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**The End of Hierarchy?**

For millennia, our ancestors roamed the African steppe. Early humans were hunter-gatherers, anthropologists say. And as those ancestors succeeded at hunting and gathering, their numbers grew. But the world was no Garden of Eden for long. Life could be nasty, brutish, and short. As their numbers grew, these tribal bands eventually confronted life-threatening scarcities. To avoid Malthus's trap, early folk had to move about. Their migrations contributed to the world's great peopling.

As the early humans moved around, they collided. There was fierce competition for available resources. Peoples faced off in bloody conflict. Intertribal warfare meant the hunter-gatherer tribes had to become warrior clans. They had to learn to fight, but they also had to learn to organize themselves to fight together better. None of this is meant to suggest that early peoples did not trade peacefully across tribes. Many did. But those who were not traders were raiders.

Such a harsh state of affairs meant that to survive, your tribe had to develop better "social technology." We're not talking about Windows for Cavemen. Social technology is shorthand for *how people organize themselves*. The victors transmitted their stories of glory and successful warfare strategies into the future. Likewise, while strength, courage, and superior weaponry go a very long way, social technology could also make or break a clan society.

Agriculture and statecraft helped settle some of these fighter nomads. With settling came civilization. Still, much of history since has been a tale of warfare. After all, with civilization comes wealth and power.

In the simultaneous development of warfare and civilization, one social technology came to dominate: hierarchy. Atop this form of organization there was usually one person. He went by many names—chief, king, warlord—but to succeed, had to be capable of gaining the fear, respect, and loyalty of his people. In accepting this leader, the clan would have gained an advantage. By letting a skilled strategist command them as a force, they could operate as a single, fierce unit: a recipe for survival

and glory in an age of conquest. Of course, someone capable of such fierceness and cunning was also capable of suppressing dissent. Those who wished to survive were likely to accept his orders.

Great empires soon flourished amid the detritus left by war. The clan-king became a god-king. The administration of empire required more layers of hierarchy, which meant delegating power to satraps and governors. The emperor would issue commands to subordinates and those commands would be carried out by those on down the chains of command. Patronage became the norm. The order of man lording power over man took on religious dimensions. Values such as loyalty, honor, obedience, and patriotism firmed up the hierarchy, for without such values the structure could be weakened either by internal dissent or by better-organized enemies.

Hierarchy became more elaborate over time as each layer was added, and hierarchy persisted, apparently, as humanity's dominant social technology. Even the United States—that great beacon of freedom—now bears a striking resemblance to Rome.

But is hierarchy long for this world?

There is, no doubt, too much war today. There is also too much poverty. The good news, however, is the human race is entering an unprecedented age of peace, connection and prosperity. Since about 1800, we've been growing richer—not just the one percent, but everybody. It's all thanks to an ongoing process of decentralization in which humanity reaps the rewards of innovation, production, and trade. Even the poorest places on earth are far better off than they were just a few decades ago. In the last 30 years alone, the number of people living in abject poverty has been cut in half. Day by day, violent aggression over resources is rapidly being replaced by the structures of commercial competition and human cooperation—all of which are being accelerated by technology.

More and more of the world runs on adaptive, lateral relationships instead of command-and-control structures, on open systems rather than closed ones. Nested networks of human flourishing abound, and they are challenging the hierarchies around them.

In this more benevolent form of competition a fundamental truth remains, however: The fittest social technology will survive. Over time—as conquest culture has given way to commercial culture—we have come to see fewer warlords, kings, and emperors, and more bosses, executives, and CEOs. To some, this transition may not sound like such a big improvement. Competition is still fierce. Companies are still frequently cast as villainous exploiters, occasionally for good reason. But this shift from conquest to commerce has resulted in more people enjoying more good things than at any time in human history.

And in this transition, we have to ask, will CEOs and middle managers also go the way of the kings and lords? Outside of firms, community groups meet over potluck dinners planned online. Friends find each other in dive bars. Husbands and wives find their way home to one another, the bills get paid, and the kids get to school. Lovers find each other online in dating anarchy. And all of it happens without a director or a designer, like starlings in murmuration—a beautiful symphony with no conductor. More and more of the world operates in a place between order and chaos—unmanaged, yet orderly. More of the world is self-organizing.

We've written a lot about private cities, cities at sea, innovative nonhierarchical companies like Morning Star, and even the anarchic aspects of dating app Tinder. We've written about entrepreneurs identifying inefficiencies and taking risks that bring into being new ways of doing things—and more things to do. But decentralized, non-hierarchical, adaptive organization is appearing all over, even in organizations seeking to establish a caliphate (currently setting parts of the Middle East ablaze). But in a broader sense, all that's changed are the cultural values and institutions that channel opportunity-seeking behavior—toward creating value and away from pursuing power and glory.

That's why classical theorists of war, like Sun Tzu, remain relevant today. If even those seeking glory, power, domination, or the institution of some god's law here on earth pursue their ends in a decentralized fashion, the days of hierarchy could truly be numbered. **FEE**

# The Terror Business

## *Are Islamist organizations destructive firms?*

COLIN O'REILLY

For the Islamic State (IS), terrorism is a business. Just days before IS (previously ISIS, The Islamic State of Iraq and Syria) captured the Iraqi cities of Mosul and Tikrit, intelligence officials obtained flash drives from the hideout of the group's head military council. Yielding a great deal of information about the structure and management the Islamist group, these discoveries could change the way we think about foreign policy and economic development.

The leadership and organization of IS are the clearest and most recent examples of an extremist group engaging in *destructive entrepreneurship*. John Robb has described IS as “a freewheeling bazaar of violence.” The decentralized,

entrepreneurial characteristic of IS makes it, Robb says, “nearly impossible to get rid of. ([tinyurl.com/o2hj363](http://tinyurl.com/o2hj363))” The concept of destructive entrepreneurship, then, deserves to be taken as seriously as traditional productive entrepreneurship.

We have no reason to believe that the people of Iraq and Syria are any less entrepreneurial than the people of the U.S. or Poland. The difference is how entrepreneurial awareness and the willingness to take on risk will be used given the culture, the incentives, and the goals of the organization. In northern and eastern Syria, the weakened Assad regime left valuable oil fields unattended; the alert and aware head of IS, Abu Bakr al-Baghdadi, seized this

# Of Battlefields and Boardrooms

## *Are the Art of War and the art of enterprise two edges of the same sword?*

MATTHEW MCCAFFREY

Sun Tzu's *The Art of War* is justly known as one of the great works in strategic thinking. But although the text nominally concerns warfare, through the centuries it's often been used as a business handbook more than a military manual. Just like good economic writing, it brilliantly expresses complex ideas simply and concisely, and its dramatic prose makes for compelling lessons about conflict.

However, while analogies between the boardroom and the battlefield might seem appealing, they are erroneous. Economists like Mises have emphasized that market competition and military competition could not be less alike; one is productive and increases human welfare, while the other is destructive of human life and economy.

But *The Art of War* remains popular in business because it isn't really about armed conflict. It's about finding ways to advantageously avoid or resolve confrontation of any kind. It's this sort of idea that opens the door to insights about enterprise.

One of Sun Tzu's major attractions for the business world is his emphasis on entrepreneurial thinking. For him, strategic excellence is about creating opportunities and taking risks, the same abilities necessary for success in the market, where uncertainty constantly challenges the good judgment of would-be entrepreneurs.

Good decision-making also means one must be “formless,” so as to instantly take advantage of fleeting opportunities and adapt seamlessly to changing

“profit” opportunity. From Syria, IS engaged in the smuggling of millions of dollars’ worth of artifacts to help fund its operations, an act of both theft and of arbitrage.

Economist William Baumol explained that our understanding of entrepreneurship was one-sided. For years, those studying entrepreneurship analyzed how individuals take on risk and cope with unquantifiable uncertainty. Entrepreneurs were thought of as innovating through creative destruction and using their awareness to secure profit. These entrepreneurs are productive, contributing to the efficiency of the economy—that is, if they act within a framework of law and order. Destructive entrepreneurship occurs when entrepreneurial awareness and risk-taking are used to destroy resources, disrupt investment, and capture rent. Some of us are familiar with the political entrepreneurship of rent-seeking behavior, but few scholars have viewed terrorism through an entrepreneurial lens.

There is no doubt that the members of ISIS are engaging in risky activities, though at first most of us would not

consider the risks of fighting a jihad to be entrepreneurial. The risk of death if one chooses to join a terrorist organization is serious, but quantifiable; however, the uncertainty of destabilizing complex political and cultural systems is truly unknowable. Will IS’s attacks provoke the Kurds, cause the U.S. to reenter Iraq, prompt Iran to intervene, or trigger a series of events we can’t currently imagine?

Calling IS’s behavior “entrepreneurial” might not be convincing on its face. But consider how IS behaves like a firm in much more concrete ways.

Headed by Abu Bakr al-Baghdadi, who holds a Ph.D. from the Islamic University in Baghdad, IS is run like a firm. Similar to traditional firms, IS issues what *The Economist* refers to as a corporate report, a document detailing its attacks throughout the past year. Within IS, “group leaders had been meticulously chosen” and the management even keeps a detailed accounting of their war effort; “They had itemized everything,” according to *The Guardian*’s source. IS also provides services that

(market) conditions. The classical strategists realized that competitive success depends on one’s ability to control and manipulate the internal and external conditions of conflict. This means knowing one’s own abilities and weaknesses as well as those of the competition, as summed up in *The Art of War*’s most famous aphorism: “One who knows the enemy and knows himself will not be endangered in a hundred engagements.”

The qualities that these classical strategists recommend in great generals are actually the traits of successful market entrepreneurs. For example, entrepreneurs are decisive and willing to bear the uncertainty of the market—unafraid of committing resources to projects that might fail. And they must be willing to endure hardship on the road to success, while never taking success for granted by becoming complacent or arrogant—traits that consumers often punish severely.

Comparing strategic and economic ideas raises an important question, though: If the analogies to the business world are so obvious, and the ancient texts really do have something in common with economic thinking, why didn’t the classical strategists realize their ideas were applicable to peaceful exchange? A simple response is that

the market economy as we know it didn’t exist in ancient China (specifically, during the Spring and Autumn and Warring States periods). A more complete answer is that it *couldn’t have existed*. That is, ancient China lacked much of the institutional framework necessary for entrepreneurship and commerce to flourish: strong property rights, individualism, and the social acknowledgment of the importance of profit.

As William Baumol argues ([tinyurl.com/p3d4yws](http://tinyurl.com/p3d4yws)), a society’s institutions influence the course its entrepreneurial energy takes. Many of the great minds of the Renaissance—for instance, the inventors and innovators perfectly suited to improving welfare through the market—were military entrepreneurs in service to competing city-states. Political institutions offered patronage and the possibility of advancement, while opportunities to commercialize ideas were scarce, if not actively frowned upon. That is to say, the ancient Chinese states, along with countless others throughout history, lacked the “bourgeois virtues” that Deirdre McClosky argues provided the foundation for the industrial revolution.

This then is one explanation for the military turn of *The Art of War* and the other Chinese strategic classics.



the Iraqi government struggled to provide effectively: It directs traffic, fights crime, and issues receipts for taxes collected.

Many who understand how markets and incentives promote prosperity through bottom-up entrepreneurship fail to apply the same logic of incentives and decentralized actors to foreign affairs. Destructive entrepreneurship is a decentralized process of searching for opportunities—which is exactly how IS formed. As an intelligence official speaking to *The Guardian* put it, “There was no state actor at all behind them, which we had long known. They don’t need one.”

After a decade of attempting to develop Iraq and Afghanistan while fighting decentralized insurgents, foreign policy remains too focused on addressing such threats through a top-down approach, dealing with heads of State like Nuri al-Maliki, Vladimir Putin, and Bashar Assad, and

not focused enough on how the decentralized process of destructive entrepreneurship unfolds. Development policy is conducted from the top down too, funneling foreign aid through corrupt bureaucracies—or, worse, “stationary bandits”—rather than directly targeting people in need of humanitarian assistance. Cultural, political, and economic institutions emerge and develop together, and just as productive entrepreneurship propels this process forward, destructive entrepreneurship rolls this process back.

Human beings are creative, aware, and entrepreneurial. Just as understanding this concept leads to more humble and effective domestic public policy, this understanding will lead to more humble and effective foreign policy. **FEE**

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Having little explicit acknowledgment of the virtues of commerce, analysis of market competition presumably offered slight appeal. Without the institutional and cultural basis for market entrepreneurship, classical thought turned to analyzing destructive forms of competition that offered better “profit” opportunities—specifically, the chance to wield influence within the State bureaucracy. Spreading ideas usually meant finding a place in court and becoming a trusted advisor to the powerful. This much the classical strategists had in common with Renaissance intellectuals like Machiavelli—who, perhaps not coincidentally, also wrote a book titled *The Art of War*.

The lesson is that all societies face the problem of developing and keeping the institutions that allow

enterprise to thrive—those institutions that direct the best of human creative energy to improving the lives of

others, not to the service of the military State. Ideology plays a vital role in this social process and paves the way for peace and commercial prosperity. Instead of being guides to violent competition, texts like *The Art of War* can help us develop a strategy for the battle of ideas. Ideas ultimately shape both society and our roles in it, so it falls to us to embrace

and spread those that lead us away from the destruction of war making and toward the “creative destruction” of enterprise. **FEE**

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# Red Scare

## *An interview with Naomi Brockwell*

*Naomi Brockwell, also known as Bitcoin Girl, is an actor, producer, journalist, and program officer at the Moving Picture Institute (MPI). She's one among a number of rising personalities in the liberty community who are breaking the mold and setting a new tone. Brockwell is also an opera singer, a Reason.TV correspondent, a policy associate at the NYC Bitcoin Center, and on the advisory council for the Mannkal Foundation for economic education.*

*We don't have the space to list her talents and accomplishments. But we can say she is FEE seminar faculty and spoke at Freedom Fest this year for the second year in a row. We got to sit down with Brockwell for a brief spell among her thousand projects.*

**The Freeman:** Why does changing the world require artists?

**Brockwell:** If you want to change the world you have to change the underlying philosophy of a culture. You can try to educate people with facts and figures, but unless you understand how to connect to people, and unless you can reach out and speak to what's important to them, all the data in the world won't do you any good. People connect through storytelling. The emotionally compelling story of one individual can be more important for social change than all of the white papers stacked on top of each other. People don't relate to facts, they relate to individuals and their stories, and it's the role of the artist to tell these stories.

Artists throughout history have not only reflected what's important in a culture, but they have helped define it. Art changes the way people think, so if you want to change the world, then help artists redefine popular culture. Help artists expose people to new ideas, help them captivate the world with the issues that you believe are important. The fact is, films and stories will reach far more people than a white paper ever could, and this is why artists are so important. They have this immense power at their fingertips, and we need them to help us fight for positive change.

**The Freeman:** Who is Bitcoin Girl and what does she care about?

**Brockwell:** Bitcoin Girl is an educational platform that explores the cryptocurrency world and provides

an alternative to the current trend in journalism of only printing doom-and-gloom as a way of getting a larger audience. There is massive demonization of cryptocurrency in the media, and it's no wonder when you consider the vested interests that banks and governments have in destroying cryptocurrency. As a result, the only positive arguments that are honest about the benefits of cryptocurrency tend to be hidden away in esoteric subreddit threads, and are largely inaccessible to the average, unacquainted person. For this reason, the vast majority of people lap up what the mainstream media tells them, which is mainly negative and poorly informed.

Instead of being skeptical about this new protocol, people should be overwhelmingly excited about it and all of its possibilities we haven't even begun to unlock. Bitcoin technology has the power to bring about incredible social change. It can lift people out of poverty. It can give people back freedom of speech. It can bring community together in a new peer-to-peer world—the full potential of which we've only seen a glimpse.

That is what Bitcoin Girl is: a more accessible way for people to learn about bitcoin, so that they are not forced to depend on a biased media for their information. It shows bitcoin in a refreshing way: as an exciting, powerful tool with the potential to create incredible positive change.

**The Freeman:** Self-awareness is vital to what you're doing. What does it mean to cultivate one's own brand?

**Brockwell:** I think the energy behind bitcoin is incredibly uplifting. I adore going to bitcoin conferences,

because the atmosphere is one of creation and positivity. It is fun and inspiring: You're surrounded by some of the smartest people in the world, and as Jeffrey Tucker astutely observes, they are all living 10 to 20 years in the future. And it's like they're in a giant playground. I hope that the Bitcoin Girl brand can harness the same sense of fun and lightheartedness. The one idea that I really want to reflect in this brand is that technology is not to be feared: It is value-neutral. It's really important that people don't let fear of the unknown paralyze their willingness to explore something that has tremendous potential to benefit all mankind.

**The Freeman:** What would you say to rising personalities about the importance of projecting yourself in interesting ways?

**Brockwell:** Of course it's always good to stand out, but I don't believe that people will connect with what you're saying simply because you stand out. Authenticity is supremely important, and you have to be completely passionate about what you are saying. That's what will make you interesting. It's not so much the image that you're projecting that is important, but the principles you live by and the extent to which you are willing to fight for a cause that you believe in. If you want to be a respected personality, or just a respected person, then command respect.

**The Freeman:** In terms of movement-building, what do you think about the idea of tapping into different subcultures—like bitcoiners?

**Brockwell:** Bitcoiners value technological innovation, and they recognize innovation as the way of solving the world's problems. They are also skeptical of the government's role in this process, and see government interference in their developments and experimental startups as a hindrance rather than a help. They are also skeptical of the need for centralized banks, and are increasingly seeing the value in decentralized, peer-to-peer exchanges where the regulation is built into the technology rather than given to a third party. I think there are a lot of people in the freedom movement who would be really sympathetic to what these bitcoiners are doing if they

only understood it better, and I hope to provide a bridge between these two groups.

**The Freeman:** Are you an optimist or a pessimist?

**Brockwell:** I'm an incredible optimist. I like the idea of technological determinism, that society organizes itself around its technology, that technology drives social structure and cultural values. If this is the case, then what we seem to be headed toward is a more peer-to-peer society. This is because of all of the peer-to-peer technologies that exist now as part of the Internet: 3-D printers, bitcoin, provably solvent transparencies in companies and banks, digital music sharing, digital movie distribution. This move away from top-down, centralized





control and back to the individuals makes me very excited about the future.

**The Freeman:** In this editor's opinion, most video that freedom-types put out is mediocre at best. There is a dearth of talent. Resources flow mostly to think tanks and established practices. Production values suffer. In many ways this is a chicken-egg problem, because funders don't want to divert resources from familiar things until they see some evidence of good media. And yet we won't see great media until we see more resources put into it. What are your thoughts on this dilemma?

**Brockwell:** I agree with half of what you say. There is certainly a lack of funding directed toward freedom-oriented films, and I believe that this is because people underestimate the importance of film in shaping our culture. Think tanks do a tremendous amount of good, but when we see think tanks, economists, and research analysts teaming up with filmmakers, that's when you really start to see magic happen: reaching out to more people and moving public opinion. Take the Moving Picture Institute's film *The Cartel*, for example: Chris Christie cited this incredible film by director Bob Bowden as being the number one reason why he decided to make education reform his top priority in New Jersey. Or another of the MPI's films, *Battle For Brooklyn*, an immensely powerful documentary about eminent domain, which was short-listed for an Oscar. Even Hollywood has been producing some great films for the freedom movement lately: *Dallas Buyers Club* and *The Lego Movie* are two of my favorites. There are certainly very *high quality* films being put out there, and this makes it even more necessary to support organizations like the Moving Picture Institute so they can continue to support filmmakers and get

THE FACT IS, films and stories will reach far more people than a white paper ever could, and this is why artists are so important. They have this immense power at their fingertips.

the important messages of those films out there to even more people.

**The Freeman:** How did a young woman from Western Australia end up as a Reason.TV correspondent?

**Brockwell:** When you're a freedom evangelist, passionate about journalism, with a degree in acting, and a long history of film production, it doesn't take long before you discover and fall in love with institutions such as Reason. I'm honored to be a part of what they're doing, and thrilled that they enjoy working with me, because Reason is just

fantastic. In fact, working with Reason.TV on top of working full time for the Moving Picture Institute, and at the same time making feature films with Hilton Media Management, is pretty much a dream for me. I'm super excited that my first feature film with amazing director Georgia Hilton is coming out this year! It's been a joy from start to finish working with her and the entire team, so

keep an eye out for *Subconscious*, which will be released all over the world soon!

**The Freeman:** Who is your favorite economist—living or dead?

**Brockwell:** My favorite economist who is no longer living would be Murray Rothbard, who first ignited my passion for economics and monetary policy. My favorite living economist would be Gene Epstein, who first introduced me to the ideas of Murray Rothbard!

Of course I adore Say, Bastiat, and Mises, too, and am always recommending their works to people. And as a communicator, Friedman did incredible work for the freedom movement, and I believe that a lot of people could learn a tremendous deal from him about how to debate ideas.

**The Freeman:** Thank you, Naomi Brockwell. **FEE**

# Reefer Madness 2014

*A WaPo columnist uses curious logic in defense of the drug war*

DANIEL BIER

**T**he *Washington Post*'s Ruth Marcus has written an interesting column on pot legalization ([tinyurl.com/oftsvg3](http://tinyurl.com/oftsvg3)). Marcus purports to debunk the “myths of smoking pot,” implying support for the war on drugs.

The argument fails spectacularly, but it's worth dissecting.

First, Marcus never actually debunks any myths about pot, of which there are many. She creates a straw-man argument for legalization that rests on the idea that “pot is totally harmless.” Then she links to studies on the DEA's

website that easily refute that claim. Down goes the straw man. Of course, no one claims pot is totally harmless.

But she spends a lot of her column quoting Nora Volkow, head of the National Institute on Drug Abuse, who is “anxiously watching” our “risky social experiment” with legalization. Never fear, Marcus writes, Volkow's “passionate determination ... melded with a scientist's evidentiary rigor” will set us straight:

For those who argue that marijuana is no more dangerous than tobacco and alcohol, Volkow has two main answers: *We don't entirely know*, and, simultaneously, *that is precisely the point*.

“Look at the evidence,” Volkow said in an interview on the National Institutes of Health campus, pointing to the harms already inflicted by tobacco and alcohol. “It's not subtle—it's huge. Legal drugs are the main problem that we have in our country as it relates to morbidity and mortality.... And it's not because they are more dangerous or addictive. Not at all—they are less dangerous. It's because they are legal.... The legalization process generates a much greater exposure of people and hence of negative consequences that will emerge. And that's why I always say, ‘Can we as a country afford to have a third legal drug? Can we?’”

The first assumption is that decades of prohibition policies have been successful at significantly reducing access to marijuana. There is no evidence of this. According to government surveys, over 110 million Americans admit to having used marijuana. Over 30 million have used it in the last year, and over 18 million in the last month. In one recent study of high school students, about 40 percent admit trying pot, and 20–25 percent report regular use.



FedeCandomiPhoto/Shutterstock.com

Second, Volkow's grasp of the economics involved here is tenuous at best. Yes, other things equal, if cannabis becomes cheaper, quantity demanded will increase. But this doesn't necessarily imply either that pot use will become a lot more prevalent or that total drug use (including tobacco and alcohol use) will go up.

How can this be? Because while drug users might consume more drugs, nonusers will not necessarily become users. I don't participate in the plutonium market, so if prices halve, my consumption of the radioactive element will still be zero. Culture, preferences, and opportunity costs all matter. While international comparisons can be problematic, it is interesting to note that the Netherlands' de facto legalization of cannabis has seen stable or declining rates of use for decades.

Moreover, pot and alcohol might be *substitutes* for each other: Making pot illegal might simply be driving people to drink. Under legalization, we could see pot consumption replace, rather than add to, alcohol consumption. It's not a simple matter of multiplying marijuana use under legalization and then adding the extra social costs. We live in a dynamic world, and Volkow's triumphant rhetorical question ("Can we as a country afford to have a third legal drug?") is facile, simplistic, and unscientific.

Returning to Marcus's statement that "we don't know ... and that is precisely the point," it is ludicrous that anyone who claims to be a scientist would try to attack experimentation and reverse the burden of proof like this.

Nixon declared a war on drugs in 1971, and apparently we still don't know if our drug laws make sense. Yet, according to Volkow, it's not *in spite* of this fact but rather *because* of it that we can't "risk" changing said drug laws. And we're not even allowed to run the experiment to find out. Sorry: In both science and the law, the burden of proof is on those making the affirmative claim. And after

four decades of "risky social experimentation" with drug prohibition, I think it's fair to say the null hypothesis has not been rejected.

*Every year* 1.5 million people are arrested for drug violations—three times more than for all violent crimes put together, and over 42 percent of drug arrests are for simple possession of marijuana. Meanwhile, cops are arming themselves like soldiers, gangs and cartels are thriving on black-market profits, and violence in Central America is creating a refugee crisis.

*Everything* is risky. Why is it that drug warriors insist there must be no costs at all to legalization, while refusing to recognize the clear and continuing costs of the alternative? Why is it that prohibitionists demand absolute proof that legalization would not be harmful, yet violently oppose every policy experiment that could

**EVERYTHING IS risky. Why is it that drug warriors insist there must be no costs at all to legalization, while refusing to recognize the clear and continuing costs of the alternative?**

provide it? Why do they assume that individuals are unable to weigh the costs and benefits of drug use themselves? Why do they assume that a quota of *zero*—rather than regulation, Pigouvian taxes, or Coasean bargaining—is the best way to reduce negative externalities?

Moreover, why do drug warriors give no weight to the rights of minorities not to be targeted, the rights of foreigners not to be terrorized, the rights of drug users to know what they're taking, and the rights of Americans to make their own choices? They certainly appear nowhere in Marcus's or Volkow's anxious hemming and hawing. These questions really matter to human well-being. Recognizing the costs of prohibition to justice, safety, knowledge, and freedom is not unscientific. Ignoring them—and single-mindedly focusing on pot's potential side effects—is. **FEE**

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# Walking the Red-Light District

## *How Germany fought human trafficking by empowering sex workers*

CATHY REISENWITZ



BerlinPictures/Shutterstock.com

**O**n the last day of my recent trip to Germany, I'd wanted to check out Deutschland's brothels. The focus of my writing on sex work has been U.S.-centric thus far. So I wanted to speak to someone participating in sex work in a country where it's legal. I was running out of time and euros, but it just so happened that the quickest route to my hotel after drinks with locals included an area known for its ladies of the night.

As we walked down a hookah-bar-lined street, the sex workers looked more empowered than any I've seen stateside. Tall and healthy-looking, with thick hair and thin waists, beautiful corsets shaping hourglasses, they certainly didn't look oppressed—except perhaps by four-inch platform Lucite heels. (Those oppress any wearer.)

On our walk I learned that Germany's decision to legalize prostitution not only helped sex workers, but actually decreased the number of human trafficking victims in the country. But on our stroll, one of my companions told me that German feminists are trying to recriminalize sex work.

This is a mistake, she argued. Legalization has improved sex workers' lives.

Turns out, she was right. According to the data, violence against sex workers is down, while sex workers' quality of life is up. And after testing began, post-legalization, researchers discovered no difference in sexually transmitted infection rates between sex workers and the general population.

Opponents claim legalizing prostitution has actually increased human trafficking in the country. But the data don't support that claim. In fact, they show the opposite. From 2001, the year the law legalizing sex work in Germany was passed, to 2011, cases of sex-based human trafficking shrank by 10 percent.

It's true is that most German sex workers (74 percent) are foreign-born. However, Germany generally has a high immigration rate. Only 81 percent of people living in Germany were born there. Right about when Germany legalized sex work, Eastern European countries joined the European Union, economic crises hit post-communist



countries, and globalization increased immigration flows. But these migrant workers are hardly child sex slaves. The mean age of a sex worker in Germany is 31.

Besides not being supported by data, the claim that legalizing prostitution increased human trafficking also defies common-sense economics. Legalization has brought about reduced prices for sex acts people demand. Sure, one might still pay a lot for high-quality service. And as I learned on this trip, nothing is cheap in Germany. But the days of paying more than 15 euros for sex from someone who clearly doesn't want to be there are over. *Time* spoke to one tourist who described the country as “the Aldi for prostitutes.”

Whether you think such sexual transactions are a good thing or a bad thing, the fact remains that criminalization makes things more expensive. And price drives pimps to find new ways to satisfy demand. Prices matter for trafficking because it costs a lot to kidnap someone and hold her against her will. The economic realities of legalization have brought about a situation in which it makes no sense for traffickers to keep their human chattel in Germany, where prices are lower. While it's true that traffickers bring their victims through the country as a corridor, they normally keep going until they get to one of the countries where prostitution is still illegal, like France, where prices are higher.

In Germany, the sex workers are workers, not slaves. For a country that has always taken workers' rights seriously (certainly more so than civil liberties), sex work is no exception. Workers there are represented by a union and are afforded full police protection when something goes wrong.

The importance of this benefit of legalization simply cannot be overstated. Violence is far more likely when violators know they won't likely be reported.

And then there's police abuse of sex workers worldwide: In Ireland, where prostitution is still criminalized, one study estimates that 30 percent of the abuse sex workers report comes from police. And “in South Africa,” writes Fordham human rights professor Chi Mgbako, “police officers often fine sex workers inordinate sums of money and pocket the cash, resulting in a pattern of economic extortion of sex workers by state agents.” Mgbako adds: “South African sex workers report that police confiscate

condoms to use as evidence of prostitution; demand sexual favors in exchange for release from jail or to avoid arrest; physically assault and rape sex workers; actively encourage or passively condone inmate sexual abuse of transgender female sex workers assigned to male prison cells; and use municipal laws to harass and arrest sex workers even when they're engaged in activities unrelated to prostitution.” Of course, prostitutes are abused in the United States as well.

Some German feminists want to criminalize demand instead of supply, which makes sense on the surface. Why lock up the women, but not the men? The Swedish did exactly that, using a new twist on an old idea, fighting trafficking by criminalizing prostitution. They passed laws that prevented sex workers from working together, recommending each other's customers, advertising or working from property they rent or own, or even cohabitating with a partner.

The result was sex workers enduring harassment instead of help from police, like being forced to undergo invasive searches. Sex workers in Sweden were made to testify against their customers and ended up relying more on their pimps to find clients.

And the result was no change in the number of sex workers or customers.

The truth is that laws against sex work actually help human traffickers. This is why the UN Human Rights Council published a report from the Global Alliance Against Traffic in Women that criticizes anti-trafficking measures that restrict sex workers.

According to the report, “Sex workers are negatively impacted by anti-trafficking measures.” Specifically, “The criminalisation of clients has not reduced trafficking or sex work, but has increased sex workers' vulnerability to violence, harmed HIV responses, and infringed on sex workers' rights.”

Furthermore, “Anti-trafficking discussions on demand have historically been stymied by anti-prostitution efforts to eradicate the sex work sector by criminalising clients, despite protests from sex workers' rights groups and growing evidence that such approaches do not work.”

Sure enough, my very brief encounter with German sex workers seems to bolster that view. **FEE**

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# The Economics of Marriage and Divorce

## *Those who get hitched are more likely to get rich*

WENDY MCELROY

**A**mong its many advantages, marriage is a potent antipoverty strategy.

Perhaps the most cited study on the economics of divorce is Jay Zagorsky's 2005 "Marriage and Divorce's Impact on Wealth." Zagorsky used data that tracked Americans in their 20s, 30s, and early 40s, and found that "single respondents slowly increase their net worth. Married respondents experience per person net worth increases of 77 percent over single respondents."

Married couples' "wealth increases on average 16 percent for each year of marriage. Divorced respondents' wealth starts falling four years before divorce and they experience an average wealth drop of 77 percent." In terms of percentage, women were more likely than men to be harmed by divorce, but the absolute difference between the two was "relatively small." More recent research supports Zagorsky's basic insights.

Two factors contribute heavily to the financial decline surrounding divorce: losing the inherent wealth-creation aspects of marriage, and State-imposed costs such as alimony and "the divorce industry." The divorce industry consists of the laws and state agencies that regulate the terms of a divorce, as well as the professionals, such as lawyers and social workers, who make it function.

### **Why are married people richer?**

A February headline in *Today* ([tinyurl.com/plnfs5l](http://tinyurl.com/plnfs5l)) read, "Why married people tend to be wealthier: It's complicated." A more nuanced answer arises from

examining "who is getting married these days." Bradford Wilcox, director of the National Marriage Project at the University of Virginia, argued, "It's more educated, more affluent and also more religious Americans that tend to get married in the first place. That gives them a starting advantage over their peers who aren't married."

The causality behind the creation of marital wealth may be complicated, but three economic factors seem constant over time.

First, those who commit to a lifetime together tend to save and to invest more than singles or couples who cohabit.

They may save in order to raise children, to buy a house together, or to have a comfortable retirement. Also, data indicate that married couples receive more money from their families, who are more likely to approve of the relationship.

Second, married couples share the expense of many essentials such as a residence, insurance policies, a car, food, and utilities. This sharing is particularly cost-effective when the costs are fixed ones; for example, a car driven by two people costs no more and saves the need for two cars. Economists call this an "economy of scale," or a cost advantage that results from the size, output, or scale of operation.

Third, most marriages promote a division of labor through which each party assumes the role he or she does best or which is most productive for the family unit. Even if one party stays at home with no income, the resulting division of labor makes the breadwinner more productive. He or she can concentrate on a career without the distractions of everyday life, such as cooking.

MUCH OF THE expense of divorce has been artificially imposed by State regulation, which has increased dramatically over the past several decades.

By contrast, couples who cohabit generally save less and keep their money separate because many are not fully committed to each other. And single people, especially single parents, can attest to how difficult it is to maintain a household while holding the sort of demanding job that is remunerative.

### **Marry in haste, regret in poverty**

Divorce can devastate finances. Some reasons are inherent in the process itself. The division of labor disappears and careers become more difficult. The economy of scale is abandoned, with both parties paying separately for necessities, which can make expenses double. Meanwhile, some assets often lose value because they cannot be split in two as easily as a savings account. A house, a car, or a boat may have to be sold and converted into divisible cash. Since it is difficult to schedule market

conditions around a divorce, the asset may need to be sold quickly and below its optimal value.

Much of the expense of divorce, however, has been artificially imposed by State regulation, which has increased dramatically over the past several decades. The documentary *Divorce Corp.* clocks the cost of the divorce industry at \$50 billion a year, flowing from the pockets of divorcing couples and taxpayers who support the state agencies involved. In the *Minnesota Star Tribune*, reviewer Gail Rosenblum commented, “Although only a small percentage of divorces go to trial, few couples escape getting scorched by... an adversarial legal system, where the money monster sucks any potential goodwill from once loving couples. With divorce lawyers admitting on camera to charging up to \$950 an hour, what’s their hurry to get to a resolution? The pain only intensifies when children are involved.”



Not long ago, marriage and divorce in America was much more of a private matter. In *The New York Times*, historian Stephanie Coontz wrote, “In the mid-20th century, governments [the federal and state ones in America] began to get out of the business of deciding which couples were ‘fit’ to marry. Courts invalidated laws against interracial marriage, struck down other barriers and even extended marriage rights to prisoners.” What changed?

Coontz identified one turning point: “Governments began relying on marriage licenses for a new purpose: as a way of distributing resources to dependents. The Social Security Act provided survivors’ benefits with proof of marriage. Employers used marital status to determine whether they would provide health insurance or pension benefits to employees’ dependents. Courts and hospitals required a marriage license before granting couples the privilege of inheriting from each other or receiving medical information.”

In short, marriage licenses became linked both to government entitlements and to private arrangements such as inheritance.

Another turning point was no-fault divorce, which was first introduced in California in 1969 and has spread to almost every state. In no-fault divorce, a spouse does not need to prove wrongdoing but can merely claim incompatibility. It is sometimes called unilateral divorce because one party can request it; the other cannot refuse. Moreover, marital conduct cannot be used as a factor in determining the division of property. The arrangement is set by law, not by the parties involved.

According to fathers’ rights advocate Stephen Baskerville, 80 percent of divorces in the United States are

unilateral, and the rate of divorce has soared in the wake of no-fault. Baskerville wrote,

You can be forcibly separated from your children, your home, and your property, also through literally “no fault” of your own. Failure to cooperate with the divorce opens the innocent spouse to criminal penalties. No-fault divorce made divorce far more destructive by allowing the state to undertake court proceedings against innocent people, confiscate everything they have, and incarcerate them without trial.

**AN AGREEMENT  
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people.**

An agreement that can be unilaterally broken without consequences is not a contract. No-fault divorce removed all vestige of marriage as a contract between two people.

### Conclusion

The simple and proper solution is to return to marriage as a civil contract.

It does not need to be a complicated agreement. It could and probably would evolve in the same manner as wills have—that is, a variety of standard ones can be purchased inexpensively in bookstores or online. Close down the family court systems that regulate divorce and that provide lawyers with inflated incomes. Allow the breach of a marriage to be arbitrated in a manner spelled out in the contract itself.

Divorce would retain wealth-reducing aspects, of course. Some are inherent to the process. Zargosky offers the best solution: “If you really want to increase your wealth, get married and stay married.” **FEE**

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## lessons in diving and thirst

*Stella Vinitchi Radulescu*

inspiration is nothing compared to the long  
road : revelation each mouth speaking  
another language  
give me more time more space  
the glamour  
of the day:  
I'll be there light as a feather we  
the only birds buried  
in flight

~

who is the ghost whose steps are a guitar  
playing  
remember the place the crowd the spring a body  
looking for you o, the story  
never unfolded  
music still hurts I am so loud calling your name  
it happened to be sunday—  
sunday like an old song  
dying

~

the slaughter house still exists : on the hill  
a hawk like a thought  
of dull eternity—  
slavery of light I am meant  
to survive  
the shock of one tooth against another grinding  
words  
could you come closer  
closer  
to this spot  
of bloody encounter

~

you said bring me a drop of water  
in your palm  
the thirst the thirsting of the earth  
the red umbrella on the beach  
splashed  
in images of sounds a tiny  
swallow just flew  
over my head I am happy  
and don't know what happiness  
means—  
children as ever  
nothing changes in the changing  
of clouds  
I brought you the sea  
you wouldn't drink it but drowned

~

what took so long to open this window  
and look outside  
diving  
the sea under your feet  
houses torn down the past the king the rat such  
feelings—  
like a vulture like a child they flew out of sight  
the well crafted things  
of the world—  
blackbirds are another story they stay late  
and sing  
softness from forgotten souls have you  
seen on the kitchen table the knife  
and then the rain  
washing away my wings & my hair

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*Stella Vinitchi Radulescu writes poetry in three languages and has published numerous collections of poetry in the United States, France, and Romania. Her book I Scrape the Window of Nothingness: New & Selected Poems is forthcoming from Orison Books in 2015.*

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# Unicorn Governance

*Ever argued public policy with people whose State is in fantasyland?*

MICHAEL MUNGER

Our problem is that we have to fight unicorns. Unicorns, of course, are fabulous horse-like creatures with a large spiraling horn on their forehead. They eat rainbows, but can go without eating for years if necessary. They can carry enormous amounts of cargo without tiring. And their flatulence smells like pure, fresh strawberries, which makes riding behind them in a wagon a pleasure.

For all these reasons, unicorns are essentially the ideal pack animal, the key to improving human society and sharing prosperity.

Now, you want to object that there is a flaw in the above argument, because unicorns do not “actually” exist. This would clearly be a fatal flaw for the claim that unicorns are useful, if it were true. Is it?

Of course not. The existence of unicorns is easily proven. Close your eyes. Now envision a unicorn. The one I see is white, with an orange-colored horn. The unicorn is

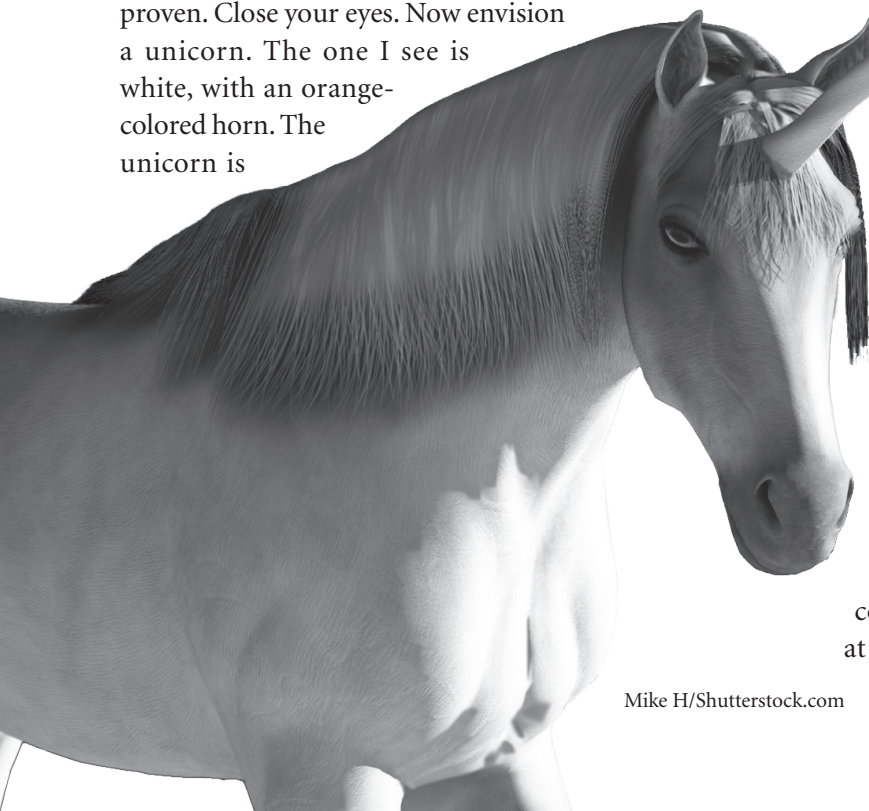
surrounded by rainbows. Your vision may look slightly different, but there is no question that when I say “unicorn” the picture in your mind corresponds fairly closely to the picture in my mind. So, *unicorns do exist* and we have a shared conception of what they are.

## **Problem: “the State” is a unicorn**

When I am discussing the State with my colleagues at Duke, it’s not long before I realize that, for them, almost without exception, the State is a unicorn. I come from the Public Choice tradition, which tends to emphasize consequentialist arguments more than natural rights, and so the distinction is particularly important for me. My friends generally dislike politicians, find democracy messy and distasteful, and object to the brutality and coercive excesses of foreign wars, the war on drugs, and the spying of the NSA.

But their solution is, without exception, to expand the power of “the State.” That seems literally insane to me—a non sequitur of such monstrous proportions that I had trouble taking it seriously.

Then I realized that they want a kind of unicorn, a State that has the properties, motivations, knowledge, and abilities that they can imagine for it. When I finally realized that we were talking past each other, I felt kind of dumb. Because essentially this very realization—that people who favor expansion of government imagine a State different from the one possible in the physical world—has been a core part of the argument made by classical liberals for at least 300 years.





Some examples help illustrate the point.

Edmund Burke highlights the unicorn fallacy neatly. The problem is bad people, or improper systems. Come the next election, we'll have a messiah! The next reform will lead to Utopia! No. No, we won't, and it won't.

In vain you tell me that [government] is good, but that I fall out only with the Abuse. The Thing! The Thing itself is the abuse! Observe, my Lord, I pray you, that grand Error upon which all artificial legislative Power is founded. It was observed, that Men had ungovernable Passions, which made it necessary to guard against the Violence they might offer to each other. They appointed Governors over them for this Reason; but a worse and more perplexing Difficulty arises, how to be defended against the Governors?

Adam Smith put it this way in *The Wealth of Nations*:

It is the system of government, the situation in which [people] are placed, that I mean to censure, not the character of those who have acted in it. They acted as their situation naturally directed, and they who have clamoured the loudest against them would probably not have acted better themselves.

Smith was talking about the employees of the East India Company in this passage. But the insight is a general one: The failure of a system of organization often arises from the incentives, the logic of action, or

the inconsistencies inherent *in that system*. The people who work in that system probably act in much the same way that other people would act if they found themselves in that system. So, while it's true that one can imagine a State that works differently, there are no actual human beings who can work in that system and deliver what statisticians can imagine.

More recently, Ludwig von Mises and F. A. Hayek recognized the problem of unicorns rather deftly. In *Epistemological Problems of Economics*, Mises said:

**WHILE IT'S TRUE that one can imagine a State that works differently, there are no actual human beings who can work in that system and deliver what statisticians can imagine.**

Scarcely anyone interests himself in social problems without being led to do so by the desire to see reforms enacted. In almost all cases, before anyone begins to study the science, he has already decided on definite reforms that he wants to put through. Only a

few have the strength to accept the knowledge that these reforms are impracticable and to draw all the inferences from it. Most men endure the sacrifice of the intellect more easily than the sacrifice of their daydreams. They cannot bear that their utopias should run aground on the unalterable necessities of human existence. What they yearn for is another reality different from the one given in this world ... They wish to be free of a universe of whose order they do not approve.

Perhaps the most famous, and devastating, version of "skewer the unicorn" is Hayek's, when he said in *The Fatal Conceit* that "the curious task of economics is to demonstrate to men how little they really know about what they *imagine* they can design."

### The Munger test

In debates, I have found that it is useful to describe this problem as the “unicorn problem,” precisely because it exposes a fatal weakness in the argument for statism. If you want to advocate the use of unicorns as motors for public transit, it is important that unicorns actually exist, rather than only existing in your imagination. People immediately understand why relying on imaginary creatures would be a problem in practical mass transit.

But they may not immediately see why “the State” that they can imagine is a unicorn. So, to help them, I propose what I (immodestly) call “the Munger Test.”

1. Go ahead, make your argument for what you want the State to do, and what you want the State to be in charge of.
2. Then, go back and look at your statement. Everywhere you said “the State,” delete that phrase and replace it with “politicians I actually know, running in electoral systems with voters and interest groups that actually exist.”
3. If you still believe your statement, then we have something to talk about.

This leads to loads of fun, believe me. When someone says, “The State should be in charge of hundreds of thousands of heavily armed troops, with the authority to use that coercive power,” Ask them to take out the unicorn (“the State”) and replace it with “George W. Bush.” How do you like it now?

If someone says, “The State should be able to choose

subsidies and taxes to change the incentives people face in deciding what energy sources to use,” ask them to remove “the State” and replace it with “senators from states that rely on coal, oil, or corn-ethanol for income.” Still sound like a good idea?

How about, “The State should make rules for regulating sales of high performance electric cars.” Now, the switch: “Representatives from Michigan and other states that produce parts for internal combustion engines should be in charge of regulating Tesla Motors.” Gosh, maybe not ...

In my experience, we spend too much time fighting with our opponents about their unicorns. That is, we claim that the unicorn/State itself is evil, and cannot be tamed in a way that’s consistent with liberty. The very mental existence of the unicorn is the target of our arguments.

**WE SPEND TOO much time fighting with our opponents about their unicorns. The very mental existence of the unicorn is the target of our arguments.**

The problem, of course, is that the unicorn *they* imagine is wise, benevolent, and omnipotent. To tell them that their *imagination*s are wrong is useless. So long as we insist that our opponents are mistaken about the properties of “the State”—*which doesn’t exist in the first place*, at least not in the way that statist imagine—then we will lose the attention of many sympathetic people who are primarily interested in consequences.

To paraphrase Hayek, then, the curious task of the liberty movement is to persuade citizens that our opponents are the idealistic ones, because they believe in unicorns. They understand very little about the State that they imagine they can design. **FEE**

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# Dissent Under Socialism

*Intolerance for free expression grows with the scope of central planning*

SANDY IKEDA



**T**he *Daily Mail* reports that “France’s Socialist government provoked outrage... by becoming the first in the world to ban protests against Israeli action in Palestine.” The socialist interior minister justified the ban by citing the potential for violent clashes in Paris

between opposing groups, which he deemed a “threat to public order.”

My object here is not to comment on any aspect of the conflict in the Middle East or on this ban, which may or may not be justified. What caught my eye in the story is the following quote:

Sylvie Perrot, another pro-Palestine activist from Paris, said: “Fascist states stop people demonstrating against wars—it is beyond belief that French Socialists are following their example.”

Au contraire!

If you understand the nature of socialism, it’s quite believable.

## Collectivism and dissent

Let me begin by defining “collectivism” as any economic system in which the State controls the principal means of production. Collectivism requires central planning of some kind over the resources the State controls. The particular brand of collectivism we’re talking about depends on the aims of the controllers.

In theory, “socialism” aims to unite people around the world regardless of nationality toward a common internationalist goal, while in theory “fascism” aims to unite people of a particular nation toward a common nationalist goal. The ends differ, but all forms of collectivism use the same means: State control (*de facto* or *de jure*) over the means of production. Given their common collectivist roots, then, it shouldn’t be surprising that fascism and socialism employ similar policies.

Even more than that, however, F. A. Hayek points out, in *The Road to Serfdom*:

That socialism so long as it remains theoretical is internationalist, while as soon as it is put into practice ... it becomes violently nationalist, is one of

the reasons why “liberal socialism” as most people in the Western world imagine it is purely theoretical, while the practice of socialism is everywhere totalitarian.

**TO THE DEGREE  
that the State undertakes central  
planning of the resources it  
controls, it can’t allow any person  
to interfere with or oppose  
the plan.**

I would recommend the chapters in *The Road to Serfdom* where Hayek explains why this is the case (especially “Individualism and Collectivism,” “Planning and Democracy,” “Planning and the Rule of Law,” and “The Socialist Roots of Naziism”), but here are two important points in that explanation.

First, to the degree that the State undertakes central planning of the resources it controls, it can’t allow any person to interfere with or oppose the plan. Or, as Hayek puts it, “If the state is precisely to foresee the incidence of its actions, it means that it can leave those affected no choice.”

Second, the more resources the State controls, the

wider the scope and more detailed its planning necessarily becomes so that delay in any part of the system becomes intolerable. There is little room for unresponsiveness, let alone dissent. Hayek again:

If people are to support the common effort without hesitation, they must be convinced that not only the end aimed at but also the means chosen are the right ones. The official creed, to which adherence must be enforced, will therefore comprise all the views about facts on which the plan is based. *Public criticism or even expressions of doubt must be suppressed because they tend to weaken public support.* [Emphasis added.]

My point is that even if genuine socialism of some kind did exist in France (or anywhere else), the government there could not allow spontaneous political demonstrations, for the reasons Hayek outlines in *The Road to Serfdom*. Collective political ends must trump individual expression.

That a socialist government would ban political demonstrations should then come as no surprise.

### The problem is central planning

Friends of mine have objected that these arguments are misplaced because genuine socialism doesn't exist in France, and that political parties who brand themselves "socialist" aren't really socialist at all, at least in the sense defined here.

But Hayek's point is that intolerance for dissent grows with the scope of central planning. Thus, the principle also applies in the case of a mixed economy, such as the United States, with more limited central planning. To the extent the U.S. government tries to pursue collectivist ends—say, during times of war—the greater the pressure on public officials to quell open displays of protest.

Moreover, the more things the central government plans for, the less freedom—of expression, assembly, association—there can be. If the State controls all means of production and all resources are placed in the hands of the authorities, then in effect all forms of expression—in

politics, science, religion, art—are political and any form of dissent from the official creed is intolerable and must be forbidden. That would lead, and has led, to the death of free inquiry, because dissent, rebellion, and radical criticism are essential to the growth of knowledge.

One of the political virtues of private property is that it establishes a sphere of autonomy in which we are safe from the threat of physical violence. In that sphere of autonomy, we can say or not say, or do or not

do, anything we like, so long as we don't initiate physical violence against others. Private property is the garage where we can form a band or invent the personal computer or paint protest signs. As private property disappears, not only do our economic liberties disappear, but so too do our political liberties.

### What is not forbidden ...

Indeed, taken to its logical conclusion, under pure collectivism no freedom at all would remain, and not only the freedom to peacefully assemble in protest against government activities. In a completely collectivist system, it's not a stretch to say that what isn't forbidden would in fact be mandatory.

From California, which at least for now is a ways off from pure collectivism, comes an even-nuttier-though-still-scary scenario:

A Southern California couple received a letter from Glendora city officials threatening to fine them \$500 if they don't get their sun-scorched brown lawn green again, reports AP. Which Laura Whitney and Michael Korte would gladly do, except for one thing: They could also be fined \$500 if they water their lawn too much; they're currently only watering twice a week.

Thus, what is mandatory may also be forbidden. Don't forget, 1984 was 30 years ago. **FEE.**

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IF THE STATE  
controls all means of production,  
then in effect all forms of  
expression are political.



# Dazed and Confused

*Millennials might be libertarian; they just don't realize it yet*

## CASEY GIVEN

Since March, no fewer than four major studies on millennials' political attitudes have been published, prompting media confusion about young people's seemingly contradictory attitudes about the role of government. Headlines like "Millennials' Political Views Don't Make Any Sense" and "This Poll Proves That Millennials Have Totally Incoherent Political Views" graced popular websites like *The Atlantic* and *Vox*.

Such headlines should be expected considering the Herculean task at hand. Aggregating the political beliefs of a group as numerous and multifarious as an entire generation is so difficult it can seem like a fool's errand. It would be silly to describe a whole age group by one ideological label, yet political scientists and pollsters have historically been able to pick out general trends.

Though pundits may throw their arms up in frustration, they should get more creative in reading the tea leaves. Millennials' strong dedication to social freedoms, combined with their commitment to economic mobility, points to a more libertarian future.

It's easy to understand why pundits are so upset at first glance. All four polls point to a majority of millennials showing cognitive dissonance, if not holding completely inconsistent or contradictory views. A survey by the Center for American Progress (CAP), for example, found that 57 percent of 18- to 29-year-olds believe "government spending is always wasteful and inefficient," yet 69 percent believe that "government must step in to protect the national economy when the market fails." Reason-Rupe's survey similarly found that 65 percent of 18- to 29-year-olds believe it would help the economy to cut spending, but 62 percent believe boosting spending on job training would help the economy; 58 percent believe the same about infrastructure.

Given this apparent muddle, it's no surprise that pollsters sometimes craft narratives out of the data to fit their ideological leanings. The executive summary of CAP's survey, for example, claims that millennials have "deeply held progressive beliefs under their voting preferences," while Reason-Rupe's survey claims that "a majority of





young Americans say they would support a socially liberal, fiscally conservative candidate.”

Unfortunately, any narrative that can be made could easily be contradicted. If millennials are so left-wing, why do more self-identify as “conservative” (21 percent) than “progressive” (16 percent) in CAP’s own data? If 53 percent of millennials are willing to vote for a “fiscally conservative, socially liberal” candidate, why do the same percentage say they’d vote for Hillary Clinton in Reason-Rupe’s poll?

These narratives fall apart because they are crude attempts to sketch a whole generation of people at a snapshot in time. Focusing on more specific elements, however, can reveal somewhat clearer pictures. Reason-Rupe’s survey does a good job by breaking 18- to 29-year-olds’ political attitudes

down into numerous subclasses, including income and party affiliation. The former is particularly instructive: The more income they earn, the more millennials embrace economic liberty.

Only 39 percent of respondents earning less than \$20,000 a year oppose income redistribution. However, 57 percent of millennials earning more than \$100,000 oppose redistribution. The same resistance-to-income correlation can be observed in response to questions about expanding the social safety net and enacting a living wage; the more a millennial earns, the less likely he or she is willing to support government intervention in the economy.

This phenomenon is by no means surprising. A plethora of academic literature points to the fact that higher-earning individuals tend not to support higher taxes and spending. One recent Northwestern University study found that this gap between the political attitudes of the general public and the wealthy can be quite dramatic. While 78 percent of the general public supports increasing the minimum wage above the poverty line, for example, a mere 40 percent of wealthy respondents do.

While the surveys show that millennials remain deeply divided on economic policy, it’s important to remember

that the results reflect only a moment in time. For the vast majority of millennials, their incomes will only rise throughout their lifetimes; perhaps an inclination toward limited government will follow. Such a trend seems to be common as people work to become more upwardly mobile. French Premier George Clemenceau once said, “Not to be a socialist at twenty is proof of want of heart; to be one at thirty is proof of want of head.” Could millennials lend truth to the old cliché that people become more conservative with age?

The evidence on earnings suggests so, and Americans, not just millennials, are changing their attitudes on social issues. As the Pew Research Center documents in its youth survey, a strong majority of millennials supports legalizing marijuana (69 percent) as do a majority of Generation

X (53 percent) and baby boomers (52 percent). The same cross-generational consensus can be seen on gay marriage and immigration.

If growing tolerance of social liberty is happening across the board and support for economic liberty increases with age, libertarianism could be becoming an increasingly popular position. The irony, however, is that such increasing inclination toward limited government may come without the libertarian label. As CAP’s study finds, only 4 percent of young people self-identify as libertarians, possibly out of ignorance, since 36 percent couldn’t offer any definition of the worldview.

In fact, millennials don’t seem very interested in traditional labels at all. Across all four studies, the largest ideological class with which 18- to 29-year-olds identified was either “moderate” (34 percent in CAP’s poll) or “independent” (38 percent in Harvard’s, 39 percent in Pew’s, and 34 percent in Reason-Rupe’s).

In short, millennials could become more libertarian as they get older, but they may not know what to call themselves. **FEE**

**I F G R O W I N G**  
tolerance of social liberty is happening across the board and support for economic liberty increases with age, libertarianism could be becoming an increasingly popular position.

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# Keep Them Down, Keep Them Dependent

## *How to prevent the young and poor from succeeding*

ISAAC M. MOREHOUSE

Let's face it. I'm not that young anymore. I'm also not poor anymore, and I live a comfortable middle-class American life. Most older, better-off middle-classers like me got where we are through the dynamic market process. The trouble is, now that we're doing pretty well, that same dynamic process is a threat. I don't want some young whippersnapper or poor immigrant to outwork me. What if they succeed faster than I do? What if they create more value than I can, and so outcompete me for a job?

Take heart, well-heeled middle-agers. I have a plan. My scheme for keeping younger and poorer people from succeeding—and possibly making us have to work harder to stay on top—is two-pronged: We've got to affect both supply *and* demand.

We need to restrict the supply of economic opportunities. We need to make those opportunities more costly and thus out of the reach of many young and poor. We also need to suppress the demand for jobs and entrepreneurial ventures. We need to make it more beneficial to stay out of the market than to participate in it.

Let's get to some specifics.

### **Restricting the supply of opportunities**

The biggest advantages young and poor people have over us are very low opportunity costs and a low-cost lifestyle. This means they don't have to give up much to work a job, and they don't need to earn much to cover their expenses. Because of these major advantages, they can work for very low wages, and thus become attractive for employers to hire and train. At low wages, they'll always

find work, and worse yet, they'll be constantly learning and improving—adding to their stock of human capital.

The obvious solution is to make it illegal to work for low wages. Working for free is absolutely out of the question. If young and poor people could simply offer to work for little or no pay, they'd soon be gaining valuable skills and competing with us for jobs! Let's cut that first rung off the ladder, lest they climb over us some day.

Young and inexperienced workers don't have a lot of expertise. They make mistakes. Of course, if they're allowed to participate in the trial-and-error process of the

market, the incentives will soon drive them to develop expertise and be reliable suppliers of goods and services. That would be a travesty for us. We need to keep them unskilled and unreliable. The solution is to create a labyrinthine web of licenses and regulations that make it illegal for anyone but

**MY RECOMMENDATIONS**  
are myriad, but they all boil down to a simple principle: Do anything we can to make economic opportunities more costly and rare. This reserves most of said opportunities for us.

experts to sell goods or offer services. Since we've already banned working for low wages or apprenticing for free, it will be almost impossible for these novices to learn from a seasoned expert until they gain the necessary skill. We can make it even harder by adding lots of fees and costly training sessions to obtain licenses.

There needn't be just one law making low wages illegal or just one licensing and regulatory regime. We need a wide variety of complex and ever-changing barriers. High taxes on productivity and profit, union dues and demands, work restrictions, rigid job categories, seniority bias, massive credential requirements, health and safety rules to cripple upstarts, consumer protection laws to hamper

smaller producers, no access to capital or ability to stay in line with the law without costly lawyers and accountants, etc., etc., *ad nauseam*.

My recommendations are myriad, but they all boil down to a simple principle: *Do anything we can to make economic opportunities more costly and rare*. This reserves most of said opportunities for us.

Now for the second prong.

### Reward nonparticipation

We don't want to seem callous and cold toward those less comfortably situated. Indeed, we harbor no ill will toward the young and poor. We just don't want them to compete with or catch us.

Since we care—and especially because we want people to believe that we care—we can't be all “stick.” We need some “carrot,” too. It's not enough to restrict the supply of opportunities, because some people will break the rules or work around them. We also need to suppress demand by offering some sweet incentives for young workers to stay unproductive and uncompetitive. We need to make nonparticipation in the market *more attractive* than participation.

First, I recommend a strict policy of forced education

for the first few decades of life. We've already discussed making it illegal for the young to work or the poor to work for low wages. But we also need to make it mandatory that they do something else, and something that won't make them more likely to compete with us now or later. We should create giant institutions where we send them all day to follow rules and do what they're told without question. We don't want them becoming innovative, or pursuing passions and interests that they might become experts in and thus supplant us in the market. They must only learn what the bureaucrats who run the system tell them to. (Oh, and the people who run the system should only be those who don't really know much about competing in the market, because we wouldn't want them passing on such knowledge.)

We can't just make school mandatory. Many would still play hooky if it cost too much. We also need to hide the cost by paying for the whole thing through taxes and borrowing. We need to subsidize it so much that alternatives can't compete. We need to weave a narrative about its glory so that no one wants to opt out.

But 18 years isn't enough. We need to keep these young, hungry individuals out of our way as long as possible. I say we artificially lower the cost of otherwise



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very expensive degree programs and advanced studies. We can guarantee low-interest loans, throw a lot of grants and subsidies around, and always, always parrot powerful propaganda about the inestimable value of classroom learning. Let's make the most attractive option—socially and economically—the one that keeps them from the commercial world as long as possible.

The longer we can make the education process, the better for us. Defer, defer, defer the time at which young people start entering the productive sector. The more loans they take on in the process, the better. Maybe they'll even get married, get a nice house (we can incentivize the buying of expensive consumer goods via debt as well!), and have kids. All of these things are good because they take away one of the major advantages the young have in the workforce: their low cost of living and hence ability to bid for lower starting wages.

We want them saddled with so much debt that they have to earn high wages to get by, and thus have to compete with workers who are a lot more experienced for those higher wage jobs. We need them coming out

of college looking for salaries that don't comport with their skill levels. This increases the odds that older workers like us will win.

We'll need to address those too old or too poor for school as well. We need basic income guarantees, food stamps, and all manner of welfare to cover the costs of low-income life such that no part-time entry-level job could pay quite as much. Again, we need to make not working worth more than working.

### The best part

Here's the best part: By the time these young and poor find themselves unable to compete, with costly lifestyles and loans to maintain and little skill or experience, they'll be older. They'll join our ranks. They'll lobby for even harsher restrictions on those even less experienced and less well-off than they are. They'll demand to get the low-skill jobs they're qualified for, but demand the pay be raised to high-skill wages. They'll make the list of degrees and

credentials they've accumulated the new barrier to entry to artificially raise their market value. They'll help us perpetuate the very policies that caused their plight!

As with the first prong, these are but a few examples. Ideally a massive and shifting bundle of incentives to not enter the market as a producer can be put together: education mandates and subsidies, tax incentives to spend rather than save and to purchase education rather than other goods or business tools, housing and healthcare as long as you don't work, and rewards for any activity that makes one less likely to try to compete with us in the market.

These policies will subtly turn the attention of nearly everyone away from value creation, innovation, and serving customers—all of which might threaten our dominance. It will turn everyone's attention and energy to fighting over

the details of these policies and programs, to who gets which slice of the artificially limited pie and at whose expense. Some of us can *really* take advantage by running for political office and dividing up the warring interests we've created by

promising them more restrictions and subsidies.

Above all, with both prongs of this strategy, we need a narrative that calls these policies noble, compassionate, and wise. We need them to be perceived as humanitarian aid to the young and poor, not as ways to keep them from succeeding. We need to make these programs universal values in themselves—regardless of the outcomes they produce. Who could oppose better wages? Who could oppose more education? Who could oppose more loans for homes or college? Who could oppose work rules and consumer safety regulations? Middle-aged, middle-class people certainly won't, if we know what's good for us.

We cannot abide an America in which plucky newcomers outperform us at every turn. Join me in securing our future. **FEE**

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**WE HARBOR NO  
ill will toward the young and  
poor. We just don't want them  
to compete with or catch us.**



# Food Deserts or Just Deserts?

## *The regulatory consequences of the farm bill and other interventions*

STEWART DOMPE and ADAM C. SMITH

According to the United States Department of Agriculture, 23 million Americans live in so-called food deserts. A food desert is defined as an urban neighborhood or rural town without access to fresh, healthy, and affordable food. The argument goes that lack of access leads to poor dietary choices and a higher incidence of obesity, diabetes, and heart disease.

The proposed solution is a series of government grants (subsidies) that will be given to anyone, including residents, businesses, nonprofits, colleges and universities,

and community development corporations. There are at least 19 programs from three departments (Treasury, Health and Human Services, and Agriculture) that offer grants and other resources to combat food deserts. To the rescue!

The reality, however, is that this new policy is an attempt to address the unintended consequences of existing policy. The stated problem of a food desert is that fresh fruits and vegetables are unavailable at affordable prices in low-income areas. The issue here is not low prices but relative



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prices. Low-income consumers have a choice of how to spend their food budget and obviously want the most caloric bang for their buck. Even if fruits and vegetables were available at lower prices, they must compete against heavily subsidized processed foods containing carbohydrates and corn syrup.

Where do these subsidies come from? Meet America's favorite barrel of pork, the farm bill. Whenever someone bemoans partisan gridlock, gently remind them that the farm bill always passes with bipartisan support and, in its 2014 iteration, has a price tag of nearly \$1 trillion. For years the farm bill has heavily subsidized the production of wheat, corn, and soybeans with the intended consequence of lowering the prices of products containing those goods.

So it's no surprise—at least for anyone who recalls from their principles of economics class that demand curves slope downward—that Americans' consumption of carbohydrates has increased substantially over time. Indeed, we eat 25% more carbohydrates today as part of our daily diet than we did 30 years ago. All sweet treats and candy are cheaper because of corn subsidies, as are breads, cereals, crackers, and everything else containing wheat. A USDA program of farmers' markets and community gardens will do little to offset the literal billions spent on corn and wheat subsidies.

Another important issue affecting food availability in rural areas is population density. Those living in far-flung rural communities have to drive many miles to reach a supermarket. Supermarkets compete by offering a wide selection of goods at low prices. Without the population to generate a high turnover, they cannot justify their business model. Supermarkets, however, are not the only source of food services. In several prominent studies, stores with fewer than 20 employees were not counted. This methodology was employed because smaller stores, typically bodegas operating in ethnic neighborhoods, are less likely to have the space for fresh produce or refrigeration. This is a strong bias against smaller, family-owned businesses that operate in areas not traditionally covered by so-called big-box retailers.

Lack of population might explain the problem in rural areas, but regulation is the blight of the urban poor. Cities

like New York and Washington, D.C., have made it very hard for companies like Walmart to operate in their cities. They have even passed discriminatory legislation with the express purpose of making it harder for Walmart to do business in those communities. The standard claim against Walmart is that its prices are so low that other businesses can't compete. But if we're trying to offer affordable produce to large numbers of people, isn't that sort of the point? Cities that make it hard for big-box stores to operate hurt their poorest residents. Affluent suburbanites can afford to drive to (and purchase from) Whole Foods and other high-end grocers. For everyone else, zoning laws hurt those who lack the mobility to travel outside the zone or otherwise fail to meet the sticker price of these privileged establishments.

Finally, there is already an existing technological solution to the problem of availability: frozen and canned fruits and vegetables. These goods are high in nutritional content, and their packaging means that stores don't have to worry about spoilage the way they do for their fresh produce. Fresh food has desirable qualities when it comes to taste and presentation, but it comes at a cost. Consumer demand decides whether a store carries fresh produce or not. Intervening in the market on aesthetic grounds is unlikely to create a good result for those who must actually live with the results.

Food deserts are a result of market forces being channeled through bad regulation. If the government wishes to change how people eat, it would be better off ending farm subsidies and inviting supermarkets into the cities. More generally, we as food consumers should recognize that what's on the shelf is not just a product of poor consumer choices, but of poor government policies as well. **FEE**

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# Do Cities Cause Their Own Sprawl?

## *Public schools are helping to shape and segregate our cities*

JENNA ROBINSON

“Location, location, location!”  
When my husband and I bought our first home back in 2004, we heard that phrase a lot. Since we were young newlyweds with no children, we interpreted it to mean proximity to great restaurants and fun cultural attractions.

But later—after learning the word “escrow” and welcoming a baby—we discovered the real reason: school zones and property taxes. Homes in new, up-and-coming neighborhoods are zoned for terrible, crumbling schools. Homes in a great school zones that are also close to work are too expensive for many young families. Affordable, family-sized homes in great school zones with low taxes only exist in the sprawling suburbs and exurbs.

By now, most of us are familiar with the conventional wisdom on urban sprawl: Evil developers, shameless capitalists, white flight, and selfish soccer moms create sprawl. They do so at the expense of the natural environment and without regard to the dynamic, exciting possibilities of city life or the detrimental effect on our waistslines.

Regular readers of *The Freeman* are also familiar with the countervailing libertarian argument that zoning laws contribute to sprawl by segregating different land uses. Federal land-use policies have also been accused of promoting sprawl.

But cities and school boards also play a role. North Carolina State University finance and real estate



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professor Bartley Danielsen's latest research finds that many families with young children like to live in hip, urban downtowns—until those children are old enough for elementary school. In Chicago, he found that stroller-to-backpack ratios (a measurement of babies and toddlers to school-age children) in the city were exactly the reverse of those in the suburbs and exurbs. In other words, it's not the birth of a child that causes parents to seek suburban bliss, it's that child's entrance into kindergarten.

Chicago's low-performing schools, Danielsen concluded, contribute considerably to sprawl around the city. More specifically, parents' lack of choice drives sprawl. If Chicago allowed parents to choose their children's schools without regard to location, he argues, many young families would remain downtown and commute to school instead of moving to the suburbs and commuting to work. (Even better, he says, would be building charter schools in the inner city.)

Danielsen's preliminary investigation into Vermont's school system, where counties without schools offer vouchers, suggests that choice improves neighborhoods. By assigning schools, school boards are shaping demographic patterns—usually in ways they don't intend.

A public-school-choice bill making its way through the Louisiana legislature may test the hypothesis further. The bill will allow students who attend failing public schools to switch to higher-performing public schools. The proof of the pudding will be whether parents, to some degree, stop fleeing fashionable cities for remote suburbs.

City councils and county commissions also shape demographic patterns through tax policy. Higher property taxes in cities than in unincorporated areas of surrounding counties encourage citizens to move in order to find more affordable property. Lower taxes and reduced fees for water, sewer, and trash collection combine to save county residents considerable money when compared to their city counterparts.

Even in places where property taxes are relatively low, living in the county is cheaper than living within city limits. Raleigh, North Carolina, provides a case study. Residents and businesses in Raleigh pay \$0.9166 per \$100

of assessed value. Residents outside the city limits in Wake County pay just \$0.5340 per \$100. Raleigh's downtown assesses an extra \$.0786 per \$100. Another area close to Raleigh's center assesses an additional \$0.10. Those two extra assessments drive prices up—and demand down—close to the city's central business district.

The combination of higher taxes and worse schools drives families with children away from city centers, contributing considerably to sprawl.

For proponents of both markets and cities, the public policy implications are clear: Cities can encourage dense growth without resorting to costly regulations or draconian land-use laws. A good start would be scrapping the higher taxes levied on central business districts or areas targeted for redevelopment.

A few policy options exist for school boards. Danielsen recommends building charter schools in inner cities to keep school-aged children downtown. But to some extent that strategy has been tried. Many cities located magnet schools in low-income neighborhoods in the 1970s and 1980s to no effect. Parents were likely prevented from permanent housing choices by the random nature of magnet assignments. The same objection applies to using charter schools to fight sprawl.

A better policy would be to allow parents to choose any school in the district, as long as they provide their own transportation. Such a policy would allow parents to base their housing choices on factors other than school zones, fundamentally changing the housing market. (A law allowing North Carolina students to attend any public school in the state was briefly considered this year. But the "open enrollment" bill was tabled when many districts objected.)

City policies are their own worst enemy. Taxes, school zones, and local land-use guidelines are all obstacles to individuals who want to live, work, and raise their families in the city center. For healthy urban growth, cities should scrap the "urban planning" and just let markets work. **FEE**

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# Is Education Policy Economic Policy?

## *The person precedes the State in school, work, and life*

LENORE EALY

*When the central administration claims to replace completely the free cooperation of those primarily interested, it deceives itself or wants to deceive you.*

—Alexis de Tocqueville, *Democracy in America*

A member of the Indiana State Board of Education recently stated his belief that “education policy is economic policy.”

“Without world-class schools,” writes Gordon Hendry in the *Indianapolis Star*, “we can’t attract top talent and jobs to Indiana.” Hendry’s observation represents the predominant worldview among policymakers today. It may also suggest why education reform continues to cost more and achieve less.

It is largely undisputed that government education systems across America are failing. International comparisons suggest American students are falling behind students in other countries. National assessments suggest that socioeconomic as well as racial gaps in performance persist. Employers find that young people are unprepared to enter the workforce without additional training. Colleges find that students are increasingly ill-equipped for higher education and in need of remedial coursework. Classroom teachers are buried under bureaucratic red tape and media scrutiny and find it hard to sustain their passion for education. Parents and students are unhappy for a variety of reasons, and in greater numbers they’re seeking schools that are peaceful, orderly, welcoming, and effective.

We live with a collective sigh of despair, punctuated by angry controversy over various proposals for reform ranging from school choice to the Common Core standards movement. Yet for all the tax dollars, political capital, and ink spilled on issues of education reform and school improvement, we have failed to ask a fundamental question: Who is education for?

### **Who is education for: the individual or the State?**

Without clarity on this question, all reform efforts may prove to be mere fiddling while our republic burns.

If we want to sustain the freedom of self-government embodied in the American federal system, we must once again become a people capable of exercising and defending that freedom. The role of education is too important in the formation of a free people not to clarify the limits of

State action on education at all levels. To do so, we must inquire into numerous questions that elevate our attention from today’s policy battles and rekindle a broader, constitutional dialogue about who we are

**WE HAVE FAILED**  
to ask a fundamental question:  
Who is education for?

and whom we aspire to be.

The founding generation recognized the constitutional importance of education in shaping a people capable of self-government, but largely left the means and content of education up to local communities and states. The Northwest Ordinance of 1787—which laid the groundwork for government support of education and expressed the core interest that government has in education—did not address the importance of learning in economic terms but enjoined that “religion, morality, and knowledge, being necessary to good government and the happiness of mankind, schools and the means of education shall forever be encouraged.”

Nineteenth-century Whigs, led by reformers such as Horace Mann, took a more controlling interest in education, specifically as compulsory schooling could serve to inculcate white, Anglo-Saxon, Protestant mores and values among newer immigrants to American shores.

By the end of the nineteenth century, the belief that public schools must continue to protect a moral and cultural center based on WASP values had led most states to pass a “Blaine Amendment” seeking to prohibit the use of state educational funds for parochial, especially Catholic, schools.

Progressive reformers of the early twentieth century likewise assumed roles as their brothers’ keepers. Education and economic policy converged as they adapted American schools to an industrializing economy. Applying the new tools of “scientific” management to effect social control reflected the growing belief that centralized social engineering was necessary for a good society. As John Dewey put it, “Organized social planning, put into effect for the creation of an order in which industry and finance are socially directed in behalf of institutions that provide the material basis for the cultural liberation and growth of individuals, is now the sole method of social action by which liberalism can realize its professed aims.”

A society of free men and women cannot be one in which an administrative State supervises the details of our lives from cradle to grave. Despite protesting voices—such as those appearing in *The Freeman* since its inception—our public schools continue to be honed as tools of soft despotism.

Today, education reformers increasingly view our children as fodder for the engines of economic productivity. Leaders of global corporations, education “experts,” and political leaders, having lost sight of the true ends of education, promote uniformity of curricula across the nation, validated by high-stakes testing. The time has long passed for us to recognize that these would-be emperors of the mind—chasing a utopia in which all children can be college- or career-ready by age 18—wear no clothes.

Economic policy is not educational policy. American education has suffered from being made the maidservant of economic growth. Education policy cannot suffice for good economic policy, which should instead be focused on issues such as providing for sound and stable money, constraining government spending and public debt,

ending crony capitalism, and repudiating the kind of regulatory and confiscatory despotism that crushes real entrepreneurship and job creation.

Can education promote a prospering economy? Yes, but only when it recognizes the limits of State action on personal moral development and allows schooling

to pursue its true end: to help the child grow into a man or woman capable of directing his or her own life with responsibility.

Is education policy economic policy? Only if we believe the laborer or taxpayer is the father of the

man. In *Towards a Philosophy of Education*, nineteenth-century English pedagogue Charlotte Mason observed that

we are slow to learn because we have set up a little tin god of efficiency in that niche within our private pantheon which should be occupied by personality. We trouble ourselves about the uses of the young person to society. As for his own use, what he should be in and for himself, why, what matter? Because, say we, if we fit him to earn his living we fit him also to be of service to the world and what better can we do for him personally? We forget that it is written, Man shall not live by bread alone, but by every word that proceedeth out of the mouth of God shall man live, —whether it be spoken in the way of some truth of religion, poem, picture, scientific discovery, or literary expression; by these things men live and in all such is the life of the spirit.

We are not without guides in reexamining our belief that the end of education is mere economic prosperity. The great classical liberal author William von Humboldt, who helped develop education policy for the Prussian State, understood firsthand the dangers of seeing the child as merely an asset of the State. He clearly perceived the constitutional importance of education and the delicacy of the task of the State’s involvement in administering schooling. “The fruitful relationship between man and citizen would wholly cease if the man were sacrificed to the citizen,” cautioned Humboldt in *The Limits of State Action*.

TODAY, EDUCATION reformers increasingly view our children as fodder for the engines of economic productivity.

## Is Education Policy Economic Policy?

He continued:

For although the consequences of disharmony would be avoided, still the very object would be sacrificed which the association of human beings in a community was designed to secure. From which I conclude that the freest development of human nature, directed as little as possible to citizenship, should always be regarded as of paramount importance. He who has been thus freely developed should then attach himself to the State; and the State should test itself by his measure. Only through such a struggle could I confidently hope for a real improvement of the national constitution, and banish all fear of the harmful influence of civil institutions on human nature.

The person, in other words, precedes the nation and the State. To get this backwards and make the State the tutor of the man is to forget the ends of both liberty and learning.

Out in the byways, Americans are exploring a variety of new ways to educate their children, from homeschooling to educational cooperatives, from new private schools to charter schools. Our educational leaders, on the other hand, carry on a conversation that is increasingly a stumbling block to the future of liberty. Treating education policy

as economic policy has mired us in polarizing political contests. On the one side are those mired in the legacies of Progressive pedagogy and union politics; on the other side are those who see education primarily as a pipeline of employees and taxpayers. It may be worse when the two sides find some common ground or economic interest, such as that alliance that effected the bipartisan blitzkrieg of the Common Core State Standards.

For the rest of us, for those who retain some inkling of what it means to be free or those who remember the love of learning that inspired them to want to teach, we must recognize that this may be a Baptists-and-bootleggers moment. To go forward, we must find common ground. Where better to begin than on the presumption that learning is for liberty, and that children who learn to love knowledge more than posting high test scores and who find their schools to be sites of community and connection rather than battlefields will more readily exercise their liberty in ways that respect our constitutional order, promote human flourishing, and generate widespread prosperity? **FEE**

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# A Petition from the Booksellers

IAIN MURRAY

(After Frédéric Bastiat)

To the Parliament of France,

Gentlemen, you are on the right track. Time and again you have shown your willingness to defend the humble French businessman against the ravenous forces of international competition.

You have helped bind the rest of Europe into a common agricultural program that defends small French farmers against American multinationals and starving African peasants alike. You have saved our version of YouTube, Dailymotion, from being acquired by Yahoo, ensuring that our youth can continue to enjoy clips of French actresses in their natural state. Your minister put it best when he told Dailymotion, “You don’t know what you’re doing.” And you have saved our ski instruction industry by the arrest of foreign instructors who have the temerity to teach in English.

When we petitioned you before, we knew you would act, and act you did. In the 1980s, we, the humble local booksellers of France, faced competition from book wholesalers who took advantage of the gullible public by lowering prices. A “discount,” they mischievously called it. Yet you saw it for what it was, an unfair trade practice, a gratuitous gift. In 1981, you passed the saintly Jack Lang’s Lang Law, which allowed publishers to set the prices of books and forbade anyone from selling a book at a “discount” of more than 5 percent.

Your wisdom was recognized across the continent. Austria, Denmark, Germany, Greece, Hungary, Italy, the Netherlands, Portugal, and Spain all introduced similar laws. The readers of Europe were spared the pain of receiving affordable—perhaps even gratuitous!—knowledge and entertainment.

Yet soon we faced a new threat from a rapacious foreign giant as cruel and capricious as Pantagruel. It called itself Amazon, and it was engaged in nothing but the cultural destruction of France itself. Not only did it lower the price of books by as much as it could, it offered its customers free shipping. How could we compete with this promiscuous gift giving? And what of the damage to the French way of life if people got their books at home without having to come into town, where they can enjoy our coffee shops and restaurants?

Once again, you responded to our petition. You passed an amendment to the Lang Law that wisely forbade any seller from offering free shipping on a new book. You also restricted the right to sell at a discount to us, the humble booksellers in our bricks-and-mortar stores.

This was the right decision, and consistent with your previous logic. You have *encouraged commerce and increased employment* by sacrificing the consumer’s interests for those of the retailer. For this, you deserve our thanks.

Yet devious and wicked is Amazon. It has responded to your wisdom by offering shipping at the price of just one cent!

This cannot stand. You must make your choice, and be logical. Everything you have done so far has been to punish the wicked who seek to exploit the consumer’s perverse desire for lower prices. There can be only one conclusion. You must ban Amazon from doing business in France altogether.

There will be some who say you cannot do this, that the European Commission will not stand for it. Yet look at what Amazon is doing to France. It bases its French operations in the notorious tax haven of Luxembourg, and so pays little in taxes to the French people. As the great sage Thomas Piketty has shown, such tax avoidance is not only harmful, but immoral.



European law allows for member governments to seek exemptions to fundamental treaty “freedoms” on the basis of public morality. It is for you, the great parliamentarians and ministers of France, to ban Amazon on the grounds of its threat to public morality.

But that is just the first step. To take your policy to its logical terminus, you must go further. As noted, you have sacrificed the interests of the consumer to encourage commerce and increase employment. You must now take away the consumer’s self-destructive choice in the purchasing of books. We humbly petition and advise you to require that each household in France purchase one book a month from a bookseller such as we represent. The books should be of our choice, so that we do not hold too great a stock of any one book, to our disadvantage.

Our choice for the first month shall be Piketty’s *Capital in the 21st Century*. We are confident that you will agree that our judgment is sound.

Humbly submitted,

The Patriotic and Righteous Booksellers of France

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*Iain Murray (Iain.Murray@cei.org) is vice president at the Competitive Enterprise Institute.*



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# Value-Creation vs. Regulation

## *Let's free city ride services*

HOWARD BAETJER JR.

**T**he benefits of free markets and the problems with government intervention are well illustrated by the unfolding story of smart phone-based car services such as Uber and Lyft.

The entrepreneurs who created Uber saw what they believed to be a great way to create value for city travelers: Uber's app could connect riders with the closest available car, show waiting riders their cars approaching, measure the distances traveled, calculate the fares, bill the riders, pay the drivers, and let both drivers and riders leave reviews for others to see. What an idea!

They spotted an undiscovered market, which promised profits. So they went for it. Sure enough, they are earning big profits.

Where do those profits come from? They come, like all profits earned in free and voluntary exchange, from creating value for others—in this case, from providing a valuable service to city riders.

These profits reward Uber for the valuable ride service it is providing and “tell” the company to do more of it—to develop and expand its service. Uber is now expanding within cities and extending service to new cities and new countries. Its success is drawing competitors, such as Lyft, into the field.

There is a downside, of course. The great Joseph Schumpeter called innovation in a dynamic economy “creative destruction,” the destruction of old, worse ways of serving others through the creation of new and better ways. Whenever riders choose Uber instead of old-fashioned taxis, those choices mean smaller profits, or even losses, for the taxicab companies. Those losses tell the cab companies to do less of what they are doing, to contract, or to change the way they do business.

If we had free markets for city ride services, that would be the whole story so far. The preferred ride services—Uber and imitators—would thrive, and older, clumsier ways of connecting riders with cars would gradually disappear.

But we don't have free markets for city ride services. Legislators and government bureaucrats have political

authority to intervene in these markets. And the taxicab companies, whose profits—and even existence—are being threatened, are trying to use this authority to block or impede the creative destruction that is doing so much to improve the lives of city dwellers.

Note this well: The government's authority to interfere in the business of city ride services, an authority ostensibly and officially meant to protect the public from inferior ride services, is being used in practice to impede public access to superior ride services. It illustrates the way government intervention is generally used: to benefit some special interest group—in this case the taxicab companies—at the expense of its customers and competitors. Uber has threatened to leave Maryland altogether if the Maryland Public Service Commission goes through with a proposal backed by Yellow Transportation, the largest cab operator in Baltimore, to regulate it as a taxi operator. Virginia sent letters to Uber and Lyft, ordering each to cease and desist “until it obtains proper authority.” In Europe, according to *The Wall Street Journal*, “Thousands of European taxi drivers snarled traffic in cities across the continent, protesting car-hailing services provided by Uber Technologies and others.” In Chicago, according to *The Washington Post*, taxi companies are suing the city for compensation for the loss of what was, before Uber, their oligopoly on providing rides in Chicago.

Where, and to what extent, Uber and its patrons will remain free to do business with each other—free of interference by impertinent government—remains to be seen.

What should be done? The markets for city rides should be set free. It is unfair to taxicab companies for Uber to charge market prices while taxis must charge what regulators decree. But the sensible response to this unfairness is to unburden the taxis and leave all ride services free to compete. **FEE**

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*Howard Baetjer Jr. (hbaetjer@verizon.net) is a lecturer in the Department of Economics at Towson University and a faculty member for seminars of the Institute for Humane Studies. This article is based on ideas from his book, Free Our Markets: A Citizens' Guide to Essential Economics.*

# All Those Joe Blows and Jane Does

*In movies and markets, real power lies with the unwashed masses*

ROBERT ANTHONY PETERS

A few years ago I had a fantastic audition. I didn't get the role, but I did come across a script that captures a love for markets that is much like mine.

*Moonlight and Magnolias* by Ron Hutchinson is a farce imaginatively based on the true story of the men who wrote the film adaptation for *Gone with the Wind*. Let me set the scene.

David O. Selznick, producer, is displeased with what is happening with his script of Margaret Mitchell's bestselling novel. He pulls the plug and calls into his office Ben Hecht, acclaimed screenwriter, and Victor Fleming, who was, only moments before, directing *The Wizard of Oz*. He locks them into his office for a marathon work week (five not seven days, as Hecht, an avid union man, was quick to emphasize) to create what would become the brand new script for this cinematic classic.

Clearly, Selznick grasps the concept of sunk costs. As Mises mused in *Human Action*, "Errors committed in the past in the production of capital goods available today do not burden the buyer; their incidence falls entirely on the seller. In this sense the entrepreneur who proceeds to buy against money capital goods for future production crosses out the past." In Selznick's words, "I'm not shooting another foot of film until I have a scenario I can believe in." Better to scrap production than to continue with something that will not work.

As the week goes on, the audience experiences the mounting stress of the deadline, the close quarters, and a strict diet of peanuts and

bananas, which Selznick insisted were "brain food." At one point, Hecht and Fleming begin to argue about who has the tougher job, the writer or the director. At the peak of their bickering, Selznick interrupts with this monologue:



Image from Wikimedia Commons

In the beginning was The Deal. You don't get to write the words—you don't get to shout action—until somebody puts the money together. Now that's an art form. You want to talk about being creative? Take a look at the studio's books. That's real imagination. You're disappointed in me, Ben? It's a free country, anybody can make the movie they want. You want to make your *Gone with the Wind*—go ahead—as long as you can raise a million dollars and control the rights. You have a million dollars? You have the rights? No? Then maybe you're here to help me make the *Gone with the Wind* I want to make. I pay you to write it the way I want it written and somebody like Fleming to direct it the way I see it. That's called collaboration.

Selznick clearly captures an appreciation for the division of labor (and one for intellectual property that we can leave aside for now). Again from *Human Action*: “Experience teaches man that cooperative action is more efficient and productive than isolated action of self-sufficient individuals. The natural conditions determining man's life and effort are such that the division of labor increases output per unit of labor expended.” Or, as Selznick goes on to say, “I can taste this movie but I need your help to get it on the screen.”

Selznick also expresses admiration for capital investment, which is all but unheard of in Hollywood outside those who provide the capital.

Again, Mises's *Human Action* provides support for Selznick:

Yet bare labor produces very little if not aided by the employment of the outcome of previous saving and accumulation of capital. The products are the outgrowth of a cooperation of labor with tools and other capital goods directed by provident entrepreneurial design. The savers, whose saving accumulated and maintains the capital, and the

entrepreneurs, who channel the capital into those employments in which it best serves the consumers, are no less indispensable for the process of production than the toilers.

Hooray for the film producers and those who supply the capital for their efforts.

Nearing the end of the script-writing ordeal, the collaborators are truly at their wits' end. They begin to discuss global politics. Hecht compares studio producers to Hitler and Mussolini and what he perceives as their similar positions of power. Selznick counters by identifying the photograph of a crowd at a film premiere at Grauman's Chinese Theater, pointing to all the individuals one by one, and summarizing:

You want to talk about power? You know who has the power in the end? The real power? ... All those Joe Blows and Jane Does, the guy with the lunch pail, the broad in the elevator, all those little people who have nothing in common except they go to the movies three or four times a week and every time they go they buy a ticket and every ticket is a vote for my movie or a vote against it. They're the people who hand out the ulcers, pal, they're the ones who run this town, the world, they have the power, the real power. Mayer? Me? Hedda Hopper? Gable? We don't amount to anything if they give us the thumbs down. Princes of Hollywood? America's royalty? We are down on our knees sucking the collective dick of the Great Unwashed.

It's a (significantly) coarser version of something Mises described in *Human Action*:

The direction of all economic affairs is in the market society a task of the entrepreneurs. Theirs is the control of production. They are at the helm and steer the ship. A superficial observer would believe that



they are supreme. But they are not. They are bound to obey unconditionally the captain's orders. The captain is the consumer. Neither the entrepreneurs nor the farmers nor the capitalists determine what has to be produced. The consumers do that. If a businessman does not strictly obey the orders of the public as they are conveyed to him by the structure of market prices, he suffers losses, he goes bankrupt, and is thus removed from his eminent position at the helm. Other men who did better in satisfying the demand of the consumers replace him.

Producers are entrepreneurs like anybody else. They rise and fall at the will of the moviegoer.

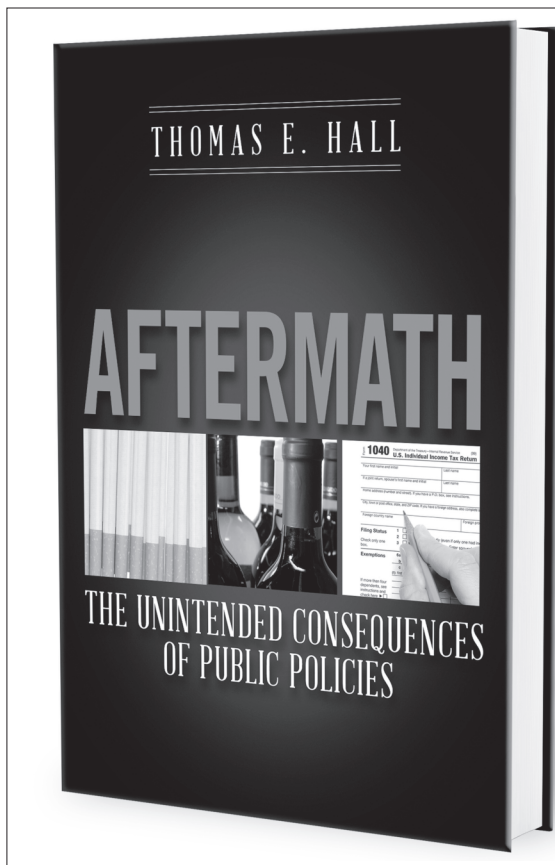
Variety summed up *Moonlight and Magnolias* very well, writing, "It's the hell-bent determination and entrepreneurial insanity of the independent producer to which Hutchinson pays tribute."

Not only is *Moonlight and Magnolias* a beautiful tribute to the entrepreneur; it is an homage to markets. An avid theater goer, Mises would have enjoyed it. If it comes to a theater near you, I hope you'll get a ticket.

And maybe, just maybe, I will finally have gotten cast in it. **FEE**

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*Robert Anthony Peters is a member of SAG-AFTRA and has been acting, producing, and directing professionally in theater, film, voiceover, and more for over a decade. Currently he lectures on the relationship between art and liberty, and works with academics on getting ready for on-camera work.*



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