce and costly is precisely the reason why concerned individuals should rely upon the efficient market process of bringing supply and demand toward balance.

My solution to the problem of medical indigency is, as you might guess, the same as my solution to the problem of health care in general: a return to the free market throughout our economy. Freed of governmental restrictions, we would rapidly approach full employment. Without the huge involuntary plans of wealth-sharing, we would be financially able to exercise our well-established charitable instinct to help the incapacitated and the truly needy.

Freed of government harassment, we might again exercise our inalienable rights of life, liberty, and the pursuit of happiness. 

Do No Harm

If government forces us all into a bureaucratically managed system, we will still have something called "health care," delivered by persons called "health care providers." But such a system will have no place for ethical physicians, whose Oath forbids them to accept a situation of conflict of interest with their patients.

Government bureaucracy has never controlled costs. The promise of universal access to comprehensive service under a global budget and government rules is, in a word, bankrupt.

Government officials do not take an oath to do no harm. What a government system can accomplish is to destroy the art and science of medicine in these United States of America.

—JANE M. ORIENT, M.D.

Postal Monopoly: Playing by Different Rules

BY ROBERT CARREIRA

Once again the U.S. Postal Service (USPS) is seeking to use its monopoly power to defy the economic law of demand. On April 8 the USPS requested an increase in the first-class letter rate from 37 to 39 cents, a 5.4 percent jump. Between 2000 and 2004, the price of first-class postage increased 12.1 percent, compared to an inflation rate of 9.7 percent. (The postal-rate history is online at www.prc.gov.)

But this is nothing new. From 1920 to 2004 the price of mailing a first-class letter grew at more than twice the rate of inflation. Inflation during this period, as measured by the consumer price index, was a mere 844 percent, while the price of a postage stamp increased 1,750 percent.

In each decade since the 1920s, with the exception of the 1940s, postal-rate increases outpaced inflation. In the 1920s, when the price of a postage stamp remained unchanged, prices deflated by 16.5 percent. In the 1930s, which again saw price deflation—this time by 16.2 percent—the price of a first-class stamp increased by 50 percent. Only in the 1940s, when the price of stamps remained unchanged and inflation was at 72.1 percent, did the postal increase not exceed inflation. But this of course was after the 50 percent hike in the previous decade.

In the 1950s inflation was 22.8 percent, while the price of a postage stamp jumped 33.3 percent. In the 1960s inflation was 31.1 percent and the price of a stamp increased 50 percent. In the 1970s, with inflation at a whopping 112.4 percent, the postal service would not be outdone: the price rose 150 percent. Inflation was

reeled in during the 1980s, ending the decade at only 58.6 percent. The postal service's response was a 66.7 percent increase in the price of a stamp. In the 1990s inflation was 31.8 percent, and the first-class postal hike was 32 percent.

Now we have the postal service asking for yet another 5.4 percent.

The postal service is seeking this latest increase to make up for lost business that has accompanied its rate hikes in recent years. Between 1998 and 2003 the price of mailing a first-class letter jumped 15.6 percent, well ahead of the 12.9 percent rate of inflation. Also during

that time, the number of first-class, single-piece letters people entrusted to the postal service *dropped* from 54.3 billion to 46.6 billion—a decrease of 14.2 percent (www.usps.com/financials/rpw/welcome.htm).

The postal service's loss of business should come as little surprise. The law of demand tells us that, all else equal, as prices increase, quantity demanded decreases. Thus producers must lower their prices to increase sales and achieve market equilibrium—the point at which the quantities supplied and demanded are equal. At least that is what happens in a free market.

A business that tries to raise revenue simply by raising prices soon learns its lesson, since consumers will take their business to competitors or switch to alterna-

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tive products. In a free market a producer who refuses to accept this basic economic law is soon out of business.

But USPS bureaucrats believe they are exempt from the law of demand, just as they are exempt from competition in the delivery of first-class mail. They are indeed partially shielded from the law of demand, because government restricts the more cost-effective alternatives that would arise in an unfettered market. If the private sector had been allowed to compete in the delivery of first-class mail, the USPS losses of the past few years would have been even greater.

However, the postal service is not completely exempt from the law of demand. As the USPS has raised prices, the private sector has responded with several alternatives to first-class mail, including fax, e-mail, and electronic bill-paying.

About 65 million consumers in the United States have turned away from first-class mail in favor of paying at least some of their bills online (www.postinsight.pb.com/files/Levy_Cork.pdf). But as is often the case, the government monopoly remains a huge hurdle for those in the nation's lower-income brackets. While those who can afford fax machines, computers, and the Internet can escape, at least somewhat, the inefficiency of the postal monopoly, the poor remain trapped in this system of government incompetence and have little choice but to pay the higher prices commanded by postal planners.

Since the late 1800s, government has increasingly intervened in the economy in the name of antitrust. The ostensible justification for antitrust legislation is that monopolies may, among other things, increase their prices in the absence of competition and alternative products, leaving consumers powerless in inelastic markets. There is, however, a dearth of evidence of such occurrences in the free market.

In the case against Microsoft—a favorite target of government antitrust crusaders in recent years—Judge Thomas Penfield Jackson noted: “Microsoft enjoys so much power in the market . . . that if it wished to exercise this power solely in terms of price, it could charge a price for Windows substantially above that which could be charged in a competitive market. Moreover, it could

do so for a significant period of time without losing an unacceptable amount of business to competitors.”

When this decision was written, the price of Windows 98 was \$169, compared to Windows 95, which a year earlier sold for \$185. (See Stan J. Liebowitz, “A Defective Product: Consumer Groups’ Study of Microsoft in Need of Recall,” *Competitive Enterprise Institute*, February 9, 1999, www.cei.org/gencon/004%2C01559.cfm.) Thus the effect of Microsoft’s private-sector “monopoly” was a price decrease of 8.6 percent in a single year for a vastly improved product. Likewise, Carnegie and Rockefeller, the so-called “robber barons” of the 1880s, with their “monopolies” of steel and oil that ushered in the era of antitrust laws, brought consumers lower prices that dropped steadily as their market shares increased. (See Benjamin Powers and Adam Summers, “Antitrust Is Anti-Consumer,” *Economic Education Bulletin*, July 2002, <http://home.san.rr.com/adamsummers/Antitrust.pdf>.)

Government Monopolies Are Different

Why then do government officials insist they must protect consumers from successful businesses that persuade people to buy their products? Perhaps it is because of their own experience with the postal monopoly. The government’s monopoly, when it fails to provide its services efficiently, simply raises its prices to compensate—just as it is seeking to do now. But what government officials do not seem to realize is that so-called monopolies in the private sector cannot operate in the same manner as government monopolies. In the free market, when a single seller raises its prices, it creates an incentive for increased competition. Government monopolies, on the other hand, play by different rules. The postal service can raise the price of first-class postage because the government has outlawed competition.

For a business in the free market to achieve and maintain a large market share, it must offer consumers the best possible product at the lowest possible price. Unfortunately, this is not so for the U.S. Postal Service, as its monopoly pricing over the past hundred years has shown.



North Carolina's Educational Wall of Separation

BY HAL YOUNG

In a little-seen corridor of the Department of Administration in Raleigh, North Carolina, near the state ethics board and just around the corner from the Office of Historically Underutilized Businesses (no joking), there is an office that represents a unique turn in state law. The compact quarters of the Division of Non-Public Education (DNPE) are the state's only connection with private, religious, and home schools. That's because, unlike many states, North Carolina effectively separates the public schools and competing educational alternatives, whose independence is a key to their success.

Before the 1970s private education in North Carolina was under the care of the public-school system, first the local school boards and later the state Department of Public Instruction (DPI). With the 1954 *Brown v. Board of Education* decision opening the doors to integration, the state General Assembly passed a bill known as the Pearsall Act to provide vouchers for families to attend nonpublic schools. Since tax money would be flowing toward private institutions, the legislature instituted new standards, supervision, and inspection mechanisms to look after the taxpayers' investment.

The state board appointed a supervisor of nonpublic schools in 1961. The next year the office produced the first "Directory of Non-Public Schools," listing schools both secular and sectarian and ranging from one-teacher operations with five students to a Catholic school with an enrollment approaching 700. Some, like the latter, are still in operation today.

While the voucher provision was never activated and was finally repealed in 1969, the state's new regulations—requiring approval of curriculum, stipulated class sizes, and teacher certification, for example—remained. According to the statute, the state board of education

would "always protect the right of every parent to have his children attend a non-public school by regulating and supervising all non-public schools." This laid the foundation for a small revolution.

It was the rise of Christian schools that brought about a break with DPI. Propelled by a number of considerations, some admittedly more noble than others, private and church-sponsored schools began to proliferate across the country in the 1970s. In North Carolina the state law's provision requiring approval of curriculum became a sticking point for many of the new schools. They correctly contended that the state, a secular authority, had no business passing judgment on privately funded Christian education, which they saw as an expression and logical working out of their religious beliefs.

Although legislative hearings through the early 1970s stirred great interest, there was no legislative solution in place in 1977, when the time came for annual filings by the private schools. That year a number of Christian schools refused to file on the grounds that the state could not intrude into church ministries in that manner. After several months of discussion with no resolution in sight, the state board of education gave the noncompliant schools 21 days to file, then in April 1978 opened a class-action suit, *North Carolina v. Columbus Christian Academy et al.*

A pretrial hearing in Raleigh that spring drew over 5,000 demonstrators in support of the nonpublic schools; other gatherings in the capital attracted upwards of 1,000. While the action was in court, the 1979 session

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of the legislature considered two bills that passed both houses by sizable majorities. The combination of SB 383, the so-called Christian school bill, and SB 586, a nearly identical bill addressing independent schools, created a separate statute for nonpublic schools that removed most of the earlier regulations and restrictions.

Perhaps most critically, the resulting act, Article 39 of chapter 115C, took the Division of Non-Public Education out of the Department of Public Instruction and placed it under the governor.

There it remained until 1998, when a reorganization moved DNPE to the Department of Administration.

The spread of home education reopened some aspects of the debate. Interested families sought to teach their children under the nonpublic-school law by filing with the state as small private schools. Almost immediately after the 1979 statute passed, the state attorney general ruled that a home school did not meet the requirements of the compulsory-attendance statute, and DNPE accordingly took exception to the practice, although traditional nonpublic schools with as few as three students had been approved in the past.

Two cases brought the matter to a head. In 1982 the Duro family of Tyrell County first won, then lost, a suit in federal court (*Duro v. District Attorney*), claiming that compulsory attendance at schools that contradicted their Christian beliefs was abuse of their family's expression of religion. The Fourth Circuit Court of Appeals found that the state's interest in education overruled the family's First Amendment claims; according to the court, the "state demonstrated an interest in compulsory attendance which [was] of sufficient magnitude to override Duro's religious interest."

However, the situation improved when Larry Delconte's case was decided in the state Supreme Court. Delconte, a Harnett County father who began homeschooling his oldest son in his native New York, was denied recognition by DNPE in 1981. Truancy charges from Harnett County, later dropped, brought about his lawsuit, *Delconte v. North Carolina*. The Supreme Court overturned lower-court rulings in its 1985 decision for the Delcontes. The verdict recognized home education as legitimate under the existing law, but suggested the legislature look into the lack of a specific statute governing homeschooling.

North Carolinians for Home Education

During that time several dozen families already quietly homeschooling met at an out-of-state conference and formed North Carolinians for Home Education (NCHE) in 1984 to work toward a better legal situation. Their work began in earnest when the Department of Public Instruction responded to the *Delconte* decision with a call for local superintendents to help shape the needed legislation, expressing a need for legislators "to understand that the present situation is not in the best interests of children."

The legislation introduced in 1987 sought to impose many of the same restrictions on home education that had been taken off the private schools—approval and review by local school officials, specified coursework and schedules, and degree requirements for parent-teachers.

Following a busy season of legislative hearings, newspaper editorials—many of them hostile to the idea—and vigorous grassroots lobbying by NCHE, the General Assembly added the homeschooling option to Article 39 as "part three" (religious schools being part one and independent schools recognized under part two). Requirements for health and safety inspections were waived; as absurd as it appears, fire marshals had actually required homeschooling families to install "EXIT" signs over the exterior doors in their living room, and at least one health department directed a family to install a floor drain to facilitate cleaning their home's bathroom.

Since that time, North Carolina has seen a population of a few hundred homeschooled students in 1987 swell to over 60,000 in 2005. In 2004 NCHE estimated that some 3.8 percent of schoolchildren in the state were being taught at home; in some counties, the number approached 10 percent.

Homeschoolers in particular have found it necessary to maintain watch over the wall between DPI and DNPE. On several occasions legislation has been introduced that would bring some measure of public-school oversight to nonpublic education. Often it has taken the form of programs to reduce dropouts and violence in the public schools, but contains language that fails to recognize the independence, autonomy, and downright difference of nonpublic education.

The idea of folding DNPE back into the Department

of Public Instruction has never truly gone away. Just this year, NCHE and the North Carolina Christian Schools Association received advance warning that the governor's office was quietly proposing such a move during the budgetary process. A 24-hour e-mail blitz and intensive lobbying brought an apology from the governor's office and agreement to protect their existing, 25-year-old independence. It was a close call, though.

Efforts by public-school officials to investigate truancy complaints, an enforcement duty clearly in their jurisdiction, has led to more or less intrusive inquiries and requests for information. Even long-time homeschoolers, including a NCHE vice president, have received letters requesting data on children and families for collection by local school districts. The NCHE and the Home School Legal Defense Association have regular contact with public-school officials to help them understand the boundaries of the law, which, given the schools' enforcement responsibilities, they might be expected to understand better.

Boundaries Blurred More


Expansion of online programs such as virtual charter schools and home-based high-school classes, more so in other states but starting in North Carolina as well, is threatening to blur the boundaries further. The issue of educational tax credits as opposed to vouchers and the legal differences between public-school students outside their classrooms and parent-taught homeschoolers are regular topics of discussion within the homeschooling community.

Even the terminology is guarded. Concepts such as "registration," "certification," and "approval," harking back to older authorities, are turned aside in favor of the simple declaration of a protected right, embodied in the state's "Notice of Intent to Operate a Home School." As a statutory matter, no further permission is necessary.

Meanwhile, nonpublic education has grown to nearly 10 percent of North Carolina's school-aged population. Without government assistance or funding, private and Christian schools have thrived, homeschool support groups have flourished, and a rich assortment of services and opportunities comparable to any offered in the government realm have grown to cover the state. It is a unique success story, not only in educational choice, but also in the continual fight for civil liberties. That independence is the touchstone for nonpublic education in North Carolina.

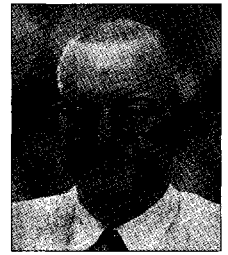
In *Democracy in America*, Alexis de Tocqueville wrote that a distinction of American society is the associations of private citizens, undertaking all manner of important projects, whether influencing governmental policy, improving their local communities, protecting their economic interests—or educating their children:

The citizen of the United States is taught from his earliest infancy to rely upon his own exertions in order to resist the evils and the difficulties of life; he looks upon social authority with an eye of mistrust and anxiety, and he only claims its assistance when he is quite unable to shift without it. . . . [I]n the United States associations are established to promote public order, commerce, industry, morality, and religion; for there is no end which the human will, seconded by the collective exertions of individuals, despairs of attaining.

The successful efforts of ordinary North Carolinians to defend their independence from government intrusion, from the initial separation of private education (itself a network of associations) and government schools to the ongoing maintenance of that distinction by homeschoolers and private educators alike, is a testimony to the power of that ideal. 

The Persistent Influence of Bad Ideas

BY STEPHEN DAVIES



Sometimes books, and the ideas they contain, have a much longer-lasting impact than anyone would expect or realize. Long after the book itself has been forgotten and languishes unread in the reserve stacks of libraries or on the shelves of secondhand-book dealers, the ideas it puts forward continue to influence people and the way they see and understand the world and current events. In such cases the effect on people's thinking is all the more profound for the ideas are no longer associated with a particular author or viewpoint. Instead they have achieved the hallowed status of "common sense," or things that everybody knows to be the case—even when they are not. One of the historian's most important roles is to uncover such hidden influences and, very often, to show how they are mistaken. Bad ideas have a long life and often outlive their originators.

One classic example is a book first published in 1902. This was *Imperialism: A Study*, by J. A. Hobson. Although this book is often referred to by scholars, it is almost never read nowadays. But its main ideas continue to have a powerful effect on current debate. The author, John Atkinson Hobson, was one of the most important figures in the "New Liberalism," which between 1890 and 1914 brought about a transformation of the British Liberal Party, moving away from the limited-government, classical liberalism of Gladstone and Cobden to the social liberalism of Keynes and Beveridge. Hobson and the other New Liberals were closely associated with the Progressives in the United States, such as Herbert Croly, who over the same period brought about a transformation of the structure of American politics and a change in the Democratic Party similar to that of the British Liberal Party. Hobson wrote extensively on economic issues, but his unorthodox ideas prevented his obtaining an academic position. So he made a living through political journalism. What he and his intellectual allies did was to take classical-liberal ideas and arguments, and

recast them in ways that often changed their content considerably while not totally abandoning them. *Imperialism* was an example of this.

The context for this work was the great revival of imperialism in the latter part of the nineteenth century. During the first two-thirds of the century imperialism had been out of fashion as a deliberate policy. The general view was that colonies were a waste of resources and that wars to acquire them were not only foolish but immoral. This view, shared even by people who later became identified with empire, such as Benjamin Disraeli, derived primarily from the arguments made by a series of classical-liberal thinkers, from Adam Smith onwards. Its definitive version was put forward by the British classical liberal Herbert Spencer. He argued that all human societies could be divided into two types, the military and the industrial. The military kind, historically predominant, was marked by social hierarchy and the rule of classes that derived their position from the use of force.

By contrast the industrial society, which had appeared in modern times, featured social relations based on free association and trade. Empire, meaning the rule of one people by another, was one of the central elements of the military type of social organization. For Spencer and other classical liberals, the growth of modern capitalism and the increasing interconnection of the peoples of the world by trade and the division of labor (globalization as we now say) necessarily implied the disappearance of empires. A revival of imperialism could only be retrograde. Moreover, it was economically foolish and counterproductive, as wealth was created by trade, not imperial rule and force—a point made by Smith.

Until about the 1870s these ideas were generally accepted, but the last three decades of the nineteenth

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century saw the rebirth of imperialism in both theory and practice. In 1884 the Berlin Conference divided Africa among the European powers. The years 1899 to 1902 saw the Boer War, with Britain seeking to conquer the Boer Republics and gain control of South Africa's minerals and diamonds.

Most dramatic was the change in attitude and policy in the United States. From 1776 onwards most Americans saw their country as inevitably and naturally opposed to empire and colonialism. In the 1890s, however, people such as Theodore Roosevelt argued that America should join the quest for empire. This found effect in the Spanish-American War of 1898 and the subsequent bloody conquest of the Philippines. By 1902 it also seemed that the United States, along with the European powers and Japan, was going to take part in a competition to dismember China. At this time imperialism was rightly associated with the "progressive" side of politics and with those who wanted to expand the role of government (such as Roosevelt), while the remaining classical liberals opposed it. In the United States most of the opposition to the new imperialism came from this direction and involved such figures as Mark Twain, Andrew Carnegie, and former presidents Benjamin Harrison and Grover Cleveland. The clearest reiteration of the classic individualist argument against imperialism was made by William Graham Sumner in his trenchant essay "The Conquest of the United States by Spain."

So in 1902 the division of opinion seemed clear cut. One side stood for limited government, free trade, capitalism, and individualism, and was opposed to empire. The other favored empire and argued for expanded government, protectionism, socialism or interventionism, and collectivism.

Hobson's book changed all this. His central belief, almost an *idée fixe*, was underconsumptionism. He thought that in a capitalist system an unequal division of wealth and income leads to excessive saving by the rich and lack of consumption by the poor. As a result, the system does not function effectively because there is a chronic insufficiency of demand and much production cannot be consumed. This means that a modern economy needs government intervention and redistribution to right matters.

A Free-Trader

Hobson, however, favored free trade and was strongly opposed to imperialism, and his book combined these two elements. He argued, in the classical-liberal vein, that imperialism, besides being morally wrong, did not benefit the majority even in the imperial nation. Instead, it only benefited a small corrupt, predatory, and unproductive class. However, he identified this class not with the holders of political power (as Spencer and Sumner did) but with capitalists, above all finance capitalists (explicitly identified with Jews in several passages of *Imperialism*). His thesis was that imperialism was driven by the economic interests of finance capitalists, above all by the need to find investment outlets for capital that could not be invested at home. This argument was seriously flawed, not least because the bulk of British overseas investment was not in the empire but in the United States and Europe. Despite much criticism, Hobson brought out a virtually unchanged second edition in 1938, but he admitted in his autobiography that he no longer thought imperialism had a primarily economic motive, seeing it rather as driven by desire for power.

However, by that time the message of his work had become common wisdom. This was partly because Lenin had effectively adopted Hobson's argument in his own *Imperialism: The Highest Stage of Capitalism* and so made it orthodoxy for most of the Marxist left. In the United States, Hobson's analysis was successful on its own and became widely accepted by the 1920s. Today, Hobson is forgotten by most people, but his ideas live on. Above all, he established what has now become a commonplace, that capitalism and imperialism are intimately connected, with the one growing out of the other. Authors such as Naomi Klein see the process of "globalization" as involving the spread of neo-imperialism. Instead of correctly seeing the growth of trade, exchange, and economic integration as being diametrically opposed to imperialism, these authors see them as allied.

What makes this particularly tragic is the way the last 15 years have seen the cause of empire once again become respectable, not least among the advocates of the "Third Way." Bad ideas, like the ones that Hobson produced, obscure our understanding of what is at stake and what the real issues are.



Infatuated with Politics

BY GEORGE C. LEEF

The most striking fact about modern-day “liberals” is their thoroughgoing infatuation with politics. In their worldview, almost every objective should be pursued through legislation, regulation, or legal action. It’s a reflex. What distinguishes liberals is not their objectives, which range from the laudable to the ridiculous, but their insistence that politics is the best or only way to achieve them. (From here on, I’ll drop the ironic quotes, assuming that the reader understands that contemporary liberalism has almost nothing to do with the original meaning of the word, which signified a devotion to liberty as opposed to state power over the individual.)

Liberals invariably say they have humanitarian goals and therefore must turn to political means for their swift and certain accomplishment. They want people to have higher incomes, better medical care, greater security, and so forth. Not to clamor for political solutions is, in their minds, tantamount to indifference. Waiting for voluntarism to work is unthinkable. Anyone who suggests that political means will be inappropriate or counterproductive is apt to have his motives impugned.

But what if this mindset is a mistake? What if the objectives to which liberals proclaim their dedication, such as the reduction of poverty, could be better achieved through nonpolitical means? If that could be shown to be the case, honest liberals should abandon politics and side with those of us who wish to depoliticize society and restore government to its proper role as protector of life, liberty, and property. Dishonest liberals—those who use humanitarian politics as cover for their desire to dominate and plunder others—would remain firmly in the camp of political action.

These thoughts were triggered by the book *The*

Power of Productivity by William W. Lewis (University of Chicago Press, 2004). It’s a fascinating examination of the reasons why some nations’ economies are so much more productive than are others. Lewis understands that low production means a low standard of living, which sets a strict limit on how much anyone can do to improve the lives of the people, no matter what means is chosen. Poor nations simply don’t have the resources to improve health care, for example; trying to do so through politics is as futile as trying to turn lead into gold. He also understands that when nations distort their markets to pursue “social objectives,” the result is a sacrifice of the productivity that alone can make the pursuit of those (or any other) objectives possible.

Several features about the book make it particularly thought-provoking. Lewis is not a free-market economist, or even an economist at all—at least by training. (It is, of course, quite possible for someone to learn a great deal about economics outside formal classroom settings; we should abandon the notion that only individuals with Ph.D.s can have expertise in a field of knowledge.) His academic background was in physics, and he eventually found his way into the position of director of the McKinsey Global Institute, which does international economic analysis and consulting work. There, he figured out one of the central tenets of good economic thinking, namely that you must look at incentives and behavior at the micro level rather than surveying macro-economic data if you want to comprehend a nation’s economic problems. What’s more, Lewis politically is a modern liberal. He enjoyed close ties to the Clinton administration and takes credit for having steered Clinton’s economic policy away from the heavily authoritar-

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ian path that many Democrats wanted and toward somewhat freer markets. Therefore, the book can't be readily dismissed by liberals with their usual tendency to brush off any argument that comes from the hated "right wing" camp.

Lewis and his researchers carefully studied the economies of a dozen countries ranging from the most advanced (the United States, Japan, Britain) to the struggling (Russia, India, Brazil) and came to the conclusion that productivity is the crucial ingredient in economic success. The more a nation chooses to pursue "social objectives" through policies that distort its markets, the less it will produce and the less economic progress it will make. In short, Lewis condemns the infatuation with politics as the means of "solving problems." (That condemnation, however, is not complete, as I'll note later.) Far from aiding the poor, big government and its numerous economic interventions make it impossible for them to escape their poverty.

The most telling chapters of the book are those dealing with the poorest countries. In Brazil, for example, there is a vast chasm between the small percentage of the population that lives in comfortable circumstances and the large percentage of the population that lives in squalor. Why is that the case? Lewis answers that the obstacle to the economic progress that would benefit the Brazilian poor is the enormous, bloated government. To rake in the revenue the state needs to feed its minions, taxes must be high on "legal" businesses. High taxation, however, makes it impossible for such enterprises to compete with the "illegal" and therefore untaxed businesses that provide most of the items of commerce that the poor need—food, clothing, shelter, and so on. The problem is that the small-scale illegal businesses are inefficient. Prices are high and quality often low. Efficient production and marketing firms, such as we find in the United States, have no chance of gaining any traction in Brazil.

Most liberals would say that Brazil needs its big government to provide "needed government services" like formal education, but Lewis disagrees. Poor Brazilians

don't need public education or other services from the state; what they need is for the state to get out of the way of free-market competition in the production and distribution of goods. Everything else is a costly distraction.

Competition Stifled in India

India is another fascinating case. Government regulation of the economy is pervasive. Competition is stifled at almost every turn. One of many examples Lewis cites is the "Small-scale Reservation" law, which restricts investments in fixed assets to a maximum of \$200,000 for firms producing more than 50 percent of their output for the domestic market. This is the sort of protective legislation that liberals generally applaud—shielding "the little guy" from the "cutthroat competition" of big business. But the law has devastating economic consequences, Lewis observes, in that it prevents the growth of efficient, American-style businesses. India's many small-scale producers don't have to face competition, so the nation is stuck with businesses that are unchanged from the nineteenth century. Most Indians remain desperately

poor because of political interference with the free market.

Sadly, after much excellent analysis of the reasons why politics is the obstacle to progress (and not just in the Third World nations), Lewis shrinks from applying the lesson to the United States. Yes, government in the United States has grown vastly over the last century; but, he says, "we wouldn't want to go back even if we could." I won't speculate as to why he declines to drive home the point that market distortions through politics have the same bad consequences here as anywhere else and that if you truly care about the plight of poor people, you ought to favor a radical scaling back of laws and policies that interfere with the efficient use of resources and maximization of production.

I will simply say that anyone who is troubled by poverty should want to go back to minimalist government, here and abroad. Liberal social objectives will not

William Lewis
understands that low
production means a
low standard of
living, which sets a
strict limit on how
much anyone can do
to improve the lives
of people.

be achieved through market-distorting laws or tax-and-spend welfare programs. Relying on politics is a foolish infatuation.

Consider just a few of the “products” of politics. Thanks to politics we have a host of laws that artificially boost the price of basic foods—milk, fruits, and sugar to name just three. You would have to look far and wide to find any liberal politician or academic who vigorously supports the elimination of such laws, but they undoubtedly make it harder for poor families to get by.

Thanks to politics we have occupational licensing that simultaneously drives up the cost of many services and reduces the number of employment opportunities for people who would like to improve their lot in life. One might think that the elimination of licensing statutes would be a high priority among liberals, but it is not.

Thanks to politics we have a host of laws that drive up the cost of housing for poorer people. Zoning, building codes, rent controls, and more all work to depress the number of inexpensive homes and apartments available on the market. Opposition to those laws from liberals? The silence is deafening.

And thanks to politics we have a system of “public education” that is so busy with matters like teacher pay and tenure, multicultural posturing, and self-esteem that large numbers of young people now graduate (or drop out) without even the ability to read or do elementary arithmetic. But while many liberals individually choose to have their children educated in private schools or at home, as a political force, liberalism is irrevocably committed to the defense of public education.

Interest-Group Domination

The great blind spot of modern liberalism is its inability to see that strong interest groups will always dominate the political system in order to obtain more for themselves than they could get in a free, unpoliticized society. That “more” almost always hurts the poor. In the realm of politics, all the real or feigned compassion is no match for the concentrated lobbying power of dairy farmers, labor unions, producer cartels,

the education establishment, government officials, and so forth. If liberals even acknowledge that political machinations can have adverse effects on the poor, they prefer, as Lewis does, to use the redistributive power of the state to try setting things right. The trouble is that the crumbs of government largess (Medicaid, for example) are dwarfed by the damage done by other political interventions.

There is an enormous gap between the United States and countries like Brazil and India, and William Lewis has made it clear that the chief reason for that gap is political intervention that upsets the efficient function-

ing of markets. What he and other liberals fail to see is that there is an equally enormous gap between the United States *as it is*, with its vast governmental apparatus that interferes with productivity and soaks up resources like a black hole, and the United States as it *would be* if we had been able to stick with Thomas Jefferson’s advice: That government is best which governs least.

Those who are infatuated with politics have a basketful of ear-pleasing terms for what they do, but the truth is that politics boils down to three actions: compelling, preventing, and taking. Supposedly, the will of a few people in government can be counted on to lead society to better outcomes by such actions. Therein lies the great deception. Politics cannot lead to better societal outcomes because those who practice it, even if they have the best of intentions, cannot know enough to dictate the channels that our energy and resources must take. The result of politics is inevitably laws like India’s “Small-scale Reservation” and our minimum-wage law, which interfere with freedom and progress.

If people came to understand that politics as a means to social betterment is a losing game and that it “works” only to enable some to get what they want at the expense of others, we might have a more sensible philosophical division—not between “liberals” and “conservatives,” but between people who approve of state-sponsored compelling, preventing, and taking, and people who do not.



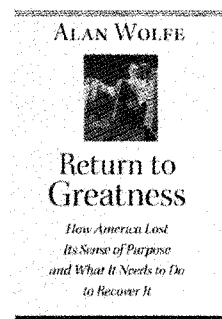
Book Reviews

Return to Greatness: How America Lost Its Sense of Purpose and What It Needs to Do to Recover It

by Alan Wolfe

Princeton University Press • 2005 • 239 pages • \$22.95

Reviewed by Richard M. Ebeling



Alan Wolfe is a professor of political science and the director of the Boisi Center for Religion and American Public Life at Boston College. In the pages of his new book, *Return to Greatness*, we learn about one of the great disappointments and frustrations of his life: “An entire lifetime can pass—my adult lifetime actually—without the existence of a single president both willing and able to leave the United States a greater nation after he left office than he found it upon assuming his position.”

Wolfe bemoans the fact that he did not have the good fortune to have lived under the political leadership of Abraham Lincoln during the Civil War, or Teddy Roosevelt in the “enlightened” years of the American progressive movement, or even better, through Franklin Roosevelt’s heady New Deal days of reform and regulation, and global greatness during World War II.

Wolfe wishes his life could have been made thrilling with the drumbeat of “great national causes” bigger than the simple affairs of his ordinary personal existence. If only he had been lucky enough to live during a time of a wise and good American *Führer*, who would have given his life purpose and meaning at home and abroad in the pursuit of “national greatness.” Now in his mid-60s, he still dreams the “greatness” dream that he so badly wants to experience before he passes away from this earth.

Of course, the central question is: what makes for “national greatness”? Most of the book is devoted to telling us what set of ideas and actions do not make for such greatness. In this, he is an “equal opportunity critic.” He takes to task American conservatism, libertarianism, and modern liberalism. He detests conservatives the most. He parades before the reader all the usual charges: con-

servatives are mean-spirited and only interested in lining the pockets of their country-club buddies. Moreover, dressed in their religious garb, they are self-righteous demagogues who use faith to feather their own financial nests. He disapproves of current American foreign policy, but only because the present Republican administration will not cooperate with other countries for a joint effort to make over the world in our own image. This “go it alone” business is not a basis of “greatness.”

Libertarians come under attack because, well, they think “small.” They believe that individuals should direct their own lives and that any network of human relationships should arise out of the spontaneous interactions of people in the marketplace. For Wolfe, libertarians therefore don’t appreciate that America cannot and will not be “great” unless the nation has a common set of goals directed by a central political authority. Only Big Government can make us “great.” And, of course, he shakes his head in shock that libertarians should still believe in the “absurd” idea that free, unregulated markets can be fair and just.

Modern liberals come under attack as well. Wolfe thinks they are so depressed that the Republicans are in control of the White House and Congress that they just want to hunker down and minimize the damage from conservative domination of American politics. He thinks this is symbolized by the number of liberals who have become extreme environmentalists, wanting to keep the forests and wetlands of America pristine so the conservatives will not cut down every tree, wipe out every endangered species, and drain every pond to build a Wal-Mart. Wolfe harks back, instead, to the happy days of Teddy Roosevelt’s conservation movement in the early twentieth century, under which wise and farseeing government planners managed the forests for a proper balance between man and nature, while preventing greedy loggers from ruining the planet.


What he also dislikes is any presumption of universal and abstract principles that should limit the powers and actions of the federal government. He rejects the notion that the “truths” of the Founding Fathers should in any way influence the role and scope of government in the 21st century. How can government undertake great things today if it is constrained by an out-of-date constitution written more than 200 years ago? Great gov-

ernment leaders must have the discretion to do bold things with American resources and lives, so we can be molded into something larger than our little individual existences. In Wolfe's eyes, expediency and pragmatism are the hallmarks of great nations and great leaders.

Typical of too many political scientists, Wolfe seems to be blissfully ignorant of what economics has to say about the political process. Public Choice theory, as this branch of economics is called, has been lucidly demonstrating for many years the perverse effects that arise when governments are not narrowly restrained by constitutional limits in what they may do, and for what. Once the political system is "freed" from being guided by abstract truths and principles concerning individual liberty, politics soon sinks into a destructive game of special-interest groups dividing up favors and privileges at the expense of the taxpayers and consumers.

So what does Wolfe want the American government to do to guide us back onto the path of national greatness? Well, after waiting with bated breath until the last chapter, we finally find out: He wants government to enact an array of "fundamental economic rights" that include national health care, a "living wage" for every American worker, a "right to decent schools," and guaranteed social security. And, oh yes, he calls for some new backbone in modern liberals so they once again will be stirred to support American political and military interventionism in order to make the world a better place through benevolent Big Government.

There it is. "National greatness" equals the same old laundry list of welfare statist and socialist programs, without which Americans will remain puny. Indeed, Wolfe arrogantly says that Americans are getting the less-than-greatness they deserve because they refuse to give the government far greater power over their lives. Or should I say that Americans show their "smallness" by not voting for politicians who have the foresight and wisdom to impose on us Alan Wolfe's vision of what's good.

Only when we hand over power to a *Führer* of whom Wolfe approves will he finally be able to say he has lived in an epoch of national greatness. Unfortunately, it will require the rest of us to give up our individual dreams so Alan Wolfe can have his big one. 

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Exporting America: Why Corporate Greed Is Shipping American Jobs Overseas

by Lou Dobbs

Warner Business Books • 2004 • 196 pages • \$19.95

Reviewed by Donald J. Boudreaux



It looks like a book. It's priced like a book. It's sold in bookstores and carried by libraries. But it's not really a book. *Exporting America* is merely an extended, furious yelp by CNN's Lou Dobbs. It has no index and no bibliography. Nor does it have a single citation to any of the alleged facts that he throws at his readers—which would be worse if he threw many facts at his readers. Truth is, this "book" is short on facts, and long on invective.

Dobbs spits his vituperation at two groups. The first is "Corporate America" (the capitalization is his): rich, greedy, heartless bigwigs who fire workers in America and replace them with low-paid workers in the Third World. This strategy is driven by the bigwigs' need to maximize short-run profits. The second group is free-trade advocates: ideological, heartless eggheads and politicians whose "blind faith" in free trade and the market provides intellectual cover for the greedy bigwigs to continue to "export jobs."

Dobbs loathes this alliance, for it means that our "blind" adherence to free trade might go on long enough to rid America of her middle class. Sounding very much like the leftist Thomas Frank, who argues that the many middle-class Americans who vote for cutting taxes, reducing regulation, and increasing their freedom to trade have been duped, Dobbs just knows that "outsourcing" of American jobs is destructive and wicked. He is outraged at outsourcing and astonished that more Americans don't share his rage.

He cries: "We should be worrying about the prospect of more jobs and more businesses being wiped out by cheap foreign labor, and even more worried about those who blindly advocate free trade for its own sake—well, actually for the sake of powerful U.S. multinational corporations."

He uncovers ominous developments: "And corporate

logos in many cases have more powerful symbolic importance than national flags.”

He puts matters in perspective: “I don’t think helping consumers save a few cents on trinkets and T-shirts is worth the loss of American jobs.”

Mostly he fulminates: “But the simple truth is that our multinationals and our elected officials who support them without reservation are callously and shamelessly selling out the American worker.”

No coherent theory underlies Dobbs’s concerns and accusations. He’s as naive on matters of trade as one can possibly be. In Dobbs’s view, when Americans buy foreign product or services, other Americans are harmed because expenditures abroad mean less demand for American output and, hence, less demand for American workers. The result is unemployment and lower wages. This downward spiral in American prosperity won’t stop until most American workers are paid wages equal to the paltry wages paid in Third World countries—unless, of course, Congress steps in.


Dobbs never stops to ask, “Why are foreigners so eager to earn U.S. dollars by exporting goods and services to Americans?” Nor does he ask why private investment in the United States has been so much higher over the past few centuries—continuing to this very day—than it is in Third World countries.

In a marvelous, if unintended, testament to the success of free-trade ideas, Dobbs nevertheless rejects the label “protectionist.” (This rejection is dishonest, for a protectionist is exactly what he is.) He describes himself as a “balanced trader.”

By “balanced trade,” Dobbs means trading relationships in which the United States runs neither a trade surplus nor a trade deficit with the rest of the world or even with any individual country. Even I, who wasn’t expecting much real analysis from Dobbs, was surprised that he is completely unaware of what “trade deficit” means and that there’s an inherent balance in trade accounts. Any trade deficit (more precisely, any current-account deficit) is exactly balanced by a capital-account surplus. That is, if the United States runs a \$500 billion current-account deficit this year, it runs a \$500 billion capital-account surplus—which means that foreigners are investing at least this amount in American assets.

Dobbs’s obsession with what he mistakenly identifies

as “balanced trade” is especially annoying because he declares that Adam Smith would agree with him. That is unlikely, given that Smith declared in *The Wealth of Nations*: “Nothing, however, can be more absurd than this whole doctrine of the balance of trade . . .”

Friends of free trade will find no arguments or data in this book to challenge their presumptions or theories. Opponents of free trade will find no arguments or data to support their presumptions or theories. All that anyone will find is ranting and raving, as uninformed as it is self-righteous and as hysterical as it is mistaken. 

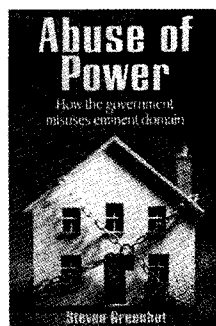
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Abuse of Power: How Government Misuses Eminent Domain

by Steven Greenhut

Seven Locks Press • 2004 • 276 pages • \$17.95 paperback

Reviewed by George C. Leef



The essential difference between a market economy and a socialist one is that in the former, individuals decide how to use the resources they own, while in the latter, government officials make the decisions. The market system is consistent with individual liberty and works well without the use of coercion. The socialist system is not consistent with individual liberty and works poorly because it necessitates the use of coercion.

America at one time was a market economy, but as the country has aged, we have slid toward socialism in many respects. Among the signs of this slide is the loss of freedom to control one’s own land. That’s the case with farmers, for example, who must abide by government regulations on the crops they may grow. It’s the case with urban landowners, who must abide by zoning regulations. And it’s also the case when land is taken from owners under what is called eminent domain. This is the theme of *Abuse of Power* by journalist Steven Greenhut, who has followed this subject for years. What Greenhut gives us is a thorough investigation of the

rampaging growth of this assault on private property, which frequently leaves the reader shaking his head in disbelief at the villainy of the process.

The original concept of eminent domain sanctioned in the Constitution is that government may take private property when it is necessary for a public use, and then only if just compensation is paid to the owner. Even that is a dangerous departure from libertarian principles; government should no more make anyone “an offer he can’t refuse” than should criminals. But so long as eminent domain was limited to property seizures only for true public uses—roads, for example—the damage was fairly small. The problem, Greenhut informs us, is that eminent domain is now routinely used to take land from people not for some public *use*, but instead to advance anything that might be called a public *purpose*. By going along with this, the courts (the U.S. Supreme Court is now the main culprit) have allowed an almost limitless expansion of eminent domain.

As Greenhut shows with many, many cases, eminent domain is now routinely used to transfer land from one party to another simply because politicians believe that it will be put to better use. “Better” here simply means “paying more in taxes.” An old house or a small business brings in a small tax take. Condemning the property and forcing its sale in order to hand it over to a big commercial enterprise that will generate far more tax revenue is regarded by many politicians as a *public purpose*. They have no qualms about slapping the label “blighted” on people’s homes or businesses so they can force them out.


Forced transfers to satisfy politicians and well-heeled developers are appalling enough, but the other side of the transaction is also terrible. The requirement of “just compensation,” Greenhut contends, is often ignored. “Almost always,” he writes, “the government tries to lowball the property owner, in many cases offering a fraction of the property’s value.” The unfortunate property owner usually loses. Even if he hires an attorney to contest the amount offered, the legal expenses involved generally mean a considerable net loss in wealth for him. (Of course, “compensation” in a forced sale can never be just; justice requires consent.)

Where is the judiciary in all this? Won’t judges step in to stop these seizures? Unfortunately, no, as Greenhut

demonstrates. Judges are often indifferent to the plight of individuals targeted for removal. Most seem to share the mindset of the politicians: that people who fight against eminent domain are greedy opponents of social progress.

Not even churches are safe from eminent domain. Actually, tax-exempt property is among the least desirable of all uses from the standpoint of tax-hungry politicians. Greenhut’s cases where churches have been eminent-domain victims will raise the reader’s ire further.

An instructive side lesson is that many of the politicians guilty of eminent-domain atrocities are “liberals” whose campaign rhetoric oozes with “compassion” for the supposedly downtrodden citizens. They don’t mind treading all over real people, however, if it will enable them to achieve the supreme objective of an expanded tax base, enabling them to spend more on their favorite projects and constituencies. Eminent domain is another piece of evidence for the Public Choice economists.

At the book’s end Greenhut offers helpful advice to people who find that they need to fight back. It can be done. Bravo to the author for showing how. 

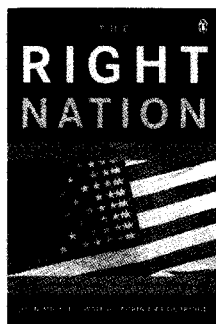
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The Right Nation: Conservative Power in America

by John Micklethwait and Adrian Wooldridge

Penguin Books • 2004/2005 • 450 pages • \$25.95 hardcover; \$16.00 paperback

Reviewed by William H. Peterson



As I read them, our British authors, the sharp and witty Washington-based editors of the weekly London-based *Economist*, are modern-day if imperfect Alexis de Tocquevilles, updating *Democracy in America* by some 165 years. Recall the shrewd Tocqueville’s prescience in seeing how America, then but 45 years old and supposedly constrained by the Constitution, could wax via democracy into Big Government and the vast welfare-warfare state we witness today.

This is the state on which our authors focus. They aren't much interested in either praising or condemning the conservative movement, but seek to explain its political success over the last several decades. They do that very well indeed. Micklethwait and Wooldridge thoroughly cover the whole spectrum of conservative politics, from the ground troops of the Republican Party to the brigades of analysts and policy wonks in the various rightist and free-market think tanks. (But sorry to say, FEE doesn't get a mention.)

Micklethwait and Wooldridge take Western Europe as a counterpoint, a sort of leftish benchmark, and note that America is conservative in a relative way—and in a bipartisan way. Even “liberal” Democrats here are “conservative” in comparison with European leftists, something that the authors attribute to the “effectiveness” of the conservative movement.

Where I take major exception with the authors is precisely that—American conservatism is “effective.” Effective, how? Maybe in slowing down the progress of government expansion a tiny bit. We aren't quite as bad off as, say, Sweden, but the main contours of America are not much different than they were when Nixon took office. And now we have a huge new federal entitlement in prescription drugs, courtesy of a “conservative” president.

Our authors note that America is the only developed nation without a full government-supported health-care system; that it is the only Western democracy that does not furnish child support to all families; that it is ready to be the only OECD nation (of 30—Australia seems about to give up being the only other holdout) to deny paid maternity leave. In this sense are we “the right nation,” one with “conservative power,” but I'm not inclined to see any remarkable conservative power in the fact that the United States hasn't bitten on some of the worst ideas meddlesome politicians have come up with.

When the authors talk about “conservative power in America,” I say this could well be the very power that Milton Friedman put down as “the tyranny of the status quo.” Few conservative politicians have the nerve to challenge the deeply ingrained collectivist notions that many Americans hold, ranging from “public education” to eminent domain. The great conservative movement has done precious little to shake people out of those

ideas, and it's becoming increasingly clear that many conservative leaders today don't even care to try. It reminds one that F. A. Hayek took pains to explain why he was not a conservative.

A particular blind spot for Micklethwait and Wooldridge is the phenomenon of rent-seeking. In their index, they give 12 citations to Milton Friedman and ten to Hayek, yet none to another Nobel economist, James Buchanan. Yet it was Buchanan who, with Gordon Tullock, came up with the idea of Public Choice, the explanation for why the modern democratic state inevitably gets caught up in the favor-granting business. Here special interests press our vote-and-campaign-money-hungry politicians for favors including subsidies and manifold tax-and-import protectionism.

Micklethwait and Wooldridge correctly charge the Bush White House with kowtowing to special interests, letting federal spending (defense and nondefense) skyrocket, federalizing airport security with tens of thousands of new government employees, slapping tariffs on imported steel, signing the biggest farm bill on record, and, by the way, casting not a single veto on a spending or any other bill. What they apparently fail to see is that the federal juggernaut is a systemic problem that conservatism has done nothing to solve.

Back in 1835, Tocqueville foresaw today's democratic state, where all too often “The will of man is not shattered, but softened, bent, and guided; men are seldom forced by it to act, but they are constantly restrained from acting; such a power does not destroy, but it prevents existence; it does not tyrannize, but it compresses, enervates, extinguishes, and stupefies a people, til each nation is reduced to nothing better than a flock of timid and industrious animals, of which the government is the shepherd.”

Dear *Freeman* reader, look out. Make way for more shepherded “progress.” Messrs. Micklethwaite and Wooldridge amuse and edify us on today's Politicized America, but do so in an ephemeral way. They silently endorse government interventionism as a given and conservatism as a means of protecting the status quo. Tis a pity.

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Who Hates Wal-Mart and Why?

BY RUSSELL ROBERTS

America remains a country where you can get fabulously rich rolling the dice on a business venture or lose all your money. We have the greatest venture-capital market in the world. Our culture honors success almost unashamedly, from athletes to entertainers to entrepreneurs.

At the same time, there is a tendency to tear down the most successful, suggesting an ambivalence about wealth and success. Class warfare doesn't sell like hotcakes, but it does sell.

Our two most successful companies of the last 20 years, Wal-Mart and Microsoft are often under cultural and legislative attack. Microsoft, like IBM before it, has been under legal attack for years. Now Wal-Mart is increasingly dealing with legal restraints on its ability to compete.

The Maryland legislature has just passed legislation requiring companies with more than 10,000 employees to pay at least 8 percent of their payroll costs for health care or be forced to pay the difference to the state. This affects only one company in the state—Wal-Mart. The Maryland Governor vetoed the bill. But cities and counties around the country have passed various forms of legislation to make it harder for Wal-Mart to enter their areas. Some areas have banned Wal-Mart.

On the surface this looks similar to the challenge facing Microsoft, the inevitable disdain and dislike for the super-successful and the inevitable and frightening use of the governmental process to drag down those who rise to the top.

Both companies face public-relations challenges stemming from their success. Bill Gates is one of the

wealthiest men in the world. Fairly or not, his company is perceived as having a dominance in the marketplace that Wal-Mart can only aspire to. Because of Microsoft's market share, any product failure or imperfection is perceived as a disdain for the customer and the result of corporate arrogance.

Bill Gates's foundation softens his image somewhat. But until Microsoft's market share slips due to a rise in the effectiveness of its competition, the resentment is likely to stick around.

But Wal-Mart's public-relations challenges and the consequent legal challenges it faces are very different. They are due to a different nexus of political and economic forces hidden by the way the media and the public perceive economic events.

When Sam Walton, the founder of Wal-Mart, was alive, his wealth made him a target for criticism, but his charm often disarmed the critics. Now, without an individual that the public associates with the company, Wal-Mart's enemies have only the

company to vilify. The dislike for Wal-Mart would then seem a bit mysterious. Yes, it's a successful company. Yes, it's very large. But what is the source of the public's suspicion of a company that brings low prices and quality products to its customers?

Unlike Microsoft, which has to defend its software's unwieldiness and its vulnerability to spam and viruses, few complain about Wal-Mart's quality or prices. So what's the problem? What's the source for the public support of the political and legal attacks on Wal-Mart?

But the prosperity created by low prices and the resources that are freed up to start new businesses aren't as obviously visible. Yet they are just as real.

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The allegations against Wal-Mart are cultural. It allegedly destroys small towns by wreaking havoc with small, independent mom-and-pop retailers on Main Street. It's allegedly a lousy employer that abuses its workers by paying too little and burdening communities with higher health-care costs.

It is these charges of social neglect and decay that Wal-Mart must answer. But who really feels strongly about these issues? As the millions of customers storm through the front doors in search of the cornucopia that it provides, how many of them feel guilt or shame for shopping there?

Very few, as far as I can tell. The happy customers do hear a steady drumbeat in the media about the cultural issues mentioned above. A TV reporter once told me that Wal-Mart's employees are like slaves. Yes, I agreed; it's a wonder they manage to walk to their cars at the end of the day carrying the ball and chain the company forces them to wear. But most of the complaints against Wal-Mart come from those who choose not to shop there, the intellectuals who romanticize small-town life while choosing to live in cities.

Even with all that negative coverage, I suspect the average American and certainly the average Wal-Mart customer feel pretty good about Wal-Mart. So what's the source of the political hostility and legislative agenda it faces?

Most of it comes from the competition. In Maryland, the recent health-care legislation was spearheaded by Giant Foods and various retail-employee unions, whose sphere shrinks steadily under Wal-Mart's expansion.

If you're Giant Foods or another retailer up against Wal-Mart, you have two ways to compete with its grocery business. One is to try harder. Improve your products. Lower your prices. Get better employees. Remodel your stores. Or you can turn to politicians to hamstring Wal-Mart.

The political solution is always appealing. Using the political process avoids a lot of messiness. After all, when you're trying to succeed in the marketplace, it's not enough to try harder. You might make the wrong choices. But going to the legislature is pretty foolproof. If you're Giant Foods, you can't go wrong getting the legislature to tax Wal-Mart.

Hamstrung by Union Contract

But there's another reason the political solution appeals to Giant Foods versus trying harder. Giant Foods' ability to try harder is handicapped by earlier attempts at trying harder. Recent stories on the Maryland health-care shakedown revealed that Giant's health-care costs are 20 percent of its payroll compared to 8 percent for Wal-Mart. Presumably, Giant and its union negotiated a pretty lucrative health-care deal for the employees. I don't know the length of the contract, but it sure makes it harder for Giant to compete with the nimbler, more-flexible Wal-Mart. No wonder the unions work hard at getting the media to cover how Wal-Mart mistreats its workers, ruins small-town America, and encourages urban sprawl.

Never mind that in a free society with millions of other choices, Wal-Mart seems pretty good at getting workers to apply for openings there. Singing the blues about Wal-Mart's alleged oppression of workers is key to the unions' effort to keep attention off their responsibility for Giant Foods and other groceries being unable to compete.

Why do the media go along? Maybe it's some sort of anti-corporate, pro-union, pro-underdog sentiment. But I have a simpler theory. It's the old story of the seen and the unseen. It's easy to find businesses that close because of Wal-Mart. But the prosperity created by low prices and the resources that are freed up to start new businesses aren't as obviously visible. Yet they are just as real.

Ironically perhaps, the source of Wal-Mart's problems gives me some comfort. True, Microsoft's legal troubles were also initiated by disgruntled competitors. But those competitors had a lot of allies in disgruntled users of Microsoft products. In the case of Wal-Mart, its satisfied customers are a potential bulwark against the political machinations of the competition.

The rest of the story is up to us, those of us who understand the destructiveness of using legislation as a crutch for competitive failure and the harm that such legislation does to a free society. If we can continue to explain the virtues of freedom of choice of where we shop and where we work, the effectiveness of the scare stories about Wal-Mart will wither away. Giant Foods and its allies in the legislatures of America will be seen as nothing more than welfare recipients taking money and choices from us.

