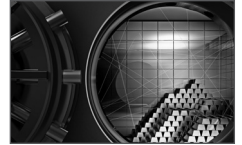


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Published by

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

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Tax Flight

When federal and state taxes are accounted for, The United States has the highest corporate tax rate in the world (tinyurl.com/pwwgr4a). When it comes to the top marginal rates of individual earners—including state taxes—many Americans are seeing more than half their income simply taken away. It's no surprise, then, that some of the most productive citizens are leaving for more hospitable climes.

This is called jurisdictional tax arbitrage. At a certain point, if you want to grow your business or keep the fruits of your enterprise, it makes sense to take advantage of more favorable taxation rates in other countries. In other words: leave.

Some call this “unpatriotic.” Others attempt to characterize it as some evil superclass that wants to game complex global rules out of sheer greed.

Canadian pundit-turned-politician Chrystia Freeland writes:

What is more relevant to our times, though, is that the rich of today are also different from the rich of yesterday. Our light-speed, globally connected economy has led to the rise of a new super-elite that consists, to a notable degree, of first- and second-generation wealth. Its members are hardworking, highly educated, jet-setting meritocrats who feel they are the deserving winners of a tough, worldwide economic competition—and many of them, as a result, have an ambivalent attitude toward those of us who didn't succeed so spectacularly. Perhaps most noteworthy, they are becoming a transglobal community of peers who have more in common with one another than with their countrymen back home. Whether they maintain primary residences in New York or Hong Kong, Moscow or Mumbai, today's super-rich are increasingly a nation unto themselves.

It's not immediately clear from the foregoing passage whether we're supposed to love or hate this new "super-elite." But for the social democratic author of *Plutocrats*, this nation-unto-itself is just crying out for annexation by a voracious steroid-State that depends on transfers for its very existence.

Quicker than you can say "Koch Brothers," the left has painted a picture not of entrepreneurs and investors who are trying to protect capital from predatory politicians and bureaucrats, but of a wealthy *Uebermenschen* who have purchased the political process. And it is the grain of truth in this latter description that stokes the fires of redistributionist populism.

It is up to us to reframe such views and to disentangle the makers from the takers—the crony capitalists from the value creators. For if we do not, we will find that those who make the world a better place through principled entrepreneurship will simply take themselves away to Panama or Hong Kong. What will be left behind are precisely the sort of people who are willing to purchase the political process to ensure that rents flow into their coffers. Actually, this is not prediction. This is happening already. The question is, when will this brain-*cum*-capital drain complete itself?

IN THE OPINION of these editors, it's a good thing entrepreneurs still have a place to go. If it were less costly to pick up and go, more of us might follow. In a global economy, at least valuable capital is protected from the parasitic political classes for a little while longer.

The United States is no longer a home where value creators are welcome. They are viewed as geese with golden eggs to be slain for a laundry list of progressive ends. And progressive populism, with all its talk of one-percenters and "inequality," will continue to drive good people to take

flight. Worse, progressive populism drives the justification for global tax collectors to jet off in hot pursuit.

In the opinion of these editors, it's a good thing entrepreneurs still have a place to go. If it were less costly to pick up and go, more of us might follow. In a global economy, at least valuable capital is protected from the parasitic political classes for a little while longer. After all,

many of those who are taking their money and running are still stewards of capital, meaning it can still be deployed for the creation of goods and services. If Leviathan can get its tentacles on that capital, it will be lost in the belly of the transfer State—feeding the addictions of welfare queens, corporate cronies and the military-industrial complex.

In honor of those one-percenters who have gotten the hell out of dodge, let us raise a glass and a stogie. Here's hoping there is still sanctuary in the Caymans for turtles and tycoons. **FEE**

Hazlitt's *Way to Will Power*

JEFFREY TUCKER



In *Economics In One Lesson*, Henry Hazlitt presented simple and memorable rules for applying economics to understanding how the world works. It would end up as one of the best-selling economics books of all time. It continues to be an invaluable teaching tool for anyone

just discovering economic logic.

Twenty-four years earlier, however, he had written a book nearly as compelling. It was popular at the time but today hardly anyone knows about it. It too was influenced by economic thinking.

This was the dawn of the Roaring Twenties, just as alcohol prohibition was imposed on the country, expansionary credit was shortening time horizons, and Freudian psychoanalysis was becoming the popular rage. The book was on psychology, a kind of self-

help manual called *The Way to Will Power* (1922). This book did for the cause of personal freedom and self-mastery what his most famous book did for economics.

By willpower, Hazlitt means our intellectual and character-based capacity for achieving our aims. This requires syncing up our choices with our goals. It sounds easy until you consider how many people fail in this regard. We want to be thin and svelte but can't lay off the buckets of ice cream or put the gym membership to use. Think of how many people want to be rich but can't get out of bed on time. Look at what happens to our New Year's resolutions only a few weeks after we make them.

We have big aims but something goes wrong on the way to achieving them.

Hazlitt examined why this happens and what to do about it. He wrote the book while working as a financial journalist in New York, so the entire intellectual framework was heavily influenced by the economics literature he was reading. He was reading about issues like opportunity cost, long-term and short-term choices on the margin, and demonstrated preference. It must have occurred to him at some point that economics is a great way to understand the human mind and to better follow the path toward self-mastery.

BY WILLPOWER, Hazlitt means our intellectual and character-based capacity for achieving our aims. This requires syncing up our choices with our goals.

Desire and will

He begins his book with the dramatic claim that there is no will independent of desire. Desire is the driving force of our choices. The key to obtaining power over the will, then, is to master the desire. Our desires need to be cultivated and shaped

with intelligence and deliberation so that we can make choices consistent with our goals.

In order to do this, we need to recognize a crucially important feature of all action: No desire in this world can be obtained save the sacrifice of some other desires. Desire leads to choice and every choice has a cost. The cost is that which you forgo in the course of taking the steps necessary to achieve your goal. If you spend your evening checking Twitter notifications rather than studying, the cost of your choice could be a low grade.

In our minds, we rank our preferences on a value scale. What we are doing right now ranks at the top, and the

cost of our preference is the next-highest preference on our scale. Hazlitt points out that gaining consciousness of this hard reality—every choice involves a tradeoff—is the beginning of the cognitive end of willpower. We need to know what we are giving up in order to make wise choices.

“The price of staying out late at night,” he writes, “is sleep, health, efficiency at business, money, and self-improvement. That is, these are the things that the man must pay, lose, sacrifice, in order that he may stay out late at night. Conversely, the price of sleep, health, efficiency at business, money, self-improvement, is the pleasure of staying out late at night that one gives up.”

Will and time

There is a second dimension that involves time. Most of our goals in life are connected to something remote in time. We want to read the classics, travel the world, obtain professional success, finish school. But our goals are constantly dethroned by shorter term desires. Getting thin, for example, is a goal months out into the future. Eating a bucket of ice cream allows right-now satisfaction. The action and the goal are incompatible in every discrete unit of time.

Willpower involves coordinating our short-term actions with our long-term goals. This always involves a time tradeoff: sacrificing now for what might be obtained later. This is part of the price, not just the immediate opportunity costs of your choice but those later as well.

Having presented the basic model, Hazlitt proceeds to explain a series of tips and tricks for obtaining better control over our lives. For example, he advises us that goals formed in the midst of regret rarely last. It is very easy to desire future sobriety in the midst of a hangover, to long to be thin once you've finished a huge meal, to have more discipline about sleeping after a 10-hour sleep.

THE REALITY, SAYS
Hazlitt, is that we have more mental resources than we know. We limit ourselves based on our bad habits. There are such things as “second winds” and “third winds.” We just have to push to release them.

It is easier to swear to change once faced with the cost of your failure to change. The trick is to make actual change right now and not regret past failings.

He further advises us not to make vast numbers of resolutions. Make far fewer, and never out of disgust or passion. Resolutions should be realizable and rational, made with careful thought. Never forget that obtaining goals involves giving up easier paths and instead choosing the more difficult route.

Consider the price of all your ambitions, and never make the price too high. The price of studying is giving up a night of partying. The price of professional accomplishment might be to go easy on the drink or forgo Netflix gawking. These are reasonable. The price must be payable, else the ambition dies.

Habits

Hazlitt examines how our habits are so formative of our self-mastery. We all have habits that save us time and resources: how we tie our shoes, how we shave, how we put on our clothes. Work too can become a habit in the best way, but only through unrelenting repetition.

“Forming a new habit,” he writes, “is like forging for yourself a new path in the woods, through stubborn underbrush and prickly thorns, while all the while it is possible for you to take the well-worn, hard-trodden, pleasant path that already exists. But you can reflect that every time you travel through the new path you are going to tramp down more shrubbery and clear more entanglements from the way.”

This requires concentration, a learned skill, something you have to practice to feel and feel in order for it to become habitual. We need a program of work for daily achievement, and must stick to it no matter what. It becomes easier once our minds and bodies come to expect it.

In passing, Hazlitt offers a wonderful critique of what was then (and remains!) pop psychology. The popular teachings of psychoanalysis run completely contrary to self-control and self-mastery, he wrote. This popular myth imagines us all to be hopelessly victimized by our subconscious, which is supposed to operate as a kind of puppet master over our will. It only becomes true if we believe it is true, writes Hazlitt.

The reality, says Hazlitt, is that we have more mental resources than we know. We limit ourselves based on our bad habits. There are such things as “second winds” and “third winds.” We just have to push to release them.

Hazlitt ends his book with two outstanding points.

First, learn to fall in love with your work. This is how geniuses and great artists do amazing things with their lives. They come to treat work as play. For example, they never worry about working too much or being too dedicated to their vocations. Distraction, not focus, is the enemy of willpower.

Second, he warns that we can never bypass the need for moral courage. This begins in the life of the mind.

“One must have the courage to go where the mind leads,” he writes, “no matter how startling the conclusion, how shattering, how much it may hurt oneself or a particular class, no matter how unfashionable or how obnoxious it may at first seem. This may require the courage to stand against the whole world. Great is the man who has that courage, for he indeed has achieved will power.”

Hazlitt’s literary legacy is all of a piece, and this book is an important and overlooked part of it. To develop discipline over habits, the moral courage to carry out our convictions, and the capacity to give up temporary pleasures in order to embrace the discrete steps that lead to greatness—these are all parts of what he calls willpower. This really is another way of celebrating the ways in which a free people keep their freedom or forget a new one once it has been lost. **FEE**

Jeffrey Tucker (tucker@jfb.org) is executive editor and publisher at Laissez Faire Books.

DUENDE

Doug Ramspeck

Something always
refuses. This is

the solitary hour.
Something makes

a cloth of the moon
and wears its shroud.

And someone carries
the memory of a lover

in the broken-back
cold. And if always

we imagine experience
as the brutal chord,

we sit before
this window and study

the forensics of the sky.
I was born, we say.

As we retain
hidden in our mouths

one small piece
of God’s tongue.

Doug Ramspeck is the director of the Writing Center at The Ohio State University at Lima. His most recent collection of poems, Original Bodies, was awarded the Michael Waters Poetry Prize and is forthcoming from Southern Indiana Review Press.

Private Cities 101

MARK LUTTER

The 21st century will be the century of cities.

Over the next 30 years, 1.8 billion people are expected to move to cities in developing countries. While some will add to existing cities, others will migrate to small towns, transforming them into the megapolises of tomorrow. Shenzhen, for example, was a small fishing village of 300,000 people in 1980. Since being designated a special economic zone that year, it has grown to over 10 million inhabitants.

Understanding the best form of city governance will be crucial to ensuring the emigrants lead good lives. However,

even as economics has moved to focus on institutions, the literature on cities has focused instead on policy outcomes, rent control, zoning, and public transportation.

The process of governance is important for two reasons. First, we cannot know what the ideal policy is. Constraints differ in time and place. Second, even with omniscient mayors knowing ideal policies, there is little reason to expect them to implement those ideal policies.

So rather than focusing on outcomes, we should focus on how to achieve those outcomes. What conditions are necessary to produce the optimal amount of public goods



Sandy Springs, Georgia

James Willamor/Flickr

in a city? Asking what is the ideal level of police, street sweepers, and garbage men is just as absurd as asking “What is the ideal amount of shoe production?” We simply don’t know. Markets constantly adjust between supply and demand, seeking this level.

Of course, cities are not like shoes. They are far more complex. Disentangling the marginal benefits of public transportation, the police, or garbage disposal is extremely difficult. Further, as cities are spatially oriented, the application of the laws of economics differs from how we usually think of economic goods. Thus, the territorial nature of municipal goods is often used to justify the status quo.

However, what if there were a way to align incentives for the provision of local public goods, goods that the private sector doesn’t provide because of an inability to exclude nonpaying customers? What if there exists a system of governance that could provide an alternative to the morass of public interest that stagnates change in cities today? What if these cities could not only provide local public goods but also institutional change to jump-start economic growth? I argue that private cities could do just that.

Proprietary communities

Proprietary communities are communities defined through private property. A common example is a mall. It is owned by a proprietor who rents out space for income. However, in order to increase the value of the store space, the proprietor also must provide public goods, security, lighting, and open spaces inside the mall. Proprietary communities typically lease land to residents, with their revenue the result of increased land value from the provision of public goods.

Proprietary communities offer a solution to a host of problems commonly assumed to justify government

intervention. Private property internalizes externalities. Proprietary communities take advantage of that fact by creating private property over land spaces traditionally thought of as public domain. They work by creating a residual claimant in the provision of public goods. That is, proprietors keep as income the rents collected through leases after costs are deducted.

Economists tend not to worry about the provision of goods or services when such provision has the potential to make people rich. The private sector does a good job of making cars because people who make great cars will enjoy financial rewards. On the other hand, no one can get rich stopping overfishing, for example, which is why it remains a problem.

Proprietary communities offer people a way to get rich by providing public goods. Public goods affect the value of the land on which they are provided. A classic example is schools. Good schools can increase land value by thousands—if not tens of thousands—of dollars. Similarly, police, roads, parks, and sanitation tend to raise land values. Because a proprietor’s or developer’s income depends on the value of the land he is renting out, he has incentives to provide public goods as part of his total offering.

The two closest examples of proprietary cities are Letchworth and Welwyn, small cities of around 30,000 each founded by Ebenezer Howard on Georgist principles before being nationalized after World War II. Walt Disney World is effectively a private city unto itself, demonstrating the scalability of the idea.

Imagining a modern proprietary city is difficult. Order is defined in the process of its emergence and the market makes fools out of those believing they can predict its path. However, a conservative guess is that a proprietary city might look similar to Sandy Springs, a city in Georgia of 93,000 people, which outsourced public services to private

**WHAT IF THERE
were a way to align incentives
for the provision of local public
goods, goods that the private
sector doesn’t provide because of
an inability to exclude nonpaying
customers?**

companies after a bankruptcy crisis, obtaining superior provision of public goods at a lower cost.

The problem

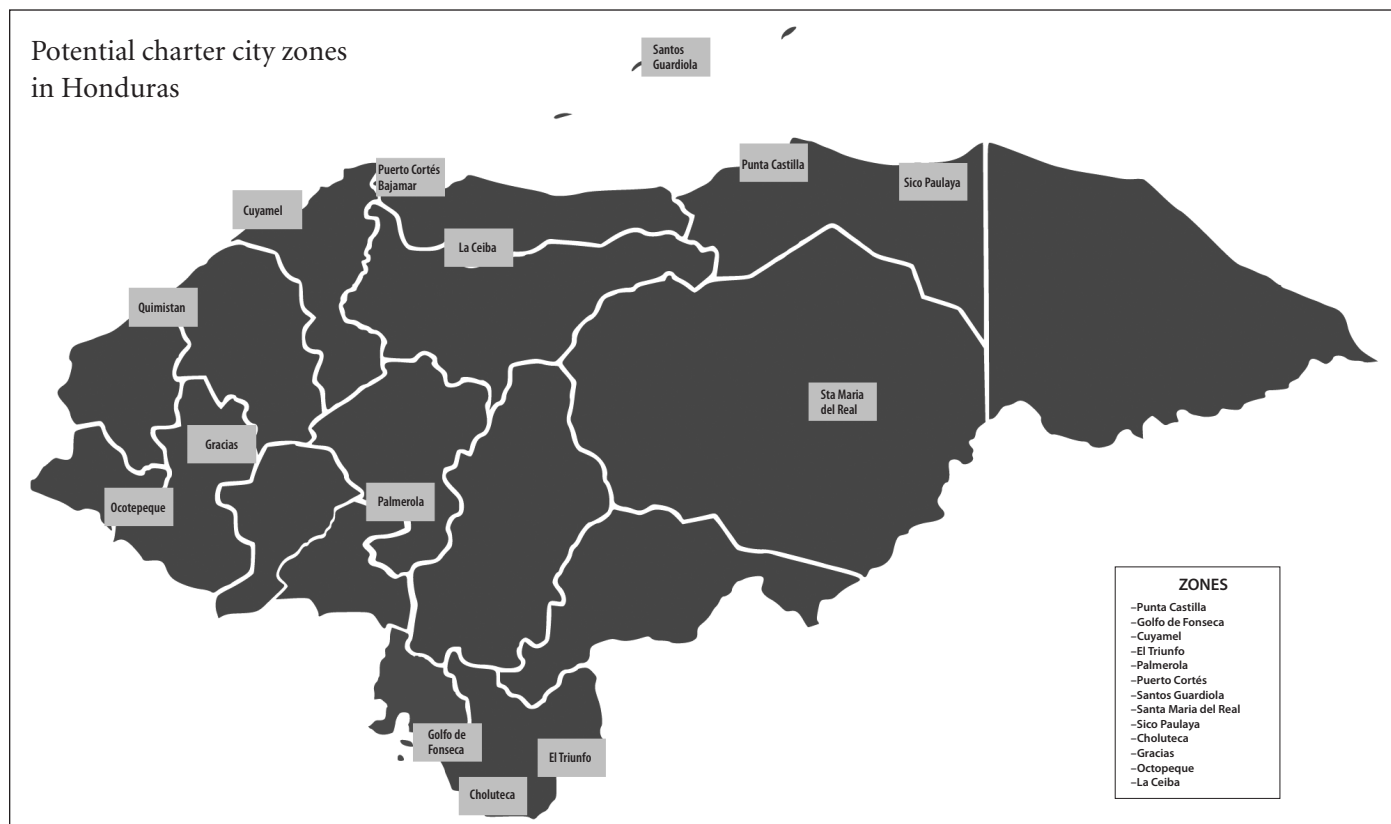
Private cities would not be necessary if public municipalities successfully and efficiently provided public goods. Unfortunately, this is rarely the case. Cities often fail to provide even the most basic services to the people they are charged with serving—which can lead to the failure of the cities themselves. Detroit, as an extreme example, is a post-apocalyptic industrial wasteland. But even glimmering cities like Portland and Charlotte waste resources on public projects, which end up shifting waste onto the public at large.

And yet apologists for the municipal status quo employ the Nirvana Fallacy to argue against market alternatives. Any failure of markets to live up to their theoretical ideal is taken as a failure of markets themselves. Government is rarely held to such a high standard. In other words, all too

often the sometimes messy reality of markets is compared to some ideal government. Most people simply assume government should provide certain goods and services, and that assumption is rarely affected by the ongoing realities of government failure.

Schools—not just the bricks and mortar, but the education—are often among the top items on a city budget. While there is a consensus on the need to improve schools, most people don’t realize how bad they are. CBS reports that “about half of the students served by public school systems in the nation’s largest cities receive diplomas.” The failure of American public schools is not about a lack of resources either. Per capita spending has more than doubled since the 1970s, showing no corresponding rise in test scores.

The problems with city governments are not limited to their failure to provide public goods. They also actively supply public bads—that is, goods or services that harm the public interest.



One such public bad is rent control. There are few things economists agree on, but almost universally, economists think rent control policies are disastrous. Like many other policies, rent control favors current residents over future residents, dynamism, and economic growth. By putting a price ceiling on rents, investors are discouraged from investing in new housing.

Zoning similarly raises land prices. Edward Glaeser and Joseph Gyourko found that in many American cities the price of a new home was the construction materials. They argue that the primary cause of high housing prices is zoning and other land use controls, not market forces.

Cities enact such disastrous policies because they are often controlled by special interest groups. The fight between Uber and local taxi cartels is an illustrative example. The common critique of Uber is that if it does provide a better service, it should be able to win by playing by the rules. What this argument fails to realize is that the “rules” often exist precisely to prevent this kind of competition. Local companies protect their rents by lobbying for legislation that empowers them over competitors, preventing the creative destruction necessary for economic growth.

Police and justice provision

Police and courts have always been considered a foundational part of government. Allowing private cities to have their own police forces seems like a perversion of justice—that is, selling justice to the highest bidder. What if the poor and minority groups are treated unfairly? But how do actual city police currently conduct themselves? And are there examples of successful private dispute resolution?

Consider New York City. After 9/11, the city created the Demographics Unit, whose primary purpose seems to have been to spy on Muslims. The city eavesdropped on conversations, recruited informants to gather information on mosques, and mapped gathering areas of Muslims.

Despite all this, the unit was unable to generate a single lead.

Perhaps the worst policy is stop-and-frisk. It amounts to oppression of minority male youths. Over 500,000 stops were averaged annually over the last five years. Over 85 percent of those stopped were not ticketed. Such stops are often aggressive and humiliating, violating basic norms of human decency.

Such instances of abuse are not aberrant; they are the norm. Both stop-and-frisk and the Demographics Unit were official department policies. But these problems are not unique to police; they are also endemic in our courts.

There are huge racial disparities in drug sentencing. Despite similar drug use rates between whites and blacks, blacks are incarcerated at 10 times the rate of whites. Debtor’s prison, despite a nominal ban, is also making a comeback. It is increasingly common to jail people for failure to pay fines. Because poor people rarely have cash

on hand, their entire lives can be disrupted by a single ticket.

While government police and courts are often assumed to be more competent and judicious than they actually are, the relevant question is, “As

compared to what?” Despite their flaws, perhaps they are still better than private police and courts.

There are few examples of private police; however, international trade proves the possibility of private courts. Most is done without resorting to State justice. Peter Leeson found that State enforcement of trade increases trade by, at most, 38 percent. While a substantial amount, it is well below what common assumptions about the need for State enforcement of property rights would imply.

The same logic behind private property rights generally applies to the private provision of legal services. Companies that do a good job of providing legal services attract more business, while companies that are unfair and arbitrary lose business. Private cities would want competent and friendly police to attract the working class and a good legal system to attract foreign investment.

PROPRIETARY
communities offer people a way
to get rich by providing public
goods.

Institutional change

Another critique of private cities is that they would be used by the rich to escape the poor; that they would become enclaves of privilege among poverty. While some private cities would undoubtedly serve primarily the wealthy, the majority would serve the poor. Capitalism is mass production for the masses. There is far more profit in serving the poor and middle class than the wealthy.

Further, because the income of proprietors depends on the value of the property they own, they are more inclined to serve the poor. There is far more potential for increases in land value in low-income regions than in high-income regions. Wealthy communities tend to already have a relatively effective provision of public goods.

In fact, the group that could benefit most from private cities is people in the developing world. Economists have reached a consensus that institutions are the most important determinant of economic performance. The rules of the game, how people interact, determine economic growth. For example, China, in the most effective humanitarian measure of the twentieth century, lifted 400 million people out of poverty with special economic zones.

Hong Kong, Singapore, and Dubai all illustrate the power of institutional change to spur economic growth. Hong Kong, a tiny peninsula with no natural resources, has become one of the wealthiest regions in the world. Singapore had a similar rise to wealth under Lee Kuan Yew. Dubai, just a desert 20 years ago, adopted good institutions and became a global financial center known for its ambitious buildings and abundant luxuries.

What prevents growth in the third world is that governments not only fail to protect property rights, they actively violate them. Third-World countries only protect the property rights of elites. Trade and investment are reduced because large portions of the population are unable to enter the global economy. Capital formation among non-elites is impossible because of the omnipresent threat of expropriation by the government.

PRIVATE CITIES
would not be necessary if public municipalities successfully and efficiently provided public goods.

Economist Hernando De Soto finds that the Philippines recognize 43 percent of property in urban areas. Haiti recognizes 32 percent, while Egypt recognizes only 8 percent. Successfully integrating these populations into the modern economy is necessary to lift them out of poverty.

However, institutional change is extremely difficult. The elites try to keep the system in place because change threatens their rents. Further, as Russian privatization shows, even *de jure* change is not enough. Private

property rights do not exist independently of the political institutions that enforce them

Paul Romer advocates charter cities as a solution. A host country in the third world would allow

a rural region to import a First-World legal system and administration. A First-World country would act as a guarantor, importing its institutions and thereby stimulating economic growth. Private cities could play a similar role.

Private cities would also have several advantages over charter cities. First, they would better provide traditional public goods. Second, they would have more choice in the legal system they chose to provide. This would enable them to pick and choose an ideal legal system for spurring economic growth. Third, they would be more open to experimentation. Freed from the constraints of a guarantor government, they would be able to abandon failed practices and adopt successful ones more quickly than a charter city would.

An additional advantage of private cities is that they incentivize institutional change. Institutional change is rare because of the logic of collective action. While the gains outweigh the costs of protecting private property rights, the gains are dispersed and the costs are concentrated. Those benefiting from such change have an incentive to free-ride, letting others agitate for the change.

Private cities reverse the logic of collective action. By concentrating the gains of institutional change in a proprietor known prior to the change, the proprietor

is incentivized to advocate for such change. This increases the likelihood of successful economic liberalization.

The best example of this change is Walt Disney World. Fred Foldvary summarizes this well in *Public Goods and Private Places*. “Abrogating nearly all state laws,” he writes,

THE GROUP
that could benefit most from private cities is people in the developing world.

numerous district acts were combined so governance took place under a uniform entity. Voting rights were apportioned by the number of acres owned in the district, ensuring Disney would control the board. Walt Disney World is also exempt from numerous state laws.

Perhaps more important is the potential for self-replication. Because private cities are profitable, there is a built-in mechanism for their proliferation. Successful private cities will discover new profit opportunities. Further, once the potential economic development becomes apparent, countries will become

more accepting of territorial institutional change. This ensures that the benefits of private cities can be accessed by as many people who need them, helping to lift the world’s poorest out of poverty. **FEE**

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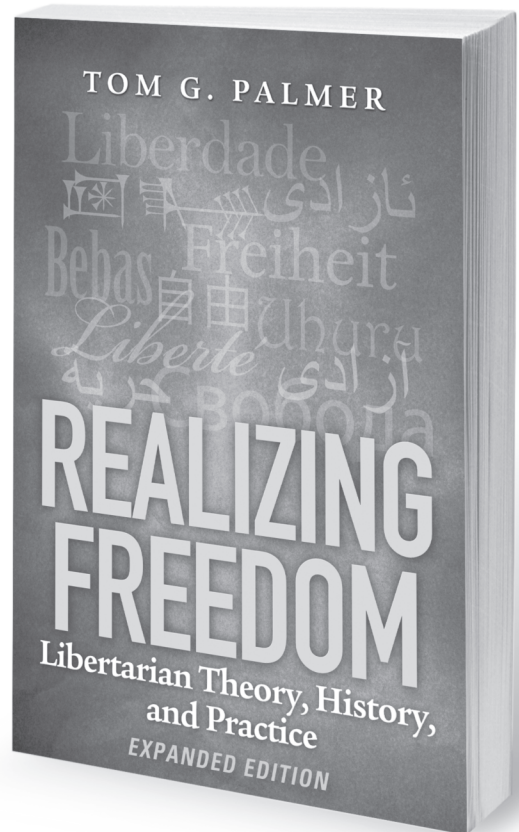
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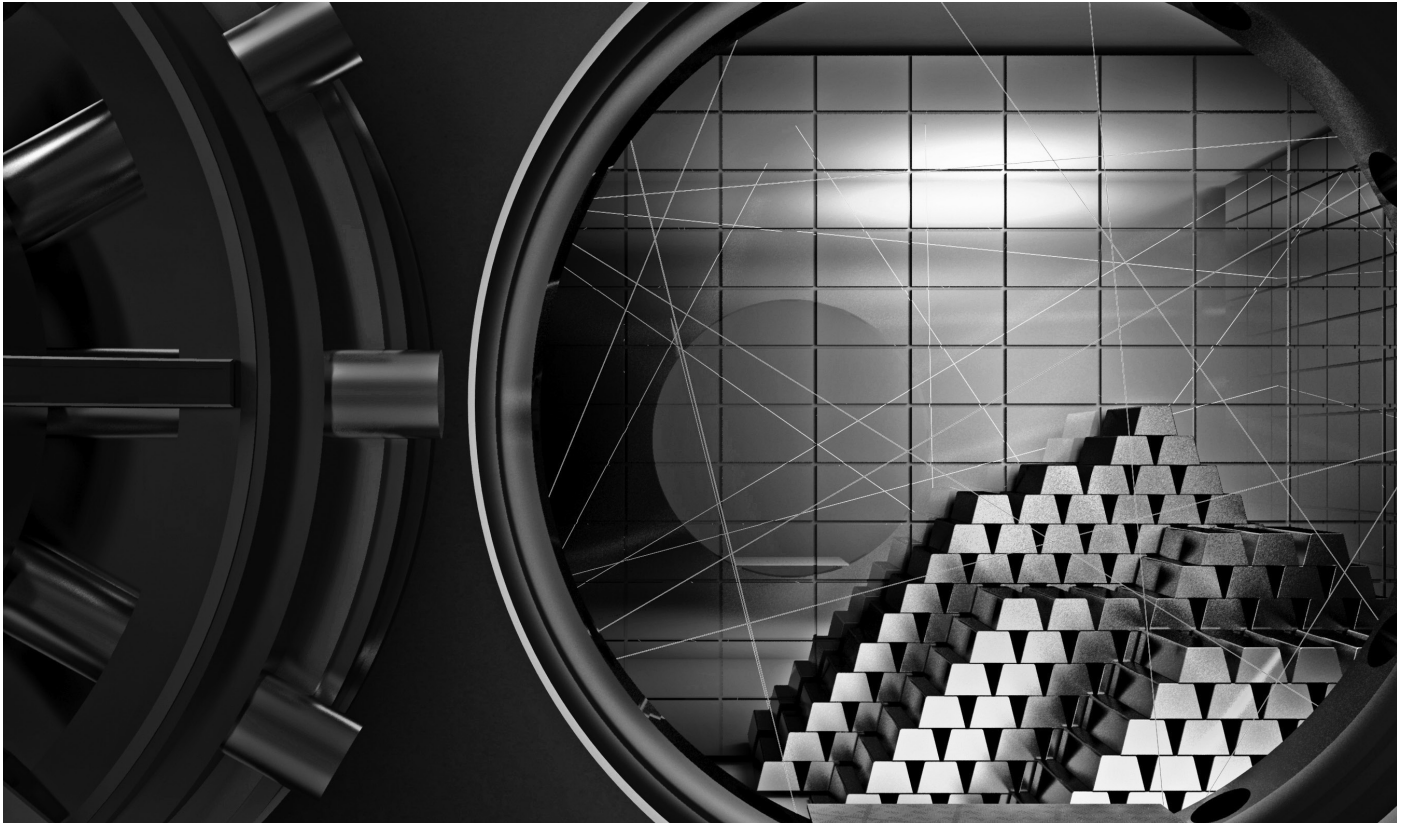
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Swiss Freeports and the Invincible Tax Evader

Turning a profit in no-government's land

J. DAYNE GIRARD



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Tax evaders will have their way.

In December, I visited Switzerland to do firsthand research into trends in Swiss banking. The highlight was a visit to les Ports Francs de Genève, one of the world's largest freeports. Descending in the elevator to its basement and being guided through the many high-security vault doors, I felt like I'd entered a Jason Bourne movie.

Freeports have become the next generation of tax avoidance—that is, legal tax evasion. Valuables (often precious metals, art, and diamonds) stored in freeports are protected from taxes and tariffs for the length of their storage.

Freeports have an impressive history. They arose from the legal exemption that items “in transit” receive from

taxes and tariffs. It was expected that this exemption would only be temporary as shipped goods were transferred between planes or were temporarily stored while awaiting shipment to their final destinations. But investors quickly realized another, more profitable use for freeports. Because there was no limit on how long something could be “in transit,” freeports offered an innovative solution for avoiding taxes and tariffs on high-value assets.

This system allows stored assets to appreciate in value, and it also allows for tax-free sales. An item can enter a freeport, stay there indefinitely, and trade an unlimited number of times.

Demand for space has surged to unprecedented levels. At the time of my visit a few months ago, les Ports Francs had only a few small open spaces available. They were

finishing an additional facility that would add more than 65,000 square meters of space, all of which was already fully reserved.

The phenomenon isn't confined to Switzerland: A number of locations are competing for market share.

Singapore opened a freeport in 2010; it is now nearly full. A new freeport facility in Luxembourg is scheduled to open in September. Beijing is creating a zone specific to art.

The increase in demand has been attributed to the increasing crackdown by world governments on tax evasion. The U.S. government's Foreign Accounts Tax Compliance Act (FATCA) is certainly the most draconian of these efforts. FATCA essentially turns any bank anywhere (if it has U.S. clients) into a branch of the IRS. And, though their behaviors are not quite so extreme, the governments of the U.K. and China have announced their own crackdowns on tax evaders.

But freeports are just one of many legal solutions individuals have discovered to avoid taxes. The news has been full of stories recently of individuals renouncing their citizenship to avoid taxes. Corporations like Pfizer and Starbucks have made waves for their strategic tax moves.

When we think about innovation, industries like technology, energy, and engineering come to mind. Tax avoidance is usually not associated with innovation. But all these examples and many more prove that the market will innovate to meet human desires of any kind—even the desire to avoid taxes.

Tax avoidance is governed by the law of supply and demand just like every other commodity in the economy. So the heavier the tax burden, the greater the demand will be for tax avoidance services. Greater demand for tax avoidance will encourage more research into legal loopholes, the creation of more innovative solutions (like freeports), and previously unimagined innovations like the Floating City Project.

One has to wonder, too, if recent trends toward more simplistic living are not somehow (perhaps subconsciously) connected with the desire to reduce the tax burden. Growing movements like vagabonding, the small-house movement, and the New Rich movement's emphasis on the "currencies of time and mobility" display a trend of disillusionment with storing up anything the government can steal.

Only the libertarian perspective offers a coherent explanation of these trends. Taxation is theft. People who

anticipate theft do one of two things. They seek ways to protect their wealth or they despair and reduce their lifestyle down to the point of having nothing worth stealing. We can see both occurring in our world at increasing rates.

Thankfully, the thief faces a constant uphill

battle in this scenario. The law of supply and demand creates the perfect storm for the ultimate failure of the State. As the State increases its tax burden, it creates these two self-destructive trends for itself. More people work and work harder to protect their wealth, and those who decide it's too hard to protect their wealth just make do with less.

It puts the government on a proverbial hamster wheel: The more the government taxes, the more difficult it becomes to tax.

In the future, we can expect more innovative tax-avoidance solutions and possession-less lifestyle trends, not to mention straight-up resistance. Who knows what lengths the government will go to in order to confiscate wealth? But I am optimistic that its agents will be no match for a globally connected network of savvy wealth creators. **FEE**

TAX AVOIDANCE
is usually not associated with innovation. But all freeports prove that the market will innovate to meet human desires of any kind—even the desire to avoid taxes.

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Tax Exiles Flee America

Entrepreneurs are hightailing it out of the U.S. and it's the politicians' fault

DOUG BANDOW



The U.S. government is driving some of its most productive citizens abroad. The only beneficiaries are countries such as Singapore and Switzerland, which offer sanctuary to Americans fleeing avaricious Uncle Sam.

Three years ago Eduardo Saverin, one of Facebook's founders, joined 1,780 other Americans in renouncing their citizenship. Saverin's case was particularly striking: Born in Brazil, he only gained U.S. citizenship in 1998. But heading overseas allowed him to reduce the federal government's take when his company went public.

Some people have always been ready to leave the U.S. A half-century ago, actor Yul Brynner switched his nationality to Switzerland after battling the IRS. Today the number of tax exiles is increasing again.

Just 231 people gave up their citizenship in 2008. Last year the number was 2,999—more than three times as many as in 2012. The total for the first three months of 2014 was 1,001, up from 679 for the first quarter of last year. Of course, not everyone admits to leaving to escape the tax man. In 2013 Tina Turner relinquished her citizenship after living in Switzerland for nearly two decades; she merely noted that she didn't intend to reside in America again. But if that's all, why did the 74-year-old

bother with the paperwork?

Tax flight is not an option for most people. We don't earn enough to switch countries. However, the rich have more choices internationally. And increasingly they're saying "sayonara" to these shores.

So are big companies. When combined with the average state taxes, the U.S. currently has the world's highest corporate taxation rate.

Pfizer, which is seeking to buy the British pharmaceutical company AstraZeneca, might be motivated by

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jurisdictional arbitrage. Presumably the U.S.-based Pfizer perceives synergies and economies, but the acquisition also would allow Pfizer to move its headquarters to the United Kingdom, which employs a "territorial" tax system, with taxes collected only where the income is earned, in contrast to Washington's worldwide levy.

Similarly, the U.S. advertising company Omnicom Group is pushing a complicated merger that also would yield U.K. tax residency. This practice is known in the trade as "inversion." About 50 firms have moved their headquarters over the last three decades, half of them since 2008. Last month the Obama administration decried the practice and proposed to increase the share of foreign ownership required for inversions.

Traditionally the entrepreneurial and productive wanted to come to America. Many still do. But the choice

is no longer so clear-cut. Some lawyers admit that they counsel foreign businessmen to consider the consequences carefully before seeking American citizenship. It might not be worth the cost and trouble. International tax attorney Andrew Mitchel said, “My advice to, say, a small-businessman abroad would be to think twice about acquiring U.S. citizenship.” In his view the benefits might not be worth the hassle: “Many of these people do not realize what that means for their businesses until they start dealing with the IRS.”

Although motives are hard to assess, Washington’s increasingly greedy and petty behavior appears to be having an impact on possible new citizens. Hong Kong tax attorney Timothy Burns argued: “Fifteen or 20 years ago there was a big rush to make sure your kids became U.S. citizens, for access to U.S. schools, for example. Now we’re seeing just the opposite.”

There are high, progressive income tax rates at home,

as well, on top of a comically complicated tax code. The U.S. is alone among major industrialized countries in that it taxes Americans living overseas. A German residing in America, in contrast, pays only U.S. taxes. America also is one of the few countries to use worldwide corporate taxation—claiming a cut of money earned everywhere, no matter how little a connection it has to the U.S.

Moreover, Uncle Sam is paranoid that someone somewhere might be shielding a euro or pound from the IRS. So Washington requires Americans to report international bank accounts over \$10,000 and assets over \$50,000. U.S. citizens overseas must file foreign bank account reports, backed by big civil and criminal penalties. In 2010 Congress passed the Foreign Accounts Tax Compliance Act, which attempts to turn every foreign financial institution into an IRS agent. The results are significant compliance costs and fearsome legal risks. Increasingly banks and other companies are



Sergey/IT/Shutterstock

telling Americans to go elsewhere. For instance, John Mainwaring settled in Germany after serving in the U.S. Army and told NPR his banks dropped his account. Alas, no one else wanted him. “The ones here don’t deal with Americans.”

Some U.S. citizens care less about the money than the bother. Brian Dublin, an American businessman in Switzerland, said he loved his homeland but was thinking about renouncing his citizenship: “It’s about the headache associated with the regulations, filing in the U.S., and then having financial institutions in the rest of the world turn me away.” And tax attorney Brad

Westerfield complained that the rules have “become so complicated—the increased filing obligations over the years. You see more people giving up their citizenship or relinquishing their Green Cards.”

Not that it’s easy to escape. Washington hits up departing wealthy citizens (in contrast, it seems happy if poor people depart!) for a tax on unrealized capital gains. The Feds do the same to noncitizens who hold a green card allowing them to work and reside in America. The fee reminds some observers of the “exit taxes” imposed on Jews and other groups escaping tyranny and murder by German Nazis and Soviet Communists. Yet Senators Chuck Schumer and Bob Casey have introduced legislation to double the levy to 30 percent for those exiting America. If that doesn’t work, why not just confiscate everything to ensure an adequate deterrent effect?

Most people are likely to think about more than money before giving up their citizenship. Yet there are other downsides to carrying an American passport. Since Washington insists on acting as the globe’s combination scold, nanny, and policeman, it makes enemies with wild abandon. Some of them do their best to kill Americans in response.

Increasing tax flight should serve as a wake-up call for

Washington politicians. But, instead, they insist on blaming everyone but themselves. Heading overseas to save money is “immoral,” asserted Sen. Charles Grassley (R.-Iowa).

But what is moral about the looting and pillaging that goes on every day in Washington? Being an American citizen is good so long as America is the proverbial land of the free and home of the brave—a country that protects life, liberty, and property, provides opportunity, and values

Today’s political overseers promise much, take more, and deliver little. With Uncle Sam daily setting a record for fiscal prodigality, establishment elites complain about citizens who say “no more”

entrepreneurship. To the extent this remains true today it is despite, not because of, what goes on in Washington. Politicians are among the greediest people in America, acting at the behest of the envious who are determined to use government to

live at everyone else’s expense.

In such circumstances, cutting Uncle Sam’s take is a moral imperative. Indeed, when other efforts at reform fail, as most have, cutting Washington’s revenue is the only hope of bringing Leviathan to heel. In this way, those who refuse to remain obedient geese to be plucked are the truest patriots.

Decades ago New Deal Treasury Secretary Henry Morgenthau, Jr., complained that “too many citizens want the civilization at a discount.” But that is what today’s political overseers purport to give us. They promise much, take more, and deliver little. With Uncle Sam daily setting a record for fiscal prodigality, establishment elites complain about citizens who say “no more”.

America once was a land of opportunity. As it loses that distinction more people are tempted to go elsewhere. Instead of seeking to punish those who desire to move, policymakers should change the punitive policies that are pushing people abroad. If America’s rulers do not reform, they risk a brain drain the likes of which America has never seen. **FEE**

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Maybe You Can Get Blood from a Stone

How a beautiful old hill in Britain is bleeding one man dry

LAWRENCE W. REED



With these words two centuries ago, the poet Samuel Taylor Coleridge immortalized a beloved mountain in Britain’s stunningly beautiful Lake District:

*On stern Blencathra’s perilous height
The winds are tyrannous and strong;
And flashing forth unsteady light
From stern Blencathra’s skiey height,
As loud the torrents throng!*

The famed and prolific fellwalker (hill climber) and guidebook author Alfred Wainwright (1907–1991) wrote more about Blencathra than any other hill or mountain in the country. Untold hundreds of thousands of hillwalkers have left their footprints on its trails. The goat herds of a dozen graziers eat of its grass every day. It’s quiet, panoramic, idyllic—and private.

Now the peak is in the news again, as I learned during a visit to Britain earlier this month. Blencathra is up for sale.

For 400 years, the nearly 3,000-foot Blencathra has belonged to the same family, the Lowthers. Ownership

includes an ancient manorial title, the Lordship of the Manor of Threlkeld, and the man who holds it now is Hugh Lowther, Lord Lonsdale. Since his father died eight years ago, Lord Lonsdale has been saddled with a massive inheritance tax bill he can’t pay without selling the mountain. The British government wants £9 million—equivalent to more than \$15 million.

A worldwide study by accountants UHY Hacker Young showed that Ireland and Britain (in that order) have the highest death duties of any of the world’s major economies—more than three times higher than the global average. Australia, Israel, and New Zealand are among the more enlightened developed countries that have scrapped the tax on death altogether. Even the average continental European tax on a large estate is less than half what it is in Britain.

“Big inheritance tax bills,” UHY Hacker Young’s Ladislav Hornan told *The Telegraph*, “can reduce the incentive to keep creating wealth in order to pass it on to your family. They can also deprive the next generation of capital that traditionally has been key to funding the establishment of new businesses. As more and more U.K. families are caught in the inheritance tax trap, pressure for major reform is growing.”

Prime Minister David Cameron promises to raise the threshold of estate value at which the high death rates kick

THE INHERITANCE tax makes it difficult if not impossible to pass on land that generates little income because its owners seek to preserve its pristine nature; and it siphons money from productive people to politicians to squander and buy votes.

in—hardly revolutionary and certainly a step that doesn't challenge the inherent injustices of the inheritance tax: It taxes a second time what was already taxed heavily once (as income); it assaults the right of a property owner to bequeath his already-taxed wealth to his family; it makes it difficult if not impossible to pass on land that generates little income because its owners seek to preserve its pristine nature; and it siphons money from productive people to politicians to squander and buy votes. (See "Grave Robbers: The Moral Case Against the Death Tax" by Edward J. McCaffery, tinyurl.com/kwnsdzs).

Lowther is asking £1.75 million for Blencathra but at that price, any buyer will have to pay over £300,000 more (half a million dollars) in value-added tax. There's no such

thing as a free lunch or a cheap mountain in the British welfare state.

"Nobody climbs mountains for scientific reasons," said Sir Edmund Hillary, who scaled the summit of Mt. Everest in Nepal. "Science is used to raise money for the expeditions, but you really climb for the hell of it." Sometimes I think that's the best explanation for why governments tax inheritances—just for the hell of it. **FEE**

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Bobby Hat/Wikimedia

Earthquake Europe

European election results point to a different road for the continent

IAIN MURRAY



Aleksey Klints/Shutterstock

An earthquake, they called it. The European political establishment looked on helplessly over Memorial Day weekend as elections for representatives to the European Parliament showed populist parties on the right and the left making large gains from Britain to Greece, from Spain to Finland. Yet, some already are saying that things won't change much. A reprise of "Small earthquake in Chile, not many dead"? No, the reality is that European politics have shifted. And while there are reasons for worry, the future may look brighter for the momentarily dark continent.

Until the elections last week, there had been little opposition in the parliament to the European Union's central organizing principle of "ever closer union." This principle had transformed a relatively benign free trade zone binding Europe in commerce into an intrusive superstate that increasingly asserts its power

in a host of policy areas—from food labeling to TV manufacturing to the composition of corporate boards—where national parliaments have been reduced to mere rubber stamps.

But isn't the EU at least democratic, with representatives elected? No. The EU is unique in that the executive branch, an unelected body known as the European Commission, initiates all legislation, on which the parliament then votes. The result is a "democratic deficit," with citizens far removed from the lawmaking process.

This patched-together structure was strained almost to a breaking point during the 2010–2011 euro crisis. Several countries with historically weak fiscal controls, mainly in Southern Europe, had adopted the euro as a currency, inciting a brief credit-fueled boom that fed lavish spending on "green" energy projects, government employee wage hikes, and other dubious priorities.

When the unsustainability of these debts became apparent, the Northern European countries that were the source of the euro's strength demanded fiscal contraction, which quickly led to massive unemployment (youth unemployment in Spain was over 50 percent at the end of 2013). Emergency measures by the European Central Bank held the euro together, but the fiscal contraction is still biting in the South, and Northern taxpayers are still unhappy about picking up other people's bills.

The result was the electoral "earthquake." Most of the populist parties that saw their votes surge are nationalist or protectionist (even the avowedly libertarian U.K. Independence Party has preyed on fears about increased immigration). Thus, the results could be seen as a victory for an older, more worrying kind of politics reminiscent of the 1930s. It was especially disheartening to see the virtual eclipse of the classical liberal parties of Europe, such as Germany's Free Democrats.

Yet this is not 1930. The political structure of Europe is very different. Expansionism and armed confrontation are out of the question. Britain and France aside, most European countries have no armed forces capable of sustained conflict—and no appetite for it anyway.

Most encouragingly, the real extremists remain a fringe. The only real Neo-Nazi party in the European Parliament, Greece's Golden Dawn, won a mere 10 percent of the vote. The overtly xenophobic British National Party lost all of its parliamentary seats. Hungary's Jobbik, which seems overly fond of fascist-style parading, made no gains.

The more successful parties, like France's National Front, are more autarkic in their policies. They are the sons and daughters of Poujade, not Pétain.

So if there is any result from the election, it will likely be a loosening of central control. If the new parties in the

**IF THERE IS ANY
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EU join with existing conservatives and moderates in the center-right block to the EU's increasing centralization, there is a chance of a more "federal" Europe emerging in the American sense, with each country its own laboratory of democracy, experimenting to see what works. If France tries autarky and Germany free trade, it will soon become apparent which is the better system.

Of course, this process will be extremely difficult, as it will require groups with little in common to work together. But they may have no choice, given

the unsustainability of the EU's centralized bureaucracy. Moreover, a member of the European Parliament only has two ways to vote—yea or nay. This will force coalitions to form on each issue area.

In fact, centralization could be the EU's undoing. As German Christian Democrat Member of European Parliament (MEP) Roman Herzog describes it:

The incessant, often senseless legislating activity in the bodies of the Union which has led to 60-70,000 printed pages of legislation is therefore not a sign of abundant creative energy in the EU. Rather, it is a cause, or a contributing cause, of its creative and therefore political weakness.

For the established center-right parties, gathered under the European People's Party banner, the recent results offer an opportunity for reform, alongside the newcomers. However, if they join forces with the European Socialists to continue the European "project," the next earthquake may demolish both their houses.

Here's hoping Herr Herzog isn't a lone voice crying in the wilderness. **FEE**

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Libertarians As Seen from the “Other Side”

SANDY IKEDA



I think it’s good to try to see an issue from the side of one’s ideological opponent, but it’s very hard to do. Sometimes, though, I see or read something that hits me in a way that really gets through.

This time it was a clever cartoon from a left-leaning blogger.

In it the following thought bubbles float above an increasingly beleaguered character:

“A corporation laid me off...
 ... a corporation took my house ...
 ... a corporation is corrupting democracy ...
 ... a corporation denied my [insurance] claim ...
 ... corporations track my every move ...
 I hate the GOVERNMENT!”

Unlike a lot of blasts from the left aimed at libertarians, I found this one clever and thoughtful. I didn’t feel exasperation; it was more like getting jabbed in the ribs. Ah, I thought, here’s one reason the left finds libertarianism silly! I had to work through to get my bearings back, but I think the entire experience was worthwhile.

There are two possibilities

Despite the American law that gives a corporation the legal status of a person that can make and enforce contracts, the first thing to note is that it’s a flesh-and-blood person who lays someone off, repossesses a house,

bribes government officials, etc. The question then is, “For whom is that person acting?”

It’s natural in such circumstances to try to find someone other than oneself to blame. If you’re laid off, it’s hard to blame that on the fact that your boss, if she’s doing her job right, is only conveying the wishes of consumers. The final consumer may be very far away from you in the production process, while your boss and the corporation are right there.

If the layoffs and the rest occur in a free market, then ultimately it’s the consumer who is doing the laying off. To use William H. Hutt’s famous phrase, “The consumer is sovereign,” or as Ludwig von Mises (quoted by Robert Murphy) put it, “The real boss is the consumer.” So General Motors (GM) hires or fires you, MetLife grants or denies your application, or Amazon.com tracks your spending habits because they are doing the bidding of those who ultimately pay their salaries and are the source of losses and profits: consumers.

A free market works because the rivalry among entrepreneurial competitors keeps them from charging prices that are too high, producing goods that are shoddy, or selling on terms that are unfair from the viewpoint of the consumer. If a seller charges a higher price for

hiking boots that in the eyes of the consumer are of no better quality than what another seller offers, competition (on the part of profit-seeking rivals and bargain-seeking buyers) pressures her to lower the price, raise quality, or both. That could mean someone getting fired or getting hired at that company. So while it’s true that a specific person makes the immediate decision, she is only doing

MY OVERALL point here is that each side of an issue begins with certain premises that need to be checked, both our own and those of our opponents.

the bidding of consumers as a whole, who are the ultimate decision-makers.

But if you live in a system in which government habitually regulates people and redistributes wealth and income, then your woes may indeed be the fault of a specific and identifiable agent: namely, the government. Recessionary layoffs, housing crises, crony capitalism, the healthcare mess, and especially the surveillance State can more and more these days be traced to specific government interventions. (For examples and analyses you need look no further than the archives of *The Freeman*.) So if these unpleasant things happen to people in a mixed economy, we shouldn't simply assume that they had it coming to them or that they have only themselves to blame. (We ought not to assume that in a free market, either, because businesses and consumers and everyone else do make mistakes.)

The naive view of the free market

There are thus two false starting points in that cartoon. The first is to assume that the nasty experiences depicted are taking place in a free market. In a free market operating under the rule of law, people and businesses should receive no special privileges from the government. Of course, the United States economy is no pure free market.

To take but one example, General Motors has issued its 30th recall so far this year. So far it's recalled something like 14 million vehicles for manufacturing defects, some of them quite serious. That's more cars and trucks than it manufactured in all of 2013.

The irony of course is that GM had been initially touted as a bailout poster child. President Obama went so far as to declare, “In exchange for rescuing and retooling GM and Chrysler with taxpayer dollars, we demanded responsibility and results. In 2011, we marked the end of



an important chapter as Chrysler repaid every dime and more of what it owed the American taxpayers from the investment we made under my Administration’s watch.” Then we learned taxpayers actually lost over \$11 billion on the deal.

The other false premise ignores the concept of consumer sovereignty altogether. It is that a private company can use its wealth to trample on the rights of both consumers and its employees. Big government is necessary then to offset the “power” of big business, so big government is good.

Whenever I hear people compare the power of private wealth with the power of government coercion, I think of a line from the Netflix series *House of Cards* that I’ve used before. It’s in the scene where a rich businessman threatens to use his influence with the President of the United States to topple the vice president. The VP coolly responds, “You may have all the money, but I have all the men with all the guns.”

That’s ultimately what separates a big business in a free market from the government. In the free market you get wealthy by serving consumers well; under interventionism you get wealthy by accessing coercion. I often tell my students that if you put a greedy Bill Gates and all his billions in a room with some greedy guy with a 22-caliber pistol, who do you think is going leave richer?

Out of our comfort zones and back—sort of

My overall point here, however, is that each side of an issue begins with certain premises that need to be checked, both our own and those of our opponents. There are things seen and unseen by all and it’s important to try to see as much as we can. That can sometimes be uncomfortable. But find something you’re not comfortable with, then see if you can work your way logically, step by step, back to your comfort zone. If you do it right and you do make it back, it probably won’t be the same comfort zone that you left. At least, I hope it isn’t. **FEE.**

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WAKING WITHOUT YOU

Hannah Bonner

Another call and message left
while I stand at the stove,

waiting for the coffee, pretending
not to hear. Outside the window

a buck stands in the field, head cocked
like a telephone, all rapture and ear:

when I see him, the antlers
coming through harvest

that stretches ceaselessly
across the plain, it is not

unlike your hand
on my body when it gathered

another yield in the dark—
more like the locust, than the buck,

at the wheat’s throat, more
whittling it open, then coming

through—noise
low in the flesh,

in the field,
more waiting

for that ache
and after, echo

of the ache
in air.

Hannah Bonner’s poems have appeared or are forthcoming in Oyster Boy Review, The Cellar Door, Asheville Poetry Review, and The North Carolina Literary Review.

The Economy Needs More Planning—Central Planning, That Is

LAWRENCE W. REED

The Foundation for Economic Education (FEE) is proud to partner with Young America's Foundation (YAF) to produce "Clichés of Progressivism," a series of insightful commentaries covering topics of free enterprise, income inequality, and limited government.

Our society is inundated with half-truths and misconceptions about the economy in general and free enterprise in particular. The "Clichés of Progressivism" series is meant to equip students with the arguments necessary to inform debate and correct the record where bias and errors abound.

The antecedents to this collection are two classic FEE publications that YAF helped distribute in the past: Clichés of Politics, published in 1994, and the more influential Clichés of Socialism, which made its first appearance in 1962. Indeed, this new collection will contain a number of essays from those two earlier works, updated for the present day where necessary. Other entries first appeared in some version in FEE's journal, The Freeman. Still others are brand new, never having appeared in print anywhere. They will be published weekly on the websites of both YAF and FEE, www.yaf.org and www.FEE.org, until the series runs its course. A book will then be released in 2015 featuring the best of the essays, and will be widely distributed in schools and on college campuses.

Thanksgiving is just one day each year. But because we have so much to be thankful for, maybe it ought to be every day.

G. K. Chesterton once said, "I would maintain that thanks are the highest form of thought; and that gratitude is happiness doubled by wonder."

Think about that, especially Chesterton's use of the word "wonder." It means "awe" or "amazement." The least thankful people tend to be those who are rarely awed or amazed, in spite of the extraordinary beauty, gifts, and achievements that envelop us.

A shortage of "wonder" is a source of considerable error and unhappiness in the world. What should astound us all, some take for granted or even expect as entitlements. Of those who believe more government is the answer to almost everything, some days I think they don't even notice the endless wonders that result from things *other* than the political power they worship.

We're moved by great music, sometimes to tears. We enjoy an endless stream of labor-saving, life-enriching

inventions. We're surrounded by abundance in markets for everything from food to shoes to books. We travel in hours to distances that required a month of discomfort from our recent ancestors.

In America, life expectancy at age 60 is up by about eight years since 1900, while life expectancy at birth has increased by an incredible 30 years. The top three causes of death in 1900 were pneumonia, tuberculosis, and diarrhea. Today, we live healthier lives and long enough to die mainly from illnesses (like heart disease and cancer) that are degenerative, aging-related problems.

Technology, communications, and transportation progressed so much in the last century that hardly a library in the world could document the stunning accomplishments. I marvel that I can call a friend in China from my car or find the nearest coffee shop with an "app" on my iPhone. I'm amazed every time I take a coast-to-coast flight, while the unhappy guy next to me complains that the flight attendant doesn't have any ketchup for his omelet.

None of these things that should inspire wonderment was inevitable, automatic, or guaranteed. Almost all of them come our way by incentive, self-interest, and the profit motive—from people who gift their creativity to us not because they are ordered to, but because of the reward and sense of accomplishment they derive when they do. Some see this and are astonished and grateful, happy and inspired. Others see it and are envious and unappreciative, angry and demanding. Still others hardly notice, and busy themselves trying to micromanage the world according to their own grand designs.

My senses are always heightened when I'm outdoors, at least in terms of noticing nature. Plants, animals, the stars—all that “stuff” fascinates me. I want to know what this weed is called, where that bird is headed and why, and what the name of that star is.

While walking my dogs recently, one natural wonder after another accosted me—fragrant honeysuckle in full bloom on a gorgeous Georgia morning, followed by a stunning spray of roses in a neighbor's yard, and upon returning to my home, the intricate, colorful clematis and braided hibiscus I planted just weeks ago. I am in constant, obsessive awe of a world so far beyond my comprehension—and so remote from *any* mortal's ability to duplicate or centrally plan.

As an economist, I'm inevitably drawn to the economic implications of these observations. No economist ever said it as well as F. A. Hayek: “The curious task of economics is to demonstrate to men how little they really know about what they imagine they can design.” In his memorable Nobel Prize acceptance speech delivered 40 years ago this fall, Hayek illustrated the point brilliantly:

YOU CAN TAKE a bonsai tree or a rose bush and cut it back or tie it up with good results. But try doing something comparable to your fellow citizens and you just might find they'll never leaf or bloom again.

“If man is not to do more harm than good in his efforts to improve the social order, he will have to learn that ... he cannot acquire the full knowledge which would make mastery of the events possible. He will therefore have to use what knowledge he can achieve, not to shape the results as the craftsman shapes his handiwork, but rather to cultivate a growth by providing the appropriate environment, in the manner in which the gardener does this for his plants.”

The central planner would undoubtedly note that like a perfectly shaped bonsai tree or rose bush, some humans need a good pruning (and that very same central planner would probably be the first in line to do it, enjoying every minute of it). You can take a bonsai tree or a rose bush and cut it back or tie it up with good results. But try doing something

comparable to your fellow citizens and you just might find they'll never leaf or bloom again.

Admittedly, the analogy is fraught with limitations. I intend it only to provoke the reader to think, and take it as far as it holds. In the process, it will be useful to remember that humans by their nature are not robots. We're not so easily planned for as a programmer programs a machine. When we're children, parents are our central planners, but the point of adulthood is that at some point, parents should leave us alone. We tend to go further when the environment allows us the freedom to plan for ourselves. Amazing things happen when we do.

Leonard E. Read, FEE's founder, wrote a classic essay (“I, Pencil”) in 1958 that explains an exquisite fact: No one person in the world knows how to make a simple pencil, yet pencils and far more complicated things are produced



serazetdinov/Shutterstock

by the boatload every day. That should be a humbling thought if you think you can somehow plan an economy for millions of people.

The more one allows the world's wonders to witness to him, the less he'll want to play God with other people's lives or with the economy that their trillions of individual decisions create.

One more point about "planning." The question is never whether there will *be* planning but rather, as wise observers of human society have pointed out, whether *the plans of some individuals with little power are displaced by those who have more power*. "The more the State plans," wrote Hayek, "the more difficult planning becomes for the individual."

The Progressive intellectuals and their followers are in awe of what they think they might accomplish through the use of government power. They might benefit if they stopped to smell the roses. Like the rest of the natural world, what real life in a free environment *actually* accomplishes is much more awesome.

Summary

- Consider the wonders all around you. Perhaps far more than you ever imagined are the result not of some top-down, central plan imposed by wise schemers in government but rather, of the dreams and plans of individuals and their personal initiative.
- Central planning as an economic framework is rooted in what Hayek would call "a pretense to knowledge." No group of people, no matter how much government power they possess, can possibly know more than an infinitesimal fraction of the knowledge they would have to possess to plan an economy.
- For further information, see tinyurl.com/pm2rom8, tinyurl.com/om9kybb, and tinyurl.com/phxrtzo. **FEE**

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Everything I Know About Economics I Learned from Tinder

JOSEPH S. DIEDRICH

The *Huffington Post* calls it “the Twitter of dating.” It’s Tinder, an 18-month-old mobile app now available in two dozen languages. Millions of men and women, mostly millennials, have flocked to the Tinderverse. It’s exhilarating, enticing, and occasionally disturbing.

To begin, you download the app and log in via Facebook. Tinder hijacks essential data—name, age, photos, mutual friends, and likes—from Zuck’s house and builds you an editable profile. Then you go window shopping—not for shoes, but for other users in your area. Swipe right if you like what you see and left if you don’t. When two people swipe right for each other, they’re “matched,” and a chat conversation opens.

You may have already known all that, perhaps from personal experience. What you probably didn’t know is that Tinder is also an economics textbook. Besides getting you laid, the app teaches you the fundamentals of the “youngest of all sciences.”

Human action

For Ludwig von Mises, economics starts with a foundational understanding of human action. He defines human action as “purposeful behavior” precipitated by perceived “uneasiness” and “the expectation that purposeful behavior has the power to remove or at least to alleviate the felt uneasiness.”

That’s precisely why I downloaded Tinder. Some of my needs, wants, and desires were not being met. I was not perfectly content. By engaging in the purposeful act of using the app, I expected that I would come closer to contentment. Whether or not that happened is none of your business.

Subjective value

The cornerstone of Austrian economic thought (to which Mises adhered) is the subjective theory of value. When Mises writes, echoing his forebear Carl Menger, “value is not intrinsic, it is not in things,” he underscores the basic premise of Tinder. The choice is mine to make to swipe right. While the app can find people for me based on my location and input parameters (age, gender, etc.), it cannot (and could never) quantify or calculate my valuation of the beauty of another.

My valuations neither impede nor enhance another man’s abilities to make his own subjective valuations. Nobody can be declared “objectively attractive” prior to or because of a swipe. I doubt, for instance, that many people swipe right for anarchy tattoos, but I do. Indiscriminately.

Law of returns

Originally articulated in 1815 by the classical economist David Ricardo, the law of diminishing marginal returns states that “as more and more resources are combined in production with a fixed resource—for example, as more labor and machinery are used on a fixed amount of land—the additions to output will diminish.”

More generally, the per-unit (marginal) benefit gained from something diminishes with every further addition of that thing.

When I first started Tindering, I vetted every individual with a critical eye. I swiped deliberately and meticulously. After awhile, however, each additional profile seemed less and less significant. I began to scrutinize with less intensity. My thumbs got faster. Likewise, I remember my first Tinder match vividly: It increased my match total from zero to

one. But now, a new match raises the proverbial boat nary an inch on my Tinder sea.

The role of advertising

Economists have sparred over the role and value of advertising. Prominent figures such as John Kenneth Galbraith believed that advertising is a scourge on society. Firms use advertising to create artificial demand for their own products, thereby distracting the gullible public and siphoning wealth from more productive uses. Galbraith's contemporary F. A. Hayek saw it differently:

It is because each individual producer thinks that the consumers can be persuaded to like his products that he endeavors to influence them. But though this effort is part of the influences which shape consumers' taste, no producer can in any real sense 'determine' them.

Information shared by Tinder "producers" is more or less advertising. For that, I am grateful. It helps me make decisions as a "consumer." As Mises says, "The consumer is not omniscient." Oh, you like gin? Please, tell me more. Your profile picture includes multiple cats? Swipe left. I much prefer the market of Tinder to blind-date socialism and arranged-marriage communism.

Assurance contract

An assurance contract is a mechanism through which one party agrees to provide a collective good if and only if other parties first provide resources that reach a threshold when aggregated. The idea first appeared in *The Review of Economic Studies* in 1989. Authors Mark Bagnoli and Barton L. Lipman explain: "Agents voluntarily contribute any non-negative amount of the private good they choose and the social decision is to provide the public good if contributions are sufficient to pay for it."

When I swipe right on Tinder, I pledge my contact information (my Tinder "address," if you will). The app takes note of my pledge and holds it in escrow. Upon reaching a threshold (viz., two reciprocal right swipes), Tinder provides the threshold good (a chat conversation). Neither of us is obligated to actually chat, however. The

contract only assured us that the feature would be made available, not that it had to be used.

On the whole, Tinder is a vast marketplace of individuals making choices. That's the economy in a nutshell. Use the app to shop around, find a date, or fall in love ... with economics. **FEE**

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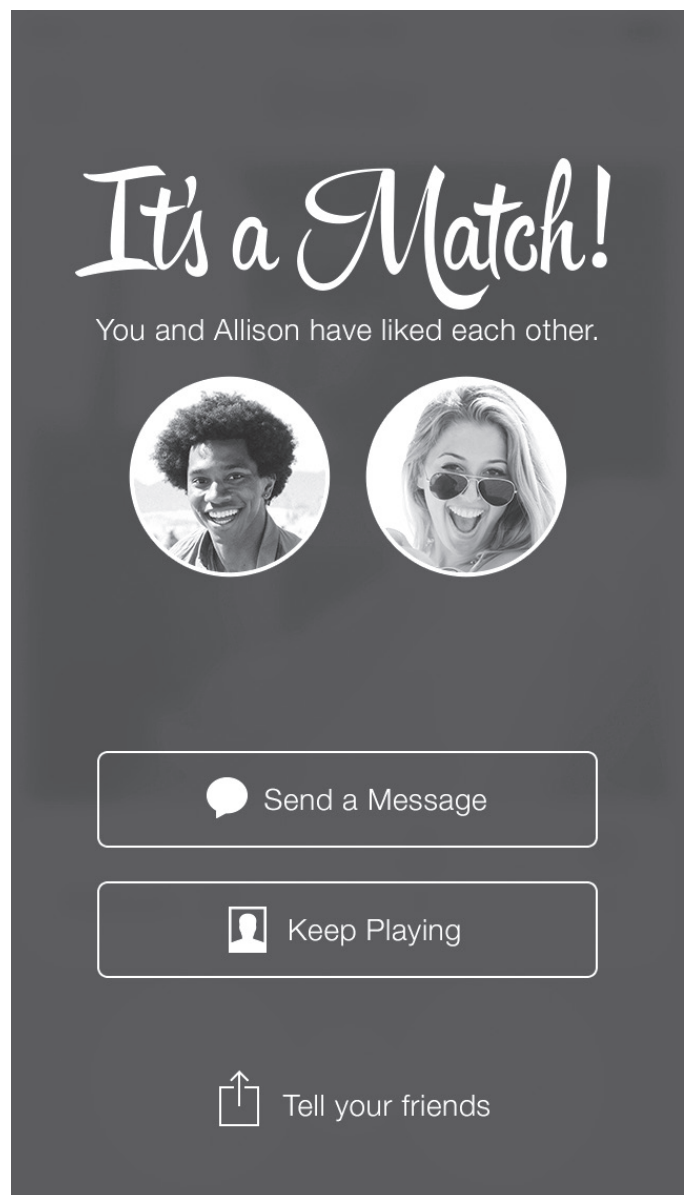


Image courtesy of Tinder.com

Make It Rain

A hot new game gives players mixed messages about markets and cronyism

THOMAS BOGLE

I recently returned from a school-related trip to Atlanta to discover that a new mobile app had claimed my students' attention.

"Check it out, Mr. Bogle! I'm making it rain!"

They were excited to show me this new game, knowing full well that I would turn it into a lesson in economics.

And I have to admit that my opinion of this game is mixed. On the one hand, the Public Choice analysis of our current economic system as presented in the game is not too far from reality. It would be a great starting point for many classroom discussions.

On the other hand, this is what the company's website says the game is about:

Make It Rain isn't just a game. It's a satire about wealth obsession and what it takes to become obscenely rich. Players manipulate business, political, and financial institutions to generate incredible fortunes. It's striking a nerve in political discussions of wealth inequality and political corruption in the U.S.

If you have not seen it, "Make It Rain: The Love of Money" is played on a mobile device by swiping your finger across a stack of bills as though you are throwing them out one at a time. The faster you swipe, the more money you make. But don't just work harder, work smarter! You can increase the value of each swipe by investing in different categories. You might invest in various business ventures such as paper routes and lemonade stands. If that isn't sufficient, you can also make financial investments into savings accounts and stocks. There is even an option for a bitcoin investment account.

Those traditional routes to wealth creation may seem all well and good, but if you want to get really rich—I mean

"one percenter" rich—you will need to start investing in your political cronies. Yes, there is an entire section for political investments, where you can hire lobbyists, form a super PAC, and even start building voting machines. The more "investments" you make, the greater your wealth-earning potential. That part sounds like an engaging way to discuss Public Choice analysis.

As you make business investments (which become progressively more "evil" the higher you advance), your ability to make money is still limited by your finger-swiping speed. However, both your financial investments and your political investments are passive income and require no effort on your part. That's where the game's message becomes mixed.

To add an element of risk to the game, The FBI might put you under investigation, whether you engage in illegal activities or not. The outcome of the investigation is determined by the spin of a wheel, not the facts of the manner in which you have played the game. Rule of law be damned! Besides, even if you lose the case, you can always bribe the judge.

Did I mention that the only way to bribe a judge is by using a special card, available only as an in-app purchase? Yes, the profitability of this game in the real world is actually determined by your willingness to spend real money to bribe a fake judge in order to keep your fake money.

Should I even be surprised that my students have already found a way to cheat in a game about cheating?

But don't worry; if you do lose your shirt to a corrupt judge, you can always double your current cash holding by simply reading a news article. Click on that button in the game and you will be redirected to the website of *The New York Times* to read "For the Love of Money" by Sam Polk. In other words, a game structured entirely around you

making as much money as possible, by whatever means possible, is now going to reward you with even more money for reading an article that tries to convince you that the pursuit of money is an illness and an addiction. How ironic.

So it seems that the underlying message of the game is that the very pursuit of money itself is evil. When the game is opened, a variety of biblical sayings decrying wealth are often splashed across the screen. The creators of the game seem oblivious to the fact that self-interested business and financial investments that create wealth in a free-market economy do so because they improve the quality of life of real people, including those who often seem far removed from the activity in question. The money that is made is simply a response to the value creation that precedes it.

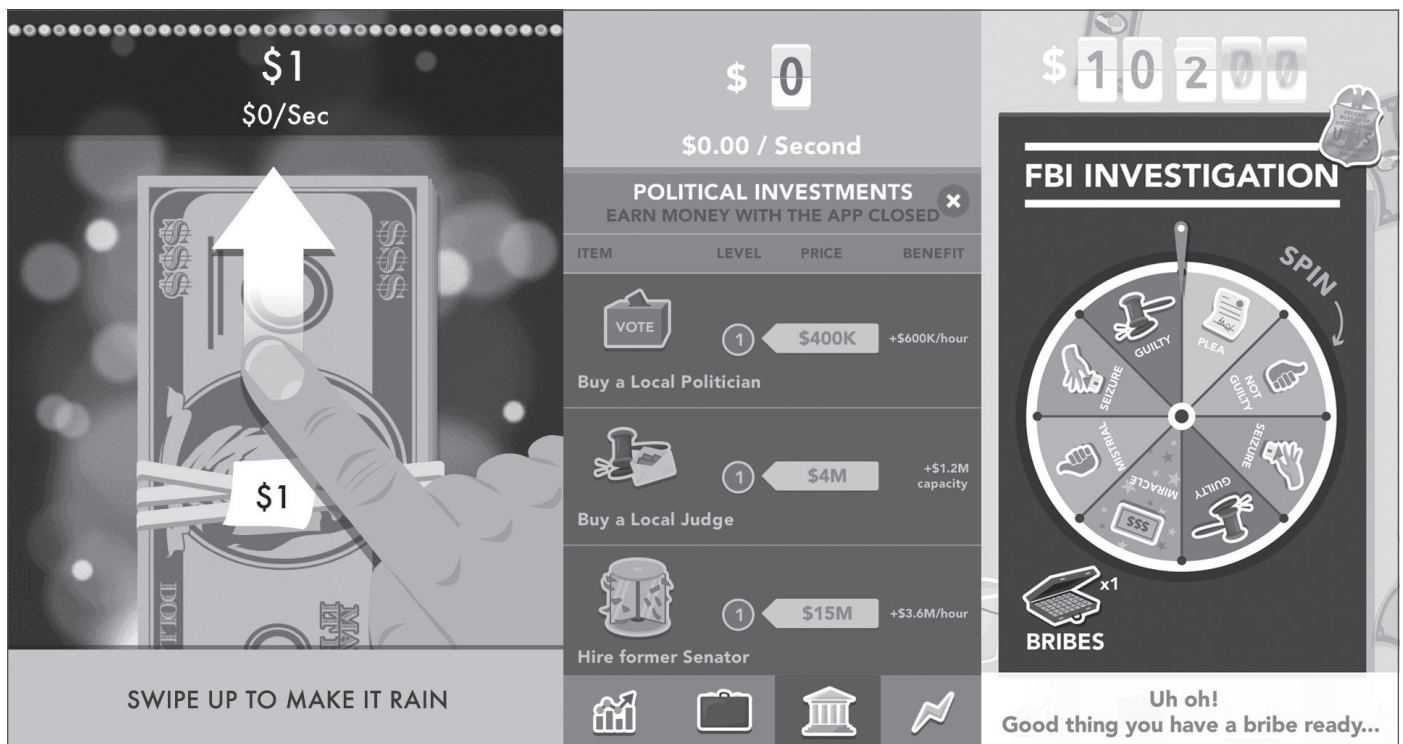
The despicable aspect of money is not that it is made, but that it can be transferred—at the barrel of an agent’s gun if necessary—through backroom political deals. That is not the fault of money. It is the result of creating political institutions that wield the sword and are willing to sell

that power to the highest bidder. But good luck finding anything about that in this game.

Young people, the world around you is a beautiful and fascinating place, thanks in large part to the entrepreneurs and innovators who develop new products and services—even mobile games with a political agenda. Please do not let the cynicism of others tear down your enthusiasm for making the world a better place. Improve the lives of those around you. Allow them to express their gratitude by returning the favor. The money you use is simply a means to those ends, not the end itself.

Instead of focusing on “making it rain,” I encourage you to try to make a difference. You just might be surprised at how the market responds, especially when political investments are taken off the table. **FEE**

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Virtual Worlds, Real Economics

Video games rot your brain and teach you econ

MATTHEW MCCAFFREY

Video games are playing an increasingly large role in pop culture. Whether you play, or believe they are art (tinyurl.com/o3elpx9), gaming will no doubt continue to be a major player in the entertainment industry. More importantly, libertarian ideas seem to be popping up everywhere in gaming (tinyurl.com/nwhv7jh). Criticism of government is on the rise, for example, and there is new emphasis on the importance of free thought and action.

To cite just two examples, *Bioshock Infinite* criticizes militarism and jingoism, while *Assassin's Creed 4: Black Flag* is largely a celebration of pirate anarchy. Astute gamers may even notice that an animator for *Gears of War 3* put Mises' motto, *Tu ne cede malis* ("Do not give in to evil but proceed ever more boldly against it") in the game's credits sequence.

This is all good news for libertarian ideas generally, but also for economic education. Gaming culture is a vibrant new arena of action where sound economic ideas have a real chance to take hold. There is already discussion about how in-game economies emerge and evolve (tinyurl.com/ppvt2oq)—particularly how they deal with money and inflation (tinyurl.com/lfeaxu6). But games incorporate economics at even more basic levels. Indeed, many gamers are already using the economic way of thinking without even knowing it. The key point is that games are all about basic economic concepts: scarcity, choice, tradeoffs, opportunity cost, trade, and entrepreneurship. If we think of them like

this, we see how their virtual reality imitates real-world economic decisions.

For instance, essentially all resources in the gaming world are scarce—that's where the challenge comes from. If resources or experience points or time were unlimited, there wouldn't be much of a game to play. But because gamers routinely face these kinds of scarcity, they are already familiar with the limitations they impose, and have taken a first step toward economic understanding.

Scarcity means we have to make choices, and in this area games are pushing boundaries. Improved production

values in the gaming industry have increased the immersive qualities of gameplay, to be sure. But it's the economic simulations that make the experiences so real. Consider games like *The Walking Dead*, which takes scarcity to an extreme by using the zombie

apocalypse as a backdrop. Instead of combat, *The Walking Dead* centers on difficult economic decisions, like how to ration dwindling food supplies among survivors. Players become emotionally involved in the story by confronting scarcity and tough choices every step of the way.

Players' decisions in turn imply tradeoffs and opportunity costs. Anyone who has ever played a role-playing game (RPG) knows this territory well; choosing to allocate money or experience to a certain skillset means that other skills must be forgone. And it's a short step from there to realizing that the true cost of skills is not the resources you spend to obtain them, but the alternative abilities you could have acquired.

GAMING CULTURE
is a vibrant new arena of action
where sound economic ideas have
a real chance to take hold.



BioShock Infinite features an ultra-nationalist, militaristic dystopia.

Photo courtesy 2K Games

Because players have different opportunity costs, not everyone is equally suited to all tasks: Enter the importance of specialization and social cooperation. Cooperation on a grand scale features in many Massively Multiplayer Online RPGs (MMORPGs) such as *World of Warcraft* and *EVE Online*, where the most important quests can only be completed if a large number of diverse character types work together. Each member of the party specializes in enhancing the strengths or offsetting the weaknesses of the others, producing intricate networks of interdependence.

Trade is another vital form of social cooperation, and through the interactions of hundreds of thousands (if not millions) of players, MMORPGs rapidly develop complex systems of barter and monetary exchange. The teaching moment comes when players get to experience the benefits of the division of labor; even better, the benefits of specialization and trade are more obvious than in some ordinary market exchanges, where economic logic might seem too abstract.

Lastly, gaming showcases some of the best of the

BEING A GAMER
is about the ability to craft and control virtual worlds while learning to think creatively to overcome obstacles. Entrepreneurs do the same thing when they control productive resources in the constant drive to satisfy consumers.

entrepreneurial spirit. Being a gamer is about the ability to craft and control virtual worlds while, at the same time, learning to think creatively to overcome obstacles. Entrepreneurs do the same thing when they control productive resources in the constant drive to satisfy consumers. It's not a surprise then that the gaming industry

is growing and innovating in ways similar to Silicon Valley and other focal points of entrepreneurial energy; the two go hand in hand.

The idea that gaming conventions are reflections of economic principles is just one example of the many opportunities for economic teaching presented by the mass appeal of gaming. We're bound to see more as the industry continues to thrive, so let's be ready to show gamers that the

experience they crave is not just good fun, but good economics. **FEE**

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How Physician Licensing Hurts Medicine and Helps Pseudoscience

DANIEL J. BIER

In 1900, average life expectancy in the United States was just 47 years, and one in 10 children died before their first birthday. Today, life expectancy is nearly 80, and infant mortality is down to half a percent. Vaccines have battered deadly diseases like polio, smallpox, measles, whooping cough, hepatitis, and tetanus to the brink of extinction. If ever there was a monument to human achievement, it is that, all around you, there are so many people alive and healthy—and so few sick and dying.

Modern medicine is an outstanding triumph of human intelligence and cooperation. As a result of unparalleled scientific and economic development, the West has wiped out infectious diseases, drastically reduced infant mortality, and made inroads in the diagnosis and treatment of all kinds of disorders.

Yet distrust of evidence-based medicine abounds, and pseudoscientific practices continue to thrive along its margins—in the United States alone, alternative medicine is a \$34 billion a year business. Given the undeniable success of modern medicine, why do so many reject it in favor of unscientific remedies? While the answer surely lies in a combination of factors, including those of history, culture, and psychology, economics reveals another possible culprit for the success of pseudo-medicine: occupational licensing laws.

In his 1962 book *Capitalism and Freedom*, economist Milton Friedman speculated about an economic factor

behind public acceptance of quack medicine. Friedman argued that physician licensing regulations created an economic incentive for substitutes to conventional medicine. He argued that licensure drastically cut the supply of medical professionals, driving consumers to unregulated alternatives.

“Whenever you establish a block to entry into any field, you establish an incentive to find ways of getting around it,

and of course medicine is no exception. The rise of the professions of osteopathy and of chiropractic is not unrelated to the restriction of entry into medicine,” he argued. “On the contrary, each of these represented to some extent an attempt to find a way around restriction of entry.... These alternatives may well be of a lower quality than medical practice would have been without the restrictions on entry into medicine.”

LICENSING REDUCES supply, driving up the price of medical care, making substitutes look more attractive. The field becomes filled with quacks and snake oil salesmen, leading to more unqualified suppliers than would have prevailed under a free market and competitive private certification.

Quacks and snake oil

Friedman explained that if licenses accomplish their purpose—keeping out marginal suppliers of medicine—then, for those who cannot afford a doctor, “The alternative is untrained practice by somebody; it may and in part must be by people who have no professional qualifications at all.” Friedman certainly had a point in 1962, but today, demand for alternative medicine comes primarily from people of greater means. Demand for basic care is inelastic and subsidized by the welfare state, while most alternative

medical treatments aren't covered by Medicaid, and the poor have less disposable income to spend on chiropractors, expensive supplements, and so on. In any case, licensing reduces supply, driving up the price of medical care, making substitutes look more attractive. The field becomes filled with quacks and snake oil salesmen, leading to more unqualified suppliers than would have prevailed under a free market and competitive private certification.

What is significant about the faith healer and the homeopath is not just that they tend to be cheaper than licensed doctors, but that they often fraudulently promise greater benefits for their services than even the best that medicine can provide. This would seem to indicate that the constraints imposed on the supply of health care by government may exacerbate the constraints placed on it by reality.

The placebo effect

In nearly every case, what alternative medicine is actually selling is the placebo response, which is a real phenomenon that results from positive interactions with people you trust, whether they happen to wear lab coats or magic crystals. At the same time, because of the reduced supply, overqualified doctors spend a lot of time treating minor complaints. Their time is extremely valuable and in demand, creating high opportunity costs for talking with patients. Moreover, because third parties such as Medicare and insurance pay for nearly all health care, there is little competition between doctors, and almost none at all between doctors and less skilled technicians who could treat simple complaints as effectively and at lower cost in a less regulated environment.

These facts allow us to make two predictions I believe are borne out. First, given the barriers to entry and cartel status of physicians, the quality of doctors' personal

THERE IS LITTLE competition between doctors, and almost none at all between doctors and less skilled technicians who could treat simple complaints.

interactions with patients is likely to be lower than it would otherwise be. (For instance, one study found doctors listen to patients for just 23 seconds before interrupting them.) Second, people selling alternative and substitute services will compete on this margin by being friendlier, listening

more, and promising extremely optimistic outcomes. The result for the patient is a placebo effect, and for society, a vast industry of well-intentioned but unqualified "alternative" providers.

The unfortunate fact is that the biggest shortage of health care is created by nature: Not everything can

be fixed, and no one lives forever. As long as we seek immortality, people will continue to be duped by charlatans promising cure-alls and magic potions. This is because the unmet demand for perfect treatment is filled by a false supply. Superstition and wishful thinking rush into the gaps in our knowledge, and friendly quacks fill in the margins of health care, claiming to solve all the problems medicine hasn't.

Some of this is unavoidable and probably harmless, but it can prove quite dangerous when enterprising hucksters convince sick people to drink water instead of taking antibiotics or to crack their backs instead of getting chemotherapy. By restricting the supply of professionals through licensure and other regulations, governments have made it harder for Americans to get access to health care, thus ironically leading people to even more low-quality alternatives to good medicine. Regulators' good intentions rarely trump economic incentives. It's time to fight fraud with freedom: Abolish the barriers to entry and let people choose the level of treatment that's right for them. **FEE**

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Frak! Has Your Mother Sold Her Mangle?

A Michigan town is trying to ban swearing. It won't work.

SARAH SKWIRE

I was all ready to write a column about Anthony Trollope, Francis Hodgson Burnett, and women's property rights, when Brighton, Michigan, decided to start enforcing \$200 fines against people who swear in public.

This was such a perfect demonstration of the extension of Skwire's First Law from politicians to those who enforce the laws enacted by politicians that

I had to shelve my original plans

and devote this week's column to the question of cussing.

(Skwire's First Law, by the way, cannot be stated in Brighton, Michigan, without incurring a fine. Suffice it to say that it addresses my opinion of politicians.)

What the fine law enforcement agents of Brighton are failing to consider, however, is that language is a Hayekian spontaneous order. That means language changes and evolves faster than it can be regulated.

Charles Mackay discusses the rapid evolution of nonsensical slang phrases in his book *Memoirs of Extraordinary Popular Delusions and the Madness of Crowds*. Though Mackay may have been too much of a gentleman to discuss actual profanity, he does record the speedy shifting of popular phrases of the day from "Quoz!" to "What a shocking bad hat!" to "Hookey Walker!" to what may be one of the earliest recorded "your mama"

jokes, "Has your mother sold her mangle?" As Mackay notes, the inscrutability and the ephemerality of such slang insults drive their popularity. "Like all other earthly things, Quoz had its season, and passed away as suddenly as it arose, never again to be the pet and the idol of the populace. A new claimant drove it from its place, and held undisputed sway till, in its turn, it was hurled from its pre-eminence, and a successor appointed in its stead."

My guess is that language—especially profanity—evolves even faster and more creatively in response to attempts to regulate it. W. C. Fields, for example, charmingly evaded rules about swearing in film with epithets like "Godfrey Daniels!" It's still a fairly satisfying response when a small child steps painfully on one's foot. In similar fashion and for similar reasons, smart kids have been using "shut the front door" and "see you next Tuesday" for ages.

In fact, it is my hope and expectation that the young skate rats and adolescent flaneurs of Brighton are, even now, innovating new curse words and resuscitating old ones in order to confound the cops and maintain the great teenage prerogative of insulting geezers in language they can't understand.



To further that noble end, I have a few suggestions for areas where Brightonians might wish to focus their research.

Science fiction

Science fiction movies and literature have long been a productive source of alternate curse words. From *Battlestar Galactica*'s "frak" and "felgercarb" to *Farscape*'s "frell" and *Firefly*'s "gorram," there are a host of useful and satisfying epithets to explore. The extensive and apparently very well-researched Chinese language cursing in *Firefly* also serves as a realm that the citizens of Brighton should explore.

Foreign languages

Anyone who grew up in a multilingual household knows the utility of cursing in a language that most people around you can't understand. I grew up learning the emphatic pleasures and subtle distinctions of Yiddish cursing, but friends give me to understand that—satisfying as *shmendrick* and *shmeggege* and *paskudnyak* are—other languages offer equally profane pleasures.

Antiquity

The past is a foreign country as well. They curse so differently there. My high school French teacher taught us curses from the prewar era. So, to this day, I cause Gallic hilarity with my tendency to exclaim "Ma foi!" and "Zut alors!" when I am in France and incensed. But resuscitating earlier curses from English will work as well. Recall the episode of *The Simpsons* where Bart notes:

Bart: That ain't been popular since aught-six, dag-nab it!

Homer: What did I tell you?

Bart: No talking like a grizzled 1890s prospector. Consarn it.

How quaint!

Literature

This may be my favorite option, because I cannot keep myself from envisioning the perplexity among Brighton's law enforcement agents when confronted by a populace who take their cusswords from *The Scarlet Pimpernel*. "Sink me! You can't really intend to ticket me for that, can you? Zounds, you rogue!" Those wanting to explore this fertile source of filth will want to pay particular attention to the works of Chaucer, Shakespeare, and Rabelais.

The difficulty with all the foregoing options, of course, is that if one is sufficiently unlucky, one may encounter an officer who is familiar with the obscure curses one has chosen. To evade this problem, I suggest a solution that has been popular with parents of young children since time began.

Curse words that aren't

Titmouse. Ballcock. Christological. Zeugma. Fractional reserve. Bassinet.

And I will cheerfully pay the \$200 fine for the first Brighton-area citizen who can show me a citation for having called a cop a "bilabial fricative." **FEE**

LANGUAGE IS A Hayakian spontaneous order. That means language changes and evolves faster than it can be regulated.

Sarah Skwire (sskwire@libertyfund.org) is a fellow at Liberty Fund, Inc. She is a poet and author of the writing textbook Writing with a Thesis.

Class War in the Time of Robin Hood

B.K. MARCUS

We are the sons of these serfs, of these tributaries, of these bourgeois that the conquerors devoured at will; we owe them all that we are.

—Augustin Thierry

A carriage is brought to a halt on the road to Nottingham. The nobles within peek past the curtains to see bandits on all sides. They scan the grimy faces of the hostile woodsman to see if they can recognize that famous outlaw, that protector and avenger of the poor and downtrodden, that paragon of armed social justice, that singular personification of class conflict: Robin Hood.

Generations have grown up with a heroic ideal of robbing from the rich and giving to the poor. Robin Hood's hawk-eyed archery and fierce swordplay make him popular with kids, and his social conscience endears him to their parents.

Only those who are particularly wary of an apparently left-wing message in the legend take exception. Socialists, of course, make the most of Robin Hood as a hero of the underclass—a medieval precursor to modern Marxist class theory.

Because Robin Hood is a centuries-old folk hero and not a historical figure, each generation has been able to reinterpret the legend to fit its agenda. It was only in the nineteenth century, for example, that Robin Hood amended his *modus operandi* to include giving to the poor. But if we look to the era in which his legend first “became genuinely popular,” according to historian Simon Schama, we'll see that the classes in conflict don't neatly fit the Marxist theory. They do, however, fit the older, now mostly forgotten libertarian class theory of French and American classical liberals.

While Robin Hood's story is now commonly set in the late 1100s while King Richard the Lionheart is away, fighting in the Crusades, our earliest written record of the legend appears some 200 years later, at a time of drastic

changes in the lives of both rich and poor—and in the relationship between the two.

The Black Death reached English shores in 1348, killing almost half the population by 1350. The survivors were, of course, devastated. Not only had they lost their friends and families; they lost any sense of order in the world. The Middle Ages were marked by a belief in permanence and predictability. For the commoners who made up more than 90 percent of the English population, the details of one's life would have resembled those of one's grandparents and



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could be expected to be the same for one's grandchildren. Then everything changed.

The population was now drastically smaller—especially among working people—but there was just as much gold as before, as many buildings and other artifacts of pre-plague England, as many acres of farmland. There was, in short, the same amount of wealth in pre- and post-plague England, and only half as many people left to possess it.

With fewer peasants to till the soil, landlords had to compete to attract the surviving labor. After many generations on the same few acres of land, healthy field workers were suddenly uprooting and moving to wherever they found the best opportunity. Market forces made the lives of working people immeasurably better—and the nobles who lost the bidding wars for their services didn't like it.

As happens in every era of dramatic change, the economic has-beens appealed to the coercive power of the State to return conditions to a comfortable status quo ante.

The Statute of Labourers (1351) made it illegal for peasants to accept wages that were higher than pre-plague levels. Meanwhile, food prices skyrocketed, as we should expect from a doubling of the supply of money relative to food supply.

The poor, forced to endure hunger and shortages, could see ever more clearly that the source of their suffering was not just bad weather or pestilence; it was a political class growing rich from peasant labor.

And if the Black Death had destroyed the survivors' belief in the security of an unchanging life, it also led them to question the supporting ideology of feudalism. The doctrine of the Great Chain of Being, which gave divine sanction to the aristocracy's superior position in society and in the economy, suddenly seemed as uncertain as everything else.

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Revolutionary hero

An oppressed people with a clear enemy and a belief in the reality of change is a recipe for revolution.

In 1381, in response to a new poll tax to pay for foreign war, thousands of commoners took up arms and advanced on London. The uprising is remembered as the English Peasants' Revolt, but as Simon Schama notes in *A History of Britain*, "The 'Peasants' Revolt' of 1381 was, in fact, conspicuous for the absence of peasants."

The rank and file may have come from the bottom of the social hierarchy, but the leaders of the revolt were merchants and lawyers:

the sort of people, in fact, who ... had a bit of money and sometimes even a smattering of book learning. Their trades put them in touch with worlds beyond their parish, and they knew how to make an army out of those one rung down on the social ladder. (*A History of Britain*, vol. 1, p. 246)

In the BBC documentary version of his book, Schama asks and answers a key question for our understanding of the era and culture that produced the legend of Robin Hood:

Was this a class war, then (a phrase we're not supposed to use since the official burial of Marxism)? Yes, it was.

But was it really? Schama makes it clear that the class theory he has in mind is Marxist, and Marx makes clear that the inescapable root conflict is between socio-economic classes—specifically between rich and poor—no matter what system led to the creation and distribution of wealth.

The Communist Manifesto opens with these lines:

The history of all hitherto existing society is the history of class struggles. Freeman and slave, patrician and plebeian, lord and serf, guild-master and journeyman, in a word, oppressor and oppressed....

In “Classical Liberal Roots of the Marxist Doctrine of Classes,” historian Ralph Raico writes, “On examination these opposed pairs turn out to be, either wholly or in part, not economic, but legal, categories.” (That is, categories created by *political* privilege.)

Not only can we see that that the Peasants’ Revolt was a battle between the productive class of commoners and the specifically political class that fed off their production; this division of sides was also clear to the rebels themselves:

“They were emphatically not a rabble,” writes Schama:

En route [to London], their targets had been carefully selected: estates belonging to tax collectors or prominent members of the royal council.... Any document bearing the green wax seal of the Exchequer was marked for destruction. It was an army that knew what it was doing.

If the Peasants’ Revolt had been a class war in the Marxist sense, we would have seen the so-called peasants targeting wealth in general. Instead, we see a rebellion led by an emerging bourgeoisie targeting the machinery of the oppressive State.

Karl Marx was not, however, the originator of class theory, and his is not the only version of class war that can describe the events of 1381. As he wrote in a letter, “Long before me bourgeois historians had described the

historical development of this class struggle and bourgeois economists the economic anatomy of the classes.”

The “bourgeois historians” were French and American classical liberals—Charles Comte, Charles Dunoyer, Augustin Thierry, and other disciples of Jean-Baptiste Say in France; John Taylor of Caroline, William Leggett, John C. Calhoun, and other Jeffersonians in the United States. And their theory, unlike Marx’s revision,

divided the people into a productive economic class and a parasitic political class: tax payers and tax consumers. Historically, these classes correlated (not coincidentally) to the oppressed poor and the oppressive rich, but the liberal class theory did not treat the distribution of wealth as the source of inevitable conflict; the historical division of the rich and poor was in

LIBERAL CLASS theory did not treat the distribution of wealth as the source of inevitable conflict; the historical division of the rich and poor was in fact a result of the political class’s coercive exploitation of productive people.

fact a result of the political class’s coercive exploitation of productive people pursuing voluntary exchange in a free market.

As advocates of such voluntary exchange, we too often resist Robin Hood’s rob-from-the-rich morality, as we resist any talk of fundamental conflicts of interest between different classes. But the targets of Robin Hood and his merry men—like the targets of the Peasants’ Revolt—were rich from plunder, not production.

Like the radical liberals of the nineteenth century, the “peasant” rebels of the 1300s—when Robin Hood’s exploits fired the imaginations of an oppressed people—recognized that their enemies were the tax collectors, legislators, and all other members of the political class.

Our intellectual tradition not only offers an older, sounder class theory with greater explanatory power than the now more familiar Marxist theory; it lets us join the English rebels in embracing Robin Hood as a hero of the productive class. **FEE**

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