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Take This Job

Work. For some, it's an activity to be avoided. For others, it's something you can't live without. It's not just that people work to stock the fridge and pay the bills. It's that people work because, without it, their lives would somehow be less purposeful. If economics is the study of human action, work is a big part of thinking about economics. But it goes deeper than that, to questions about who we are as a species.

From the teenager who proudly trims the final blade of grass alongside the flowerbed, to the Walmart associate who helps a desperate dad be a better Santa on Christmas Eve, workers make the world go round. There is much to celebrate about them and their work.

Work can help you make ends meet. It can help you find dignity. It can even be rewarding. And beyond the fact that it's got to be done, there's no grand theory of work. It simply animates our economy. Some work can be useless, of course—like the output of a functionary who places stamps on official papers. Or think about the tax preparer: Even though he makes life a little easier as we navigate the tax labyrinth each winter, it's easy to imagine a world with a flat tax and without H&R Block.

Some people work for the sake of the work—like the dollmaker who spends Saturdays molding tiny hands and stitching little outfits, but refuses to sell her work. Then there's the guy who volunteers to coach kids' basketball. What about the novelist who knows his chances of being published are remote?

We have to be honest about the kind of work few of us want to do (except maybe people who risked their lives to cross the Sonoran Desert to do it). I'm thinking of the dishwashers, the landscapers, and the folks who clean the slaughterhouse floor. Most of us don't want to do it, but some are happy to do such work. While we might bristle

at the Victorian horrors of factory labor, we know at some level it's better than a world with no factories.

Marxists speak of alienation on the assembly line—a condition where pride-of-craft is absent and the worker may never even see the finished product. We now know people can and do take pride (and find flow) in even the most mundane sorts of labor, like factory work. But we should also admit that some jobs are pretty hard to romanticize—jobs David Allen Coe might offer for you to take and shove.

“Progressive” intellectuals view low-skill laborers and their work with a mix of pity and condescension. In her 2001 book *Nickel and Dimed*, Barbara Ehrenreich writes about her experiences posing as a working-class person (in this scenario as a maid):

Self-restraint becomes more of a challenge when the owner of a million-dollar condo ... who is ... an acquaintance of the real Barbara Bush takes me into the master bathroom to explain the difficulties she's been having with the shower stall. Seems its marble walls have been “bleeding” onto the brass fixtures, and can I scrub the grouting extra hard? That's not your marble bleeding, I want to tell her, it's the world-wide working class—the people who quarried the marble, wove your Persian rugs until they went blind, harvested the apples in your lovely fall-themed dining room centerpiece, smelted the steel for the nails, drove the trucks, put up this building, and now bend and squat and sweat to clean it.

Where low-skilled laborers see opportunity, Ehrenreich sees offense. For people like her, the working class are people to be protected and paid according to the fancies

of academics with agendas—as opposed to, say, labor market supply and demand. And yet even as she stews in her sanctimony about the world-wide working class, we can all relate to the idea that some jobs just suck. While we may never automate all the suckiest jobs—or take Huxley's soma in order to cope—we can take comfort in the likelihood that work will become less sucky with time. (If history is any guide, that is.) And, as we become more productive (and as long as those sanctimonious types with political agendas don't interfere), we can, in a sense, buy time: fewer hours spent doing things we only do because we have to, or less of our working time swallowed up by mere subsistence, leaving more for things like cell phones, vacations, air conditioning—maybe even retirement.

In any case, less of U.S. economic output requires backbreaking work these days. With few exceptions, any person born today stands less of a chance than ever of having their job devour their lives—literally wearing their bodies and minds out with the task of merely keeping body and soul together. This holds even during these tough times: Your old job might not come back, but the complexity of our modern economy offers an enormous variety of things one can do to earn a crust. Twenty years ago, you wouldn't have been able to develop a game for an iPad. Food trucks weren't hip—you had to go all out and open a restaurant, or content yourself with dinner parties. Mixed martial arts was not bigger than boxing.

If the macroeconomists stop meddling and the government stops growing, we may return to a condition of growth that pulls more people with a willing heart back into lives of productivity and purpose.

—The Editors **FEE**

Wanted: Missionaries, Not Monks

What have you done for liberty today?

LAWRENCE W. REED



If you've watched FEE programs, publications, and announcements even occasionally in the last couple of years, you've no doubt noticed some important changes. We've retooled and refocused. At the same time, we've reaffirmed the principles of our founding some 67 years ago. We're

using technology more (the Web, social media, videos, webinars, etc.) because that's where our prime audience of high school and college students is. We've breathed new life and excitement into the message—in both the content and the way we deliver it.

Change is never easy and always comes at some cost, but as the old saying goes, “nothing ventured, nothing gained.” Early returns confirm that we're on the right track.

However, certain responses from some FEE supporters prompt me to write this message today. I refer to the well-intentioned but rather short-sighted comments that I paraphrase here:

I think you should go back to *The Freeman* as it looked 40 years ago when I was growing up.

I don't use the Internet and don't watch videos. I want to read what I can hold in my hand.

FEE should hold more evening events in my neighborhood that I can attend regularly.

It comes down to this: Are we out to win the intellectual battles for liberty's future or are we just a club that services its own membership? *Are we monks or missionaries?*

I'm not disparaging monks. They serve a purpose,

I suppose. But a monk is not a missionary. Both are among the “already converted,” so to speak, but it's the missionary who reaches beyond himself to win others to his cause.

I have some libertarian friends, closely associated with FEE for years, who, in effect, implore us to do more for them—more articles and publications that cater to their personal desires, more events that they can attend, etc. With all due respect, these folks are a little like the bird who never leaves the nest. My friendship and respect for them often makes it hard for me to say bluntly what I'm thinking: “Hey, you're already won over. Now go forth and win others. Every dollar I spend on you is a dollar I can't

spend on the new birds.”

Maybe I'm impatient but I actually want to WIN this thing. So do my colleagues on the FEE staff and board. That's why we went through a long and thoughtful strategic planning process to

identify the most underserved component of the market for liberty. Sixty-year-olds who have been sold on the philosophy for the past 45 years didn't rank high on the “underserved” list (if they had, my name would have been on it).

This “monk” thinking is not peculiar to a handful of FEE supporters. It's all too common throughout our movement. It shows up as the organization that never changes its methods to reach a new audience; the professor who cranks out paper without caring whether it ever gets read; the guy who claims great passion for the ideas of liberty but can't remember the last time he actually tried smartly to persuade a newcomer.

If we're to have a shot at securing liberty for the future, we simply must become better marketers. We have to

ARE WE OUT TO win the intellectual battles for liberty's future or are we just a club that services its own membership? *Are we monks or missionaries?*

embrace the missionary mentality and practice the best techniques for attracting converts. To our founder, Leonard Read, that meant mastering the art of persuasion, seeking opportunities to open a closed mind, passing on the message in the most appealing way possible. Read was an evangelist for liberty, always looking to win friends and influence people. In any given year among the 50 he devoted to advancing liberty, he could have cited hundreds if not thousands of people he awakened because he nudged them with a pamphlet or pricked their conscience with a well-placed admonition.

Several times a year I will hear something like this from a FEE supporter: “I’m proud to tell you that I still have every copy of *The Freeman* published since 1955, in my basement.” Well, bless his heart. I love the devotion that news expresses. But I also wonder why those copies went straight to the basement instead of to the hands of a young newcomer to the ideas.

What if, instead of 10 hard-copy issues of *The Freeman* per year, we cut back to five but sent every subscriber two copies—one to keep and one to pass on? You could be both a monk and a missionary at the same time. And the number of people who come to believe in the principles of liberty would grow, perhaps dramatically.

I’m just thinking out loud here, but you get the point. Maybe we don’t need fewer monks, but we sure need more missionaries. Think of the potential if every lover of liberty set a specific goal for himself—so that at the end of the year he could honestly say, “Five or 10 people, heretofore uninterested in liberty, embraced the concept this past year because I made the effort to light a spark within them until it blazed on its own. I gave a newcomer a copy of *The Freeman* and explained why he should give it a look. I found a high school student I convinced to go



If we want to win, we must spread the word about liberty.

Staff photo

to a FEE seminar and she says it opened her eyes. I wrote a letter to the editor so well written it prompted a stranger to call and tell me he never thought of this issue that way.” On and on. This is how great movements are grown, and how they ultimately win.

Nobel laureate and Austrian economist F. A. Hayek famously wrote, “We must make the building of a free society once more an intellectual adventure, a deed of courage.... Unless we can make the philosophic foundations of a free society once more a living intellectual issue, and its implementation a task which challenges the ingenuity and imagination of our liveliest minds, the prospects of freedom are indeed dark. But if we can regain that belief in the power of ideas which was the mark of liberalism at its best, the battle is not lost.”

Are you a monk or a missionary? Liberty’s future may depend entirely on which of those two venerable occupations you choose. **FEE**

Lawrence W. Reed, economist and historian, is president of FEE and author of the forthcoming book, Are You Good Enough For Liberty?

Magic Words and False Gods

Communicating beyond society, market, and hypostatization

GIAN PIERO DE BELLIS

Any productive action requires clear thinking on the part of the acting person. This is particularly true of communication. In *The Ultimate Foundations of Economic Science* (1962), Ludwig von Mises remarked that the “worst enemy of clear thinking is the propensity to hypostatize, i.e. to ascribe substance or real existence to mental constructs or concepts.”

In other words, there’s no such thing as “society.” Mises continues:

Hypostatization is not merely an epistemological fallacy and not only misleads the search for knowledge. In the so-called social sciences, it more often than not serves definite political aspirations in claiming for the collective as such a higher dignity than for the individual or even ascribing real existence only to the collective and denying the existence of the individual, calling it a mere abstraction.

The fallacy of hypostatization, however, is not confined to people holding collectivist views. It is also practiced by people who stress the importance of individual liberty.

If the so-called collectivist falls into the hypostatization fallacy in using the magic word “society” (“it’s society’s fault”; “society will intervene”) the so-called individualist employs the same fallacy when he uses the magic word “market.”

Duotheism

When people use the terms “society” and “market,” it would seem there is an overarching almighty entity that has a life of its own. This entity is supposed to do everything—to redress any tort, to administer justice, to increase well-being on earth, and to lead us to the promised land.

In doing so, whether collectivists or individualists, they are not only betraying the basic tenets of science based on empirical realities (and not on fictional entities); they are

also ignoring the advice of those to whom they pretend to refer as the source of their ideas. As we have already seen, Mises condemns hypostatization. Libertarians should take notice.

As for the collectivist camp, it is worth mentioning what Karl Marx had to say about the term “society”: “It is above all necessary to avoid postulating ‘society’ once more as an abstraction confronting the individual” (Karl Marx, *Economic and Philosophic Manuscripts of 1844*).

Hypostatization should therefore be carefully avoided, because the fallacy is unreal, ambiguous, and divisive. It’s unreal because it is devoid of a proper empirical foundation that could clarify, with a certain exactitude, the features and sphere of reference of the hypostatization. It’s ambiguous because it signifies different things to different people; conflicting meanings could be attributed to the same hypostatization. So clearly it is also divisive. It can be taken up by politicians and demagogues in order to invent fake agents and fake enemies that become the convenient scapegoats of those in power.

The continuous use of hypostatizations makes those who would like to exit State power look too much like those who worship government. In fact, it is exceedingly difficult to convince someone that replacing the almighty entity “society” with the almighty entity “market” (or vice versa) will make any difference. Perceptive critical minds already see the almighty State behind society and almighty corporations behind the market. And the most perceptive among this group see that the corporate State is a particularly dangerous beast. They therefore remain aloof to such magic fallacies.

So what is one to do without magic words? Consider some solutions.

Concretize: The Orwell Proposal

In his *Politics and the English Language* (1946), George Orwell, after having dealt at length with the interconnection between sloppy language and sloppy thinking, remarks

that “the whole tendency of modern prose is away from concreteness.” Orwell suggests it would be “better to put off using words as long as possible and get one’s meaning as clear as one can through pictures or sensations. Afterwards one can choose ... the phrases that will best cover the meaning.... This last effort of the mind cuts out all stale or mixed images, all prefabricated phrases, needless repetitions, and humbug and vagueness generally.”

Before using any other fancy communications techniques, we should follow Orwell by starting with clarity, concision, and concreteness.

Operationalize: The Bridgman Proposal

In *The Logic of Modern Physics*, P. W. Bridgman suggests operationalizing scientific concepts—that is, describing the operations that transform them into empirical measures and actions. This eliminates ambiguities and possible misunderstandings, according to Bridgman, who wrote that “the true meaning of a term is to be found by observing what a man does with it, not by what he says about it.” The length of a person, for example, can be defined as the number of times a certain stick can be laid end to end alongside him or her.

So what does this mean for all of our markets talk?

One should replace sloppy uses of “the market” with the concrete expression “people engaged in free exchanges,” and then operationalize the expression by measuring the effective level of freedom (accessibility, universality, etc.) or the impediments to those concrete exchanges (tariffs, quotas, etc.), noting any corresponding growth or diminishment in wealth.

In the last decades, technology has been changing social relations in a much deeper way than what has been accomplished by well-intentioned social scientists and social activists of any era. I suspect the reason is that people involved in tech projects need to have clear ideas and clear communication tools for implementing those projects. It is high time for the individuals engaged in changing our social technologies to do the same. **FEE**

Gian Piero de Bellis is the webmaster of panarchy.org. He manages a Documentation Centre (World Wide Wisdom) in Saint Imier (Swiss Jura).

PAST LIVES

Rose McLarney

These are the ghosts that gather at dawn,
drawn to light and company: the men
who meet each day at the auto shop counter
to talk of work, of what can be kept working.

The mechanic’s second job
may be grading, cutting building sites
into the mountain where he grew up,
but he says his memories of being a child
in those woods are *vivid*, pronouncing the *i*
so it stretches long into a *y*, goes deep,
and buries itself in the earth again.

The truck driver (that’s what he does for money)
is truly a farrier and tells of the lame horse
he has come from treating. Just touching
the tendons of her legs, he could tell
she had a strain from standing in mud.
Of course, they feel the shifting ground.

On the hardest of mornings
in winter, they watch each other appear
through frosted windows, smoking
and so doubly clouded.
Lifting hands to mouths, they could be
blowing kisses good bye.

*Rose McLarney (rosemlarney@gmail.com) is Assistant Professor of Poetry at Oklahoma State University and is the author of a collection of poems, *The Always Broken Plates of Mountains* (Four Way Books).*

Labels and Ideological Bubbles

Be mindful of how you label the people with whom you disagree

SANDY IKEDA



When I engage in an ideological discussion I try to be sensitive to how I ideologically label the person with whom I'm talking and how she labels me. I'm not talking about dismissive or openly pejorative words (e.g., evil, stupid, silly), but proper terms

of discourse. How we habitually label our opponents in ideological dialogue could reveal something unpleasant about the ideological world we inhabit.

Getting the Label Right

Now, some people argue that “ideas matter, labels don't.” When we're talking about a specific idea—for example, military intervention in the Middle East—then yes, calling it “liberal,” “libertarian,” “progressive,” “socialist,” or whatever may add nothing to the discussion. But when referring to the worldview of a particular person or group of like-minded persons, especially in the context of a public debate, then how we label ourselves and others can matter a great deal. If the goal is to promote constructive dialogue, then it's important to get the labels right.

We prefer in such cases to be called by the label that we identify ourselves with. I don't like being called a conservative or a liberal because those labels signify sets of ideas and policies, many of which I do not hold. I prefer to be called a libertarian. (“Classical liberal” might be better, but no one in the mainstream knows what that is.)

Colleagues I've known for decades at my college assume that I'm a conservative because I've come out publicly against nationalized healthcare, from which they wrongly infer that I oppose same-sex marriage and that I support our troops in foreign wars. Readers of *The Freeman* have, I'm sure, had to defend themselves against the charge of being “pro-business” because of our skepticism of regulation and high taxes. We have to explain

that upholding the free market is not a pro-business, pro-consumer, or pro-labor position (although the free-market position is, in a sense, “pro” all those things and more). That kind of mislabeling, however annoying, can be the result of an honest mistake—one I know I make myself.

Mistakenly mislabeling someone is one thing: “conservative” for “libertarian,” “Marxist” for “progressive.” Another is deliberately mislabeling your opponent, a trick that forces her to waste time defending herself against the false charge. But there's a third kind of mislabeling that reflects a deeper sort of error, one that issues from exclusivity and insularity.

Who Calls Herself a Neoliberal or a Statist?

I'm reviewing a book about cities whose author uses the word “neoliberal” a lot. It's used mostly by Europeans on the political “left”—e.g., social democrats, progressives, socialists, greens—to refer to people or groups who hold some sort of “libertarian” views. I'll explain in a moment why I'm using scare quotes here.

From what I've been able to gather from my European colleagues, however, no one actually identifies herself as a “neoliberal.” “Neoliberal” is apparently a term some attach to positions “on the (extreme) right,” which apparently includes people thought to have an anti-union or pro-business agenda. There are such people, of course, but there's a reason no one self-identifies as a neoliberal.

As Stanley Fish explained a few years ago in *The New York Times*, “Neoliberalism is a pejorative way of referring to a set of economic/political policies based on a strong faith in the beneficent effects of free markets.” So “neoliberal” is pejorative.

And before libertarians get too indignant, let me point out that we sling words like “collectivist” and “statist” when describing our opponents, and to my knowledge no one self-identifies with those terms, either. To be sure, among our ideological comrades, they may have a fairly clear meaning

and may spark a certain *esprit de corps*. But consistently using a word over a wide range of venues to describe others, when *no one ever* uses that word to self-identify, is a pretty good sign that you live in an ideological bubble.

Evidently, while the author of the book I'm reviewing says she's writing for "an interdisciplinary readership," she takes it for granted that it will be an ideologically sympathetic one.

Our Ideological Bubbles

An "ideological bubble," as I'm using the term, is a social network with shared ideological understandings that closes its members off to others with opposing views. You can be a staunch market anarchist, for example, but still be willing to have a serious, civil conversation with people with whom you strongly disagree. Put simply, you live in an ideological bubble if the only people whom you will talk to seriously about ideology are those you already agree with.

An ideological bubble insulates us from real-time criticisms of our principles and positions, retarding our intellectual growth. It gives us a false sense of security and breeds self-satisfaction, off-putting harshness, and intolerance—things destructive to civility. Also, keep in mind that it's often the bystanders to a debate whom we want to persuade, and they will consider our language and conduct when judging our ideas.

One of the things I've learned from my great teacher Israel Kirzner is that we can't realistically be aware of all of our current limitations because we simply don't know all that we don't know. We have blind spots, and that means intellectual bubbles of all sorts are inevitable. But that doesn't mean that they have to remain invisible to us. Kirzner also taught us that creative discovery is possible. The signs are there, and keeping an eye open to them will give us a chance to make them at least a little more permeable. **FEE**

Sandy Ikeda (sanford.ikeda@purchase.edu) is an associate professor of economics at Purchase College, SUNY, and the author of The Dynamics of the Mixed Economy: Toward a Theory of Interventionism.

FARM

Briar DeHaven

in the waking hours
we answer the ancient call

and drive the hammer and drill the nail
and plunge the blade and pump the well
and lube the engine and spear the pig
and cleave the ham and wedge the shim
and wet the stone and slip the note
and suck the poison and bore the goat
and plow the field and pierce the snake
and split the log and thrust the stake
and pluck the bird and ram the bull
and grab the root and plug the hole
and brand the flesh and crack the yoke
and plow the field and slit the throat
and pound the meat and mount the head
and knead the dough and bury the dead
and pull the load and push the load
and pull the load and push the load
and pull and push and pull and push
the load the load the load

and work is what we call it
true, but incomplete

Briar DeHaven (briardehaven@gmail.com) is a poet and children's book novelist living in Southern Appalachia.

Looking for Waldo

Can you find the disappearing labor force?

BRUCE YANDLE



columnfive[flickr]

At one time or another, we have all been intrigued by graphic puzzles that invite us to find Waldo, the proverbial everyman lost in a photo packed with people. A creation of Martin Handford, a British writer of children's stories, Waldo is fun to find in the crowd for young and old alike. But Handford offers puzzles that can be solved. Look long enough and Waldo will surface.

Would that the search for the U.S. labor force in these times were as easy.

The share of the U.S. working-age population employed or seeking jobs, which is called the civilian labor force participation rate, is at a 34-year low. In July 2013, the rate stood at 63.4 percent. In January 2008, when the last recession began, the number was 66.2 percent. The difference in just those two numbers accounts for a loss of 6.3 million workers. We have to go back to May 1979 to find anything lower than the current participation rate.

What on earth is going on? And why does it matter?

Writing about all this in *The Atlantic* in 2012, Derek

Thompson bemoaned the situation: "We are at a modern historical low for working-age adults who are actually working, or trying to find work. It's horrible news. It means we make less stuff, have less wealth, and pay fewer taxes. It's bad for growth, bad for deficits, bad for the stock market."

But is it good for people who are doing the best they can? Isn't that the relevant question in a free society? What if the people making dropout decisions are relying on those left working to help them along without any prior agreement? Doesn't that change things?

The decision to work or not is based mainly on incentives. When jobs open up and wages rise, people lay down their fishing poles and head to work. If unemployment compensation is extended, then some workers will wait a bit longer for something better before taking a low-paying job. If low-cost student loans are available, and may even be forgiven, then young people will opt for college, especially in hard times when there are no wages to lose by doing so. If not working is made more attractive than working, the

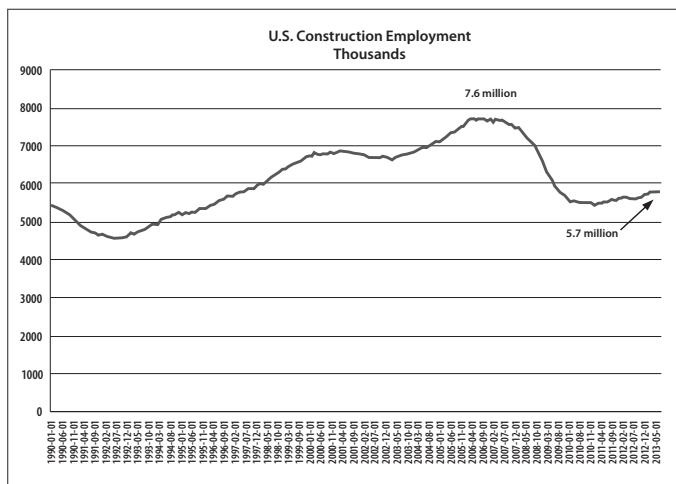
law of supply says we will get more of it.

Yes, surely the problem is partly an economy that just doesn't produce employment opportunities. But the American welfare state did not emerge from the 2008 recession.

As usual, there is more to the story. Let's see if we can find those 6.3 million missing from the U.S. labor force.

Out-of-Work Carpenters?

A quick glance at the next chart suggests that about two million of the missing workers may be associated with lost jobs in the construction industry. Yes, it is possible for employment losses in one sector to be offset by gains in other sectors for the same workers, but perfect substitution just doesn't work too well for specialized construction craft workers.

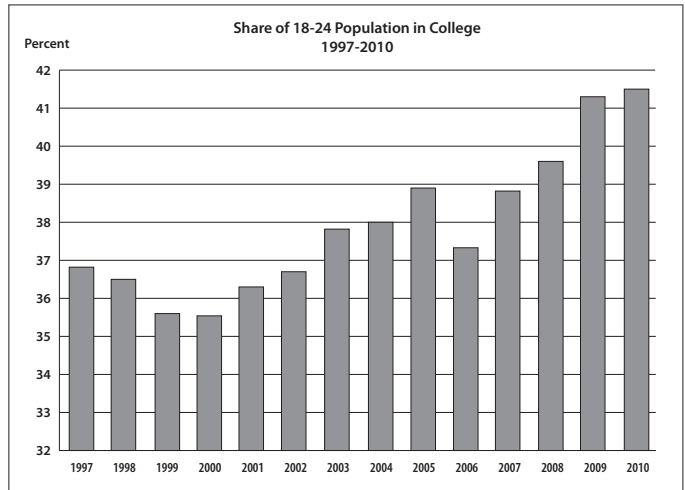


If we call these two million part of the missing group, we need to find 4.3 million more.

What About College Students?

The next chart shows the share of the population age 18–24 enrolled in post-secondary education. Notice how enrollment skyrocketed after 2007: About 2.4 million more kids have enrolled. Keep in mind that this is just the younger part of the enrolled population. There are also a lot of the over-24 group going to classes.

It only makes sense. Foregone wages make up the largest part of the cost of going to college. And if there is no work available, that part falls to zero. Add to this the availability of generous student loans subsidized by dear old Uncle



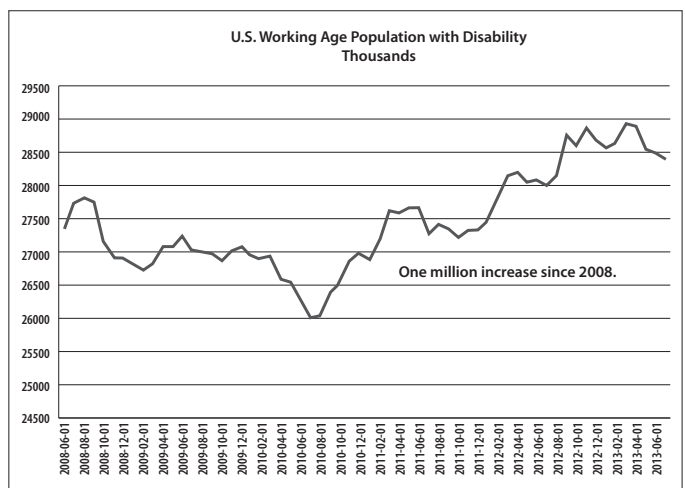
Sam—you and me, my friend—and the industry booms. In academic year 2007–2008, total loans and federal grants to college students stood at \$105.8 million in 2011 dollars. By 2011–2012, the total was \$173.7 million, and rising. These figures make higher education look a lot like a growth industry to me, at least until the day of reckoning arrives.

If we take this 2.4 million into account, that leaves about two million more displaced job-seekers to account for.

Disabled Workers?

Let's look at the count of people on disability. Since 2008, there has been an increase of one million in the number of work-age Americans receiving disability payments from the Social Security fund.

These are individuals who previously participated in the labor force but because of some officially endorsed physical or mental difficulty are no longer participating.



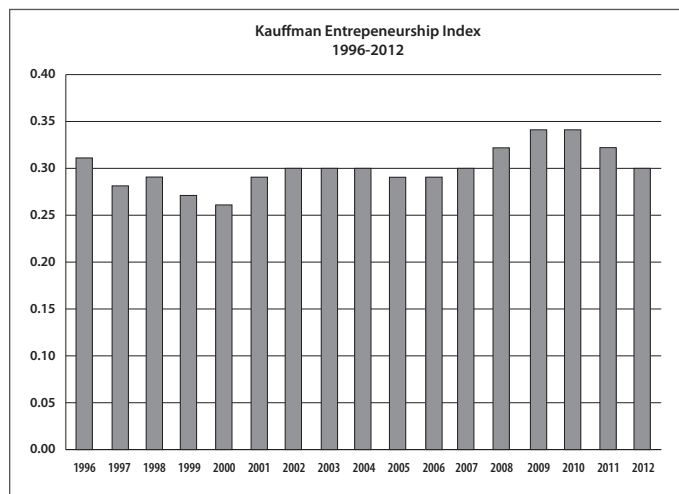
On average, a disabled worker receives about \$1,200 tax-free each month, along with “free” Medicare hospital coverage for two years. Returning to work ends all this, and that’s a pretty hefty “tax” to pay for the privilege of working.

This leaves one million nonworking Waldos unaccounted for. Finding that group may not be as easy as finding the first few million.

Budding Entrepreneurs?

But there is another important group to consider. These are folks who may have started small businesses after losing their regular jobs, or while keeping their jobs. While they are technically still participating in the labor force, I am guessing that when labor market surveys are taken, the data for this group become rather blurred. Why would I say that?

Consider the Kauffman Entrepreneurship Index. This number is generated based on a large-sample survey that estimates the number of people out of 100,000 who started a business in the year of the survey. The next chart gives the results. First, notice how the number shot skyward as the recession became more severe. And notice how the number recedes as the recession goes away. The data illustrate the old saying, “When the going gets tough, the tough get going.”



According to the Kauffman data, there were more than 580,000 new businesses started each month in 2010. The monthly increase fell to 514,000 in 2012. The difference? About 70,000 new businesses each month. If there is one person involved in each business, that yields roughly 840,000 who may have been previously employed in what

I will call the traditional workforce.

Keep in mind that some, if not all, of these workers will be accounted for in the monthly employment survey that seeks to determine who is working, wishing to work, or no longer looking. But it is my guess that a lot of these entrepreneurs are missed in the count. We have gotten close to the 8.3 million workers who are no longer participating in the labor force.

Will Waldo Work Again?

Will Waldo go to work? And what will it take? The most recent reading on second-quarter 2013 real GDP growth came in at an annual rate of 2.5 percent, better than it has been but not enough to generate lots of job openings. There’s a good chance we will see 3.0 percent growth in 2014, if some of the Waldos return. Meanwhile, because of fringe benefit costs, labor is becoming more costly. Robots are getting cheaper. But as things slowly improve, some of the entrepreneurs will decide they are better off being on someone else’s payroll and will return to the traditional labor force. Others will not. The small business sector will prosper.

When the economy begins to hum, some of the disabled will decide their fortunes are better served by getting back to work; but many will not. The Social Security disability fund will be challenged to stay afloat. With a fired-up economy and a meaningful opportunity cost for going to school, a large number of students will head to work, perhaps hoping that someone else will pay off their student loans. And when construction gets on its feet again, a lot of construction workers will gladly get back to work, after having given up looking.

Yes, free people make decisions based on opportunities and incentives. In this sense, the low labor market participation rate makes sense. If we wish to be a part of a higher employment society, then we have to be willing to change some of the incentives cherished by the welfare state. Sometimes the threat of bankruptcy causes us to take some pretty tough actions.

Now is the time to change things. **FEE**

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Breaking the Law of Demand

Krueger and Card's new minimum-wage theory after 20 years

D.W. MACKENZIE

For several decades after World War II, there was a big division between professional opinions and public opinions about the minimum wage. Back then, nearly all professional economists agreed that minimum-wage laws cause unemployment among low-productivity workers. But minimum-wage laws remained popular with the general public and, consequently, with most politicians. Today, the consensus among professional economists isn't as clear.

President Obama recently proposed an increase in the minimum wage, to \$10.10. How does the administration justify it?

A little over 20 years ago, Alan Krueger and David Card published a study that appeared to justify minimum-wage laws. According to the Krueger-Card theory, raising the minimum wage will not cause significant job losses, and may actually lead to increased employment of low-productivity workers. Krueger and Card supposedly invalidated the laws of economics, particularly the law of demand.

How did they perform this miracle? New Jersey raised its minimum wage over 20 years ago. Pennsylvania did not change its minimum wage law at that time. Krueger and Card carried out a phone survey of fast-food places and found that the number of fast-food workers in the Princeton area had gone up relative to the Philadelphia area.

Politicians, unsurprisingly, embraced the study immediately, both for political and ideological reasons. It received significant media attention when it was published, and supporters of minimum-wage laws considered the study a definitive refutation of the old professional consensus against minimum wages. They not only used it to justify President Clinton's efforts to raise the minimum wage, but Krueger eventually became President Obama's chairman of the Council of Economic Advisors. And yet Krueger himself urged caution regarding increases in the minimum wage.

Had the law of demand been repealed? Could lawmakers successfully control the price of labor without perverse effects like layoffs, substituted labor, or reduced hiring?

Dissent

Subsequent review of the 20-year-old study suggests caution doesn't go nearly far enough. Indeed, careful analysis has overturned the conclusions of the Krueger-Card survey, suggesting that the entire episode was a mistake.

First, to interpret the Krueger-Card study as proof that economists had been wrong for all those years was an unreasonable interpretation. While it is technically possible for one study to be right, and many others to be wrong, this outcome is highly unlikely. Anomalies do turn up in empirical studies from time to time. But the Krueger-Card study at *best* showed short-run effects limited to the Princeton area. Those who already believed in minimum-wage laws, however, accepted it uncritically.

Second, the Krueger-Card study *in particular* has serious defects. Krueger and Card counted the number



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of employees, not the total hours worked by employees. David Neumark and William Wascher examined written records of the number of hours worked in New Jersey and Pennsylvania restaurants and found that the New Jersey minimum wage increase reduced labor demand by 4 percent.

Saul Hoffman and Diane Trace examined the employment of low-productivity workers in New Jersey and Pennsylvania during the late 1990s. They found that the federal minimum wage increase of 1996–1997, which eliminated the difference between the two states' minimum wages, reduced the employment of low-productivity workers in Pennsylvania, especially among high school dropouts. The Hoffman-Trace study examined more evidence over broader areas than Krueger-Card, and over more time. Once again, a superior study yielded the usual conclusion: Minimum wages are bad policy.

Third, employment in the Philadelphia-area fast-food industry appears to have been trending downward, relative to New Jersey, anyway (see J. Angrist and J. Pische, *Mostly Harmless Econometrics*, p. 231). Thus, any evidence of relative decline in employment of fast-food workers around Philadelphia after the New Jersey minimum-wage increase is coincidental.

Fourth, the gung-ho pursuit of higher minimum wages contradicts what Krueger and Card both said about the law of demand in labor markets. In one interview, Card stated,

Economists who objected to our work were upset by the thought that we were giving free rein to people who wanted to set wages everywhere at any possible level. And that wasn't at all the spirit of what we actually said. In fact, nowhere in the book or in other writing did I ever propose raising the minimum wage.

Card also said "Realistically, of course, the U.S. is never going to enforce a draconian minimum wage." He made this statement long before recent calls for a draconian doubling of the federal minimum wage in the McDonald's sector of labor markets.

Does Obama's economic advisor approve of President

Obama's "modest" proposal of \$10.10 per hour?

In a PBS interview, Alan Krueger claimed that a small increase in the minimum wage would not affect employment adversely, but a large increase would. Krueger thinks that there are tipping points in labor markets (so do I). However, unlike Krueger, I don't see this tipping-point theory as only a theory.

Black Teens and Dropouts

Over the past decade, the teen unemployment rate has ranged from a low of 12.7 percent (April 2006) to a high of 27.6 percent (October 2009), and it has been over 20 percent since March 2009. The unemployment rate among black teens has ranged from 23.5 percent (December 2005) to 48.6 percent (September 2010). The latest figures for July 2013 show a black teen unemployment rate of 41.6 percent. These figures do not count teens who gave up and dropped out of the labor force entirely. Since unemployment rates among teens are always in the double digits, it would seem clear that minimum wages went beyond a tipping point long ago. There is similar evidence regarding high-school dropouts. Over the past decade, their annual unemployment rate has ranged from 6.8 percent (2006) to 14.8 percent (2010). The average unemployment rate for dropouts over the past decade was 11.3 percent. Total repeal of minimum-wage laws would put U.S. labor markets on the right side of the employment tipping point.

Labor Pains

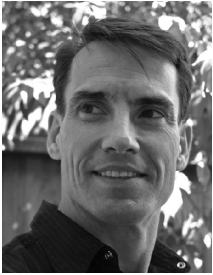
Krueger and Card, along with a few other economists, attempted to carve out an intermediate position on minimum wages. They suggested that cautious experimentation with small minimum wage increases could increase wages for some without decreasing employment. All they really showed was that politicians will misinterpret and misuse research that tells them what voters want to hear. Minimum-wage laws have failed to help the people whom these laws were supposed to help. Those who truly want to help lower-income Americans should press for the repeal of these laws. **FEE**

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Want to Own a City?

Shares in incorporated co-op cities might be the next big thing

TOM W. BELL



Consider the city as an enterprise—as a particular type of corporation. Who owns it? Not you. Not anyone. Not really. Why?

A conventional city does not have shareholders—at least, not in the usual sense of the word. The city's residents have some stake in its fortunes, true, but they do not own fractional undivided interests in the city *qua* corporation. You can own and trade shares of Apple, Inc. You cannot own and trade shares of Palo Alto, California.

Why can't you own a city the way you can own a for-profit corporation? Because cities don't issue shares in the first place. Unlike a private for-profit corporation, a municipal corporation is not co-owned by various shareholders, each of whom holds a fractional undivided interest in the enterprise as a whole. Cities just don't work like that.

Instead of shareholders, a conventional city has residents and voters. Instead of investors, it finances its operations through taxes and debt. Instead of profit, cities promise to promote for the public good. And when cities fail? Instead of ceding the field to better competitors, they lumber on and on.

Those who own property in a city—houses and businesses, say—probably come the closest to qualifying as its shareholders, but they do not own undivided interests in the city as a whole. Even the most entrenched bureaucrat, though a direct beneficiary of the city's revenue flow, owns nothing like a share in it. Nobody owns a city *qua* city. Perhaps then we should not be surprised that, like unowned property everywhere, many cities suffer looting, abuse, and neglect.

WHY CAN'T YOU
own a city the way you can own a
for-profit corporation?

How can we improve this state of affairs? Here, as elsewhere, the public sector can learn from the private sector. Two facts: Workplaces resemble cities and worker-owned businesses thrive. One conclusion: Cities should tap the power of shared equity.

Workplace City

Consider how much a private workplace resembles a city. Each factory, office, or store has its own internal streets and addresses, its own waterworks and power—even its own weather (hence struggles to control the office thermostat). Most workplaces mimic real cities only partially, on a charmingly tiny scale, with hallways instead of avenues and bosses instead of politicians. Workplaces sometimes rival cities in size and services, however.

Boeing's passenger plane plant in Everett, Washington, fills the largest building in the world (in terms of volume) and includes its own internal highways (for electric cars), railway station, fire department, security force, and water treatment plant. To serve the 30,000 or so employees that pass through daily, Boeing's workplace includes a bank, a medical center, a childcare center, five Tully's Coffee stands, and 19 cafeterias. Some large factory complexes include grocery stores, restaurants, recreational facilities, and even on-site housing. As I described in an earlier column, the Ford Motor Company once built—and lost—an entire city in the Amazon rainforest (tinyurl.com/kqd8vac). Because workplaces resemble cities in size and scope, they can teach us a lot about how to improve municipal government.

Worker-Owned Businesses ... Work

What can cities learn from successful workplaces? Lots of things, of course. As Oliver Porter demonstrated when

he helped establish the town of Sandy Springs, Georgia (tinyurl.com/m8lmrlv), cities may benefit from the same plug-and-play business model routinely used by general contractors. Sandy Springs uses an open bidding process to hire outside parties willing and able to fulfill most of the obligations that the city owes to the public—street repair, park maintenance, etc.—keeping only a lean supervisory team on the city’s payroll. Other cities have started following Sandy Springs’ lead, much to the benefit of their budgets, operations, and residents.

The widespread success of worker ownership offers another lesson for municipal government. The United States currently has more than 11,000 employee-owned companies and more than 130 million worker-owners. Worker-owned businesses range in size from sole proprietorships to professional associations to companies the size of Basque-based multinational Mondragon Corporation, which earns over \$18 billion in revenues a year and holds over \$47 billion in assets, and U.S.-based Publix Supermarkets, which employs over 152,000.

Far from the province of woolly-headed hippies, worker-owned businesses predominate in the accounting, legal, medical, and investment banking professions, as well as in securities and futures exchanges, and throughout the taxi and trucking industries. Equity sharing plays a central role in helping startup companies get off the ground; convertible notes, stock options and other equity-distribution mechanisms make Silicon Valley’s economy go not just around, but up and up.

Equity Sharing in Startup Companies and Startup Cities

Why do worker-owned businesses thrive? Because equity sharing aligns the incentives of the workers with those of the business as a whole. Field studies indicate that, holding all else equal, a worker-owned firm can generate between six and fourteen percent greater outputs than its conventional counterpart. That is not to say that co-owners always work harder than mere wage earners; it is only to say that they tend to work more efficiently.

Equity sharing fosters a convergence of interests between



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those working in the corporation and the corporation as a whole. Shared management protects both investors and worker-owners. The likely result of applying that same equity-sharing system to cities? Civic peace, prosperity, and harmony.

Why Not Resident-Owned Cities?

Suppose that a startup city wanted to follow the example set by startup companies and distribute shares of the city to its investors and residents. A conventional municipal corporation would not allow that kind of distributed ownership. If structured as a share-issuing corporation, in contrast, a startup city could invoke the power of equity sharing, using it to align the interests of the city's residents with the interests of the community as a whole.

In that, the shared startup city would resemble a conventional residential cooperative corporation, in which the co-owner residents possess voting shares of the same corporation that owns the property the residents lease. In other words, co-op residents own their landlord. Some co-ops already rival cities in size; the Bronx's Co-Op City has over 55,000 residents and its own stores, offices, schools, parks, and houses of worship. Equity sharing would let the residents of a startup city jointly own their hometowns, too.

What about vesting schedules? At first, as in other startups, founding investors would hold most of the shares of a startup city. Through a standardized process, however—by vesting residents with one voting share per year, say—those who live in the city would, over time, come to own and control more and more of it.

Cities are not simply for-profit corporations with live-in owners, of course. Cities have residents. Residents have rights. Any startup city structured as an incorporated co-op would have to offer very convincing guarantees of individual rights, fair and efficient judicial procedures, and the rule of law. In particular, the city should guarantee

truly impartial resolution of any disputes between it and its residents.

Residents and others holding voting shares of a city would, of course, get to vote for directors, amend bylaws, and otherwise engage in governance of the co-op corporation. As a further safeguard of individual rights, however, a startup city could implement corrective voting, which affords each natural person one vote against any select law, rule, ordinance, or order. Even conventional shareholders don't exercise that sort of veto power over the corporations they own. With corrective voting, a startup

city can update corporate law for civic purposes.

Cooperative Corporate Government

Many questions remain about how best to implement cooperative ownership of startup

cities. Some answers will come from applying the Oliver Porter-style plug-and-play management technique even to questions of city governance. The Model Business Corporation Act (2010), which has been adopted by 24 U.S. states, offers a particularly good source of basic rules for governance of a cooperative corporate city. Other answers will have to wait for further study and actual practice.

Cities ultimately fail because their residents do not care enough to save them. And when do residents stop caring? When a city takes them for granted, exacting painful sacrifices without supplying basic services. Perhaps these problems arise because cities need owners.

The examples set by private workplaces can help cities find new solutions to old problems. Worker-owned co-ops, in particular, demonstrate how equity sharing can promote the common good. What would happen if a startup city let its residents own voting shares of their city? Theory suggests that practice should try. **FEE**

Disclosure: These are the personal views of Tom W. Bell and not those of any employer, client, or advisee.

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**CITIES ULTIMATELY FAIL
because their residents do
not care enough to save them.
Perhaps these problems arise
because cities need owners.**

Personal Character Is More Powerful In Shaping Society Than The Legal-Political Environment



LAWRENCE W. REED

In a recent hourlong program examining “The Great Food Stamp Binge,” Fox News told the story of hardscrabble North Carolinians resisting the dole. Like generations before them, they wouldn’t stoop to taking handouts, preferring instead to tighten their belts in tough times. Then government social workers went to work on them and eventually broke down what was locally called “Mountain Pride.” The do-gooders were subsequently given awards for their “success” in turning those self-respecting, self-reliant citizens into taxpayer dependents.

Is this a case of the legal-political environment overwhelming personal character? It would seem so.

There’s a big chicken-or-egg component to this question. I think strong arguments are available to both sides. When Max first asked me to pick a side, it wasn’t easy and it took some time and thought. In the end, I’ve opted to put the premium on character, so here’s my case.

There’s more to the North Carolina story than the system corrupting character. Why should we assume that the only people in the story with character were the proud, independent mountaineers? Didn’t the social workers have character too? Of course they did, but arguably it was lousy.

Part of the problem here stems from the multitudinous meanings of the term. “Character” can be a mere description of personality, as in, “He is reserved and studious,” or “She is energetic and optimistic.” Whether those qualities are good or bad can depend on the circumstances. What would you say if someone asked you, “How would you describe the character of Adolf Hitler?” You wouldn’t reply by asserting he had none. You’d more likely respond this way: “Hitler had an evil, scheming, power-lusting, disreputable, and reprehensible character.”

Then there is the most positive sense of the term, in which a person’s character is composed of indisputably good traits almost universally admired. “Wow! What a man of character!” is an exclamatory statement that is nearly always synonymous with the highest praise. You would use that statement if you meant to suggest that the man is consistently (not occasionally) and deliberately (not unthinkingly) honest, responsible, caring, reliable, trustworthy, or fair.

So everyone has his or her own character. It may be characterized (is that a pun?) by traits that are mostly and widely regarded as good, or mostly and widely regarded as bad, or a mix that’s somewhere in between.

I approach the North Carolina story with some settled truths I accept as unassailable fact: It’s a good thing to work hard, to accept nothing from others but what they choose to provide willingly, to respect the property of your fellow citizens. Likewise, it’s not a good thing to take property by force and redistribute it, or to pressure self-reliant people to be party to such behavior. It’s a bad thing when you undermine good character traits in others and an even worse thing to accept the government’s loot to do it.

Character was overwhelmingly at work on all sides of the North Carolina story. Sadly, the side that won out was the one with the rotten (though perhaps well-intentioned) character because it had a powerful ally—other people’s money.

You don’t check your character at the door when you go to work for the government. That means that the legal-political system is itself a reflection of the character of those who made the laws and those who are employed to carry them out. A people of the highest character won’t write laws that undermine it, nor will they take other people’s money to corrupt and destroy it. People of questionable character may do both, and there’s no question that their power to do harm is greatly magnified when they have the force of the State in their grasp.

The only truly unwilling parties in the North Carolina story were the taxpayers whose money was taken under threat of force for the do-gooders to pass around. The mountaineers ultimately did not have to succumb to the temptation to take it, and they don’t have to allow it to permanently corrupt their character. Likewise, nobody put a gun to the heads of the social workers, who could have chosen a more honorable profession.

Only in the most extreme situations where free choice is impossible might there be a case that the legal-political system is more powerful than character, and that requires you to assume that the system doesn’t reflect the character of those who created or tolerate it. The late Viktor Frankl, a prominent

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The Legal-Political Environment Is More Powerful In Shaping Society Than Personal Character



MAX BORDERS

Somewhere in the Blue Ridge Mountains, good people are growing marijuana. Just like people who toil to bring up tobacco or turnips, these folks work hard to support their families. They make their living supplying a market—marijuana users. The activity creates no victims.

But the Drug War—our legal-political environment—turns these good people into *de jure* criminals. One might argue that a marijuana grower is someone who lacks character. And certainly there are circumstances under which he may lack character. Maybe he has threatened another grower over “territory.” Maybe he has lied to his neighbors about his work. But we have to ask: Would these character deficiencies exist in a different legal-political environment—such as one in which marijuana is legal? This grower, while he may have other character flaws, would be far less likely to threaten or lie if marijuana were legal.

Now consider Janet. People think she’s lazy. And maybe she is. She hasn’t worked for two years. When asked why she doesn’t work, she says “there aren’t any jobs.” But when you press her, it turns out a few positions are available nearby—jobs for which she’s qualified—only she would have to work the second shift. Adjusting her justification, Janet says she’s waiting for the “right” job. It turns out there are plenty of jobs across the state line, 100 miles away. Janet doesn’t want to move. Still, why doesn’t she just take what work she can get?

Janet is on unemployment. She is *being paid* the same amount to do nothing as she would be to work the second shift or to move out of state. The incentives of the legal-political environment are powerful. Her laziness is real. But it is a byproduct of a legal framework that guarantees generous benefits for inaction. Some people of good character can overcome these incentives, but most cannot. The welfare state will write a million more such stories.

Personal character is no doubt a powerful determinant in the health of a society. Our legal institutions and our mores are interrelated. But I urge you to think about Ice-T’s words:

“Don’t hate the player, hate the game.”

The rules of the game (the legal-political environment) are

a more powerful determinant of society than the better angels of our nature. Eventually, the rules overwhelm a people. Again: We need people of character. We’ll need them to help us rebuild from our economic malaise. When Martin Luther King, Jr., changed minds about Jim Crow, legal changes followed. If Ron Paul can vote his conscience for 30 years, other legislators can be inspired to do the same.

But these are the exceptions. The rule is: *Rules matter.*

The legal-political environment is powerful even within a single organization. Consider the *Freeman* interview of Paul Green, Jr., a “colleague” at a company with no structural hierarchy. There are leaders, but no bosses nor managers—and no employee is kept back by a title. People are rewarded for their effort and ideas, so the sky’s the limit. No one can tell you what to do, but people will tell you when you need to pull your weight.

At Morning Star there are two guiding principles: “Don’t harm or threaten harm against another colleague” and “Honor your obligations.” When people sign on with the company, they commit contractually to these principles and to a culture of “total responsibility.” Total responsibility means that if you see something you think needs changing so the company will achieve its mission, you have total responsibility to act. Given these rules, how do you think the employees behave?

Paul Green, Jr., says:

People recognize immediately that success will come only as a result of what you do: You are generally unimpeded by bureaucracy or stifling regulation that might keep you from whatever measure of success that you want to achieve.... It all flows out of your drive, commitment, hard work, and ingenuity.

And—surprise—we’ve found that that kind of success, the kind that is unquestionably the result of your blood, sweat, and tears, is incredibly invigorating. Our colleagues fall in love with it, and embrace it almost universally. And, anecdotally, I see that it affects the way they live their daily lives outside of work—their relationships with others in the community, friends, families, and other businesses.

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Personal character is more powerful in shaping society than the legal-political environment

neurologist and Holocaust survivor, might well argue that there is one dimension in which character ultimately triumphs over the most vicious and all-encompassing compulsion. He wrote in his 1946 book, *Man's Search for Meaning*, that "Everything can be taken from a man but one thing: the last of the human freedoms—to choose one's attitude in any given set of circumstances, to choose one's own way."

To accept the notion that the legal-political environment is more powerful in shaping society than character is to accept the rationalization, "The system made me do it." I think that's rarely the case, and it certainly wasn't in the instance of the social workers in North Carolina. "But they didn't understand that what they were doing was a bad thing," you might say. Ignorance is regarded as no excuse for breaking the law, so why should it be accepted as an excuse for upholding it when the law is rooted in error, theft, demoralization, or injustice?

I hope this is much more than just semantics, but I believe that character shapes everything, and everything is a mirror image of it.

An old proverb teaches, "When wealth is lost, nothing is lost; when health is lost, something is lost; when character is lost, all is lost." I can't quite assign the same degree of indispensability to the legal-political system. **FEE**

Lawrence Reed, economist and historian, is president of FEE and author of the forthcoming book, Are You Good Enough For Liberty?

“NEARLY ALL men can stand adversity, but if you want to test a man's character, give him power.”
—Abraham Lincoln

The legal-political environment is more powerful in shaping society than personal character

One can guess that in organizations that are bureaucratic, top-down, and layered with managers, there is a lot of buck-passing, shirking, backbiting, and politicking. These environments are rarely conducive to cultivating personal character.

Now, let me leave you with a thought experiment—one I hope will test your ideas about character in a crony-capitalist world.

Pretend you own a flange company. You have \$1 million to invest. In his book *Government's End*, Jonathan Rauch writes:

For \$1 million you could hire one of the best lobbyists in Washington. This fellow is a former staff member of the House Valve and Flange Subcommittee: He knows the legislators, he knows the issues, and he is persuasive and ingenious. With his help, you could invest some of your \$1 million in campaign contributions to members of the Valve and Flange Subcommittee. Though you can't count on buying anyone's vote, your money would buy you access, which your competitor might not enjoy. Your lobbyist and your PAC might win you a tax break, a subsidy, or, best of all (because it's least visible to the public), a law or regulation hobbling mini-flange mills. Any such tax break, subsidy, or regulation could easily be worth, say, \$10 million a year.

So here's the question: Are you going to invest in capital improvements or in a lobbyist?

Before you answer, let me add something to Rauch's thought experiment. Suppose you know your competition is *already* paying a lobbyist. The bill could kill your business. The prize for successful lobbying is \$50,000 for every dollar invested. Whatya gonna do? Like it or not, you're in a lobbying arms race. It's winner-take-all. Does character tell you to fight for your business, or refuse to play the game?

The rules of the game—the legal-political environment—are a powerful set of incentives. They can make or break people of character. It all depends on which rules are in place. **FEE**

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Can Civil Society Save Us?

LENORE EALY

American public discourse is characterized today by predictions of decline and fall that offer little hope to the rising generations. From economic, social, and political critics, there is ample commentary on America's self-destructive path.

Such prognoses have given birth to a mini-industry of Tocqueville studies, with partisans of all stripes hearkening back both to Tocqueville's analysis of the strength of American democracy in our habit of association and to his awareness of a young nation's underbelly, vulnerable to soft despotism.

"Like Tocqueville, I believe that spontaneous local activism by citizens is better than central state action not just in terms of its results, but more importantly in terms of its effect on us as citizens," writes Niall Ferguson in his current bestseller, *The Great Degeneration*. So far, so good.

While I share the contemporary fascination with Tocqueville's powers of description and prognostication, I am cautious about claiming that "civil society" holds the solution to our present decline. The current institutions and leaders of civil society to which so many are looking for answers have themselves been shaped by their partnership with the welfare state. Few are in a position to articulate, much less reclaim, their independence from the State.

To reclaim the American dream through civil society, we must first save civil society from a corrupted paradigm. To do that, we must understand how American civil society veered off course.

How did we wind up on the road to serfdom under soft despotism instead of on the road to freedom? The answer is complex. American historians have done a

largely poor job of helping us uncover it. Until we better map our changing social landscape—and understand better how the present-day obsession with "social justice" has obstructed the natural course of liberty—we will be missing essential conceptual signposts needed to navigate the road ahead.

Two Books, Two Perspectives

Two recently published books illuminate the tensions between two paradigms of social welfare—and philanthropy's role in promoting it—that contend for prevalence in American society.

In *With Charity for All: Why Charities Are Failing and a Better Way to Give*,

Ken Stern, a former executive at National Public Radio, documents current challenges among America's charities and proposes the creation of a more "effective charitable marketplace." For Stern, corruption and excessive executive compensation are

TO RECLAIM THE American dream through civil society, we must first save civil society from a corrupted paradigm.

challenges worthy of attention, but his primary focus is on his frustrations in trying to answer one question: "Do the charitable programs effectively solve the targeted social problems?" Given the difficulties in validating program effectiveness, Stern concludes that the best way to improve the results we get from our charitable contributions may be just to leave our charitable investments to "professionals," much as we do with our financial investments. For Stern, the key value of philanthropy seems to be accountability, which means that to improve social welfare we need a new "evidence economy" supported by an improved "culture of evaluation and testing."

On the other hand, Kevin D. Williamson, in *The End Is Near and It's Going to Be Awesome: How Going Broke*

Will Leave America Richer, Happier, and More Secure, suggests that we increasingly have the whole question of social values upside-down because we tend to think of social values as those things that we believe society “ought” to value rather than the things that people really value and work to attain. Williamson suggests that we should think of philanthropy as a sort of luxury good. For Williamson, philanthropists engage in giving as a means of “reshaping the world along certain personally preferred lines,” and they do so because they value this use of their resources more than the marginal value they would realize from making another dollar.

Far from Stern’s portrayal of much of the charitable sector as a cul-de-sac of feel-good inefficiency and ineffectiveness, Williamson sees voluntary charitable associations as an important flow system of social innovation and knowledge coordination where people come together to work out how “to make projects economically feasible even in situations in which it is impossible or impractical to engage in a direct commercial interaction.”

Improving Social Welfare: Top Down and Bottom Up

When applied to the question of improving social welfare, the differences between Stern and Williamson come down to a fundamental difference of belief in what it means to promote social welfare. Is it a trickle-down affair, defined at the top through public policy and delivered as thousands of organizations across the country align their actions with these collective goals? Or is social welfare an emergent landscape continually being shaped from the grassroots up, generating the greatest good for the greatest number only as people are voluntarily engaged in creating, negotiating,



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exchanging, and otherwise “neighboring” one another?

Stern is disappointed by the tendency of modern charities to make big promises but deliver small outcomes. He is disappointed that the charitable sector has been unable to deliver on the goals of the welfare State and is left wishing that someone (probably government) would devise a better regulatory and accountability environment for charities.

Williamson agrees that we could all operate better in our social environment with more information, but he does not suggest that we move toward Stern’s “evidence economy,” in which people and organizations toe the line of top-down standards established by professional bureaucrats in government (or philanthropic) agencies. Instead, Williamson proposes that we need to replace our present “top-down” and “hierarchical” reputation networks with more robust, transparent, and grassroots-generated reputation networks that would presumably span both business and charitable endeavors. These

networks would have the benefit of localized actors using local knowledge.

“What is needed,” writes Williamson, “is not a Standard and Poor’s for business ethics, but hundreds of Standard and Poor’s for all sorts of values,” and these would coexist in the rather free-wheeling world that is civil society.

Civil society, bounded but not invaded by crippling legislative rules, is the space in which there should be a robust, non-coercive interplay of value preferences that continually but gradually reshapes our cultural economy. A core value of civil society is a respect for beliefs and norms that differ from our own and the forbearance from using political means to enforce norms that do not attract broad public consensus. As Williamson puts it, “It is one thing for consumers to refuse to patronize a business with repellent values, but another for elected officials to use governmental powers to punish people who hold contrary political views.”

Williamson and Stern both convey concern for institutional challenges in American life, but the conceptual maps they bring to understand these problems—and thus to propose constructive solutions—seem to dwell on opposite sides of the fault line in modern liberalism between “progressive” and “classical liberal” frameworks of understanding.

Philanthropy Beyond Progressivism

Beginning in the late 1800s, this liberal crackup is reflected today in the widening gap in sociopolitical

discourse between neoprogressive partisans of social justice and classical liberal proponents of limited government and free markets.

FOR OVER HALF a century Americans have known the welfare state fosters dependency better than it moves people into full participation in the American dream. During this same time, classical liberals have been unable to offer alternatives that were sufficiently attractive and effective.

For over half a century Americans have known the welfare state fosters dependency better than it moves people into full participation in the American dream. During this same time, classical liberals have been unable to offer conceptual or institutional alternatives that were sufficiently attractive and effective to encourage Americans to leave the welfare State behind.

Our discourse about philanthropy and philanthropy’s institutional practices has been so entangled with the neoprogressive paradigm of the last century that there is much work ahead for classical liberals to rethink the role of philanthropy in a free society. The corporate–State alliance forged in the Progressive era suggested that a free society could be a good society only when the bureaucratic welfare state stepped in to nudge social and economic policy in the right direction. Classical liberals have long known in our hearts that only in a society that is free and prosperous can true beneficence flourish. If civil society is to save us, we must reclaim the philanthropy that fuels its activities and shapes its expectations, norms, and practices. **FEE**

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On Selling Classical Liberalism

ALBERTO BENEGAS-LYNCH, JR.

Some say we classical liberals should do a better job of “selling ideas.” And maybe we should, but I have my doubts. Indeed, transmitting ideas is a different process altogether. And I base my own conclusions in the wisdom of Leonard Read.

When a consumer buys a product, he has to understand what kind of service the good in question will provide. But it is not at all necessary for him to be aware of the production process involved. (For example, when you buy toothpaste, you expect the product to clean your teeth.) On the other hand, when someone puts an idea forward—if the listener is neither a fanatic nor a fundamentalist—it often will be necessary for her to grasp the causal chain involved in its production, so she can fully understand the idea. It would be difficult for someone, say, to understand how DNA works without first understanding something about genes, as well as something about molecules.

Further, the selling process does not apply to ideas—especially in relation to classical liberalism—because our worldview does not specify (nor could it) what will result from the adoption of a truly open society. And yet a salesman incapable of explaining the result of buying and using the product he intends to sell would not be in business for very long.

In other words, selling a good or a service is generally not the same as transmitting an idea.

Of course, such does not contradict any criticism by those who think we classical liberals fail to transmit our ideas skillfully. In fact, I think we often do a poor job, and because we tend to be easier on ourselves than on others, we should reconsider our communication defaults. Instead of complaining about others’ inability to understand what freedom really means, we certainly ought to work on our modes of presentation and polish our messages. And of

course we should do more homework—both about how people receive messages and how best to craft them.

An Open Adventure of Thought

Having said all this, I want to return to another reason the selling process is not adequate for the marketplace of ideas. I am inspired to do so by Leonard Read’s *The Coming Aristocracy*, although in some respects I will give a different turn to what he expressed.

When freedom is adopted, the adventure of thought remains open. Karl Popper writes in *The Poverty of Historicism* that “future knowledge is not possible in

the present.” This will never be understood by authoritarians who act as if they know what will happen in their own lives, not to mention in the lives of the billions of other people, with innumerable relations among them.

The almost infinite unforeseen consequences of their actions, in the

context of ever-changing conditions, are unknowable. Only the monumental presumption of knowledge by statists allows them to move with such confidence, as if information were pulled from a shimmering well in the temple of State (instead of dispersed among billions). But knowledge cannot be concentrated in the hands of bureaucrats, however arrogant. And their power is really just concentrated ignorance.

Thomas Sowell, in *Knowledge and Decisions*, explains that the matter would not be in any way solved if there were available computers with gigantic memories, because the data simply do not exist before these uncountable actions take place. This is also why Ludwig von Mises has demonstrated that without private property and prices, economic calculation is impossible. It’s why price interference by planners distorts the allocation of

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resources, which in turn means we are unable to read market signals correctly. And this leads to misinformation, malinvestment, capital overconsumption, and, finally, reduced wages and incomes in real terms.

Of course, all of this isn't easy to "sell," even in an overview. Neither, of course, is suggesting to the uninitiated that they read Sowell's *Knowledge and Decisions* or Mises' "Economic Calculation in the Socialist Commonwealth."

Semantics

Still, Warren Nutter helps to clarify some of the semantics in this debate in one of the pieces collected in *Political Economy and Freedom*. Specifically, Nutter distinguishes between "development" and "progress."

In the first case, "development" is more of the same (a tumor has developed, for example, which can be forecasted) and that is why planners often use this expression; in the second case, however—despite contemporary socialist buzzwords—the future, real "progress," is open and unknown, and thus cannot be planned.

The trust of classical liberals in freedom is based not only on iterative experiences of success, but in the need for each person to decide how his or her own life is to be lived. Instead of being domesticated by governments, people can govern themselves and determine their own destinies, which amounts in any case to an unplanned harmony.

In the final analysis, can we seriously suggest an idea whose results we cannot predict? But this is precisely the advantage of freedom: We can trust in people to manage their own lives. If there are those who prefer to delegate decision-making powers to others—instead of supporting socialist political trends that extend this delegation to everyone, with or without their consent—they can appoint tutors, consultants and counselors who cannot so easily rob people of their dignity.

It is as if those who appreciate and love freedom were to cry as loud as they possibly could, "Let me be human! Let me manage my own affairs!"

As the Adams—Smith and Ferguson—taught, each individual pursues his own particular interest, but if they

are to become successful they must satisfy others' needs. In this way they participate in the creation of an order that was not in their initial purposes (nor in their faculties) to create.

Government, in this stage of cultural evolution—despite the fertile, continuing debates on externalities, public goods, and prisoners' dilemmas—is to protect justice. That means, as Roman Ulpiano famously put it, "to give each one what belongs to each one." Such is a tribute to the sanctity of the institution of property rights.

As Hayek explains, ideas are a complex phenomenon that require a difficult and long chain of reasoning—

especially in the field of social sciences where there are no laboratory experiments. On the other hand, as we said, for the selling process the marketer need only concentrate

on the benefits of the final product. This is the reason the teaching process demands so much reading and time with instructors.

This is the long way. But it may be the only way.

Sales Redux

By the same token, it is not acceptable to connect liberal ideas to marketing, because such normally requires the ability to detect (and in rarer cases inspire) what people want so as to provide it. In our case, on the contrary—although it may be paradoxical—to a great extent liberals must work against the trends of the ideas market (since people can want socialist redistribution—or at least can be inspired to believe they do) in order to protect the market process itself. If statist ideas should prevail, the market would largely disappear.

Finally, in another sense, ideas are not subject to being sold in another way. That is, a person who maintains the virtues of integrity and decency will not sell his or her principles. As Al Pacino said in *Scout of a Woman*, "There isn't nothin' like the sight of an amputated spirit. There is no prosthetic for that." **FEE**

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To a great extent liberals must work against the trends of the ideas market.

Information Ages

Knowledge, survival, and progress

RICHARD W. FULMER

Our era is often called the “Information Age,” yet humanity has only survived this long because of our ability to use information. We do not have the sharp teeth and claws, tough hides, or thick fur needed to adapt to our environment; we survive by adapting our environment to ourselves. That can be done only by accumulating knowledge about our world and putting it to practical use.

By and large, this means communicating with others in order to enable cooperation and coordination. Information in isolation dies with its possessor. When shared—particularly via some sort (or several sorts) of language—it greatly enhances mankind’s chances of not only survival but also of progressing far beyond mere survival to thriving. The more effective and efficient the methods of communication, the greater the progress.

In Genesis we read of Adam naming the earth’s birds and beasts; it’s presumptuous, this idea that, by stringing meaningless sounds together and declaring that such a string signifies a particular animal, we somehow know something about it because we know its “name.” Yet this absurdity lies at the root of all human knowledge and invention. By assigning names to things we can share information about them with each other.

Not only is the spoken word the greatest human invention, but most other world-changing inventions—everything from mathematics to printing—are also information-based or deal with its generation, transmission, or storage.

Without such information-based constructs no other inventions would be possible, for none of the things with

which nature surrounds us become resources in any meaningful sense without information. A rock is simply a rock until someone thinks to use it as a hammer; oil is just foul-smelling goo until we learn that it can serve as fuel; sand is no more than something to walk upon until we discover that it can be turned into glass and

microchips, which require complicated processes. With the exception of the rock, perhaps, not one of these discoveries was the product of a single genius. Rather, each was the product of countless individuals working at different times and places. Each evolved in fits and starts, “the result,” as Scottish philosopher

Adam Ferguson observed, “of human action, but not the execution of any human design.”

Money and Markets

No list of information-based tools is complete without two other products of “spontaneous order”: markets and money. While these may be surprising additions, together they form the most powerful knowledge-generating dynamic the world has known. Market prices reflect globally dispersed, deep knowledge. They convey the information, some of which cannot even be articulated, that allows people to determine the value of what they create in relation to other products and to compare that value of their goods with that of other possible uses for the resources needed to make them.

“I, Pencil,” Leonard Reed’s seminal essay, vividly illustrates the seemingly miraculous way in which market prices coordinate the activities of hundreds of thousands of people around the world to create a seemingly trivial

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object. He explains how no one person knows how to make a pencil from scratch—yet millions of pencils are made every day through the cooperation of countless people who have never met; some of them may never have even seen a pencil.

All the information needed for this miracle of cooperation is gathered and transmitted through market prices, which economize on the information people need. Information is costly to obtain, after all. Consider changes in supply and demand. No one in the factory needs to know that six years ago a baby boom occurred and demand for pencils in elementary schools has now increased. All they need know is that more people are willing to buy their product. The same goes for anyone at any point in the process. All that suppliers of any pencil component have to know is the price they must pay for their materials and the price they can obtain for their products. They need not know the reasons for those prices—indeed those reasons may be unknowable even in hindsight.

Market prices are not just a convenience, they are essential. Without them, we have no way of learning whether our products are worth more than the resources needed to make them. Knowing the relative value of input and output is vital not only for an economy, but for life itself. To live, each of us must consume more calories than we burn in gathering, preparing, eating, and digesting those calories. In short, we must make a net energy profit or we will die. Fortunately, we have a built-in alarm system called “hunger” that warns us when we have not eaten enough.

Similarly, if an oil company’s efforts are to have any value, it must produce more energy in the form of oil than it takes to discover, extract, transport, and refine it. Because

a company is not a single organism, however, it has no built-in warning system to tell it whether to abandon a marginal oil well or to complete and produce it. But even if a task as monumental as adding up all the energy involved in every aspect of the company’s operations—then comparing that to the energy it expects to produce—were feasible, knowing that producing a particular well will result in a net energy profit is not enough. For instance, will pumping out all the

oil a well is capable of producing make us better off or just leave us with a storage problem? The energy balance doesn’t tell the company what the demand for its product is. Nor does it tell the company whether it is better off investing its resources in a particular well or using them for some other purpose.

THE UNDERLYING problem with government action in general is that it disrupts the feedback loops upon which survival and progress depend.

Disinformation

Prices provide all of that information and more—but only if those prices are generated by markets free from significant distortions.

Every action by government distorts market information to some degree, if for no other reason than its activities must be financed by the productivity of its citizens. Taxes and tariffs necessarily affect the prices of goods on which they are levied. Wage and price controls obviously distort market-generated information—leading to artificial surpluses or unemployment if prices or wages are set too high and shortages if they are set too low—but the impacts of most government actions are far subtler.

Consider, for example, the effects of a central bank’s control over its nation’s money supply. Rather than simply printing more money, central banks usually attempt to increase liquidity by driving interest rates down. In this

country, the Federal Reserve (the “Fed”) does this by such actions as reducing the discount and the banking reserve rates, buying government notes from the Treasury Department, and buying securities from banks.

As interest rates (the “price” of money) drop, the returns on bank deposits fall, so people tend to save less and consume more. At the same time, despite fewer savings, credit expands and interest-sensitive industries such as homebuilding and car manufacturing expand along with it. Prices are driven up as consumers vie with industry for scarce resources. Eventually, long-term projects that had appeared profitable when costs were artificially low are revealed to be bad investments.

It is significant that new money flows to some parts of the economy before others, raising prices in those areas relative to others. Because prices do not rise uniformly, an economy’s network of interrelated prices is distorted, reducing the market’s ability to accurately reflect relative values between dissimilar goods. One result is that producers may overbuild, creating goods that are actually worth less than the resources used to create them. This was typical during the housing boom when homes were built never to be lived in—serving only as investment vehicles for speculators who bought them just to “flip” them to the next speculator in line.

Business subsidies also distort prices. For example, only government largess keeps the price of electricity produced from wind turbines and solar panels competitive with that generated from conventional sources such as natural gas. Because of the subsidies we don’t know whether “green” utilities are making a net monetary profit. And because we don’t know that, we don’t know whether they are making a net energy profit; only free-market pricing can ensure that the energy cost of everything that goes into producing a good or service is taken into account. By the same token, we do not know whether subsidized biofuels such as ethanol contain more energy than is used to produce them.

Estimates range from a 30 percent loss to a 30 percent gain, but, in the end, they remain only estimates.

Feedback

More often than not, government initiatives feature broken or distorted feedback loops. Without the possibility of profit or loss, the costs and benefits of government actions may be impossible to determine. Moreover, in a complex economy, myriad changes happen continuously, so the link between government-driven causes and their market effects may be lost as well. With the quantity and quality of their output difficult or impossible to measure, government agencies are left with measuring input as a gauge of their impact. This means that agencies have little incentive to actually solve problems. If the “Department for Solving Problem X” actually solves problem X, it eliminates its own reason for existence. On the other hand, should its actions prove ineffective or even counterproductive, the most likely consequence is that the agency’s funding will be increased.

The underlying problem with government action in general is that it disrupts the information feedback loops upon which survival and progress depend. The unique capacity that people operating in free markets have for self-correction is lost when these feedback loops are skewed or broken. When consequences are no longer based on cause and effect, but are driven instead by the political decisions of faraway bureaucrats unfamiliar with local conditions, we are left to stumble blindly in a world gone dark.

We are information-based life forms whose survival and progress depend upon the subtle feedback loops that originated in language. We have prospered throughout all of our “information ages,” but we cannot progress, nor perhaps even survive, in an age of disinformation. **FEE**

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Lady Liberty: An Unauthorized Biography

The story of America's most famous statue is more than a little libertarian

B.K. MARCUS

Was the Statue of Liberty a gift from the people of France? That's the official story, even more than a century later. The statue, which was dedicated in 1886, is maintained by the National Park Service, whose website makes the claim so many of us learned in school: "The Statue of Liberty Enlightening the World was a gift of friendship from the people of France to the people of the United States."

But how can "the people of France" give anything to anyone?

For most of my life, I assumed the statue was a gift from the French government to the American government. Haven't we been conditioned to hear "the people" and understand instead "the State"? And didn't this gift to "the people of the United States" end up in the hands of the U.S. government? I always figured there was a national government on both the giving and receiving ends.

But the Statue of Liberty was a private project. The designer was not a fan of the American people, nor was he particularly devoted to the idea of liberty: "The Americans believe that it is Liberty that illumines the world, but, in reality, it is my genius."

Frédéric Auguste Bartholdi wanted wealth and world renown for building a celebrated colossus, and he was willing to shop the idea around—even to the era's most illiberal customers.

His first pitch for a giant, torch-bearing statue was to the Ottoman viceroy of Egypt, which was, at the time, the single greatest commercial conduit for the international slave trade.

The statue that now stands in New York Harbor is officially called "Liberty Enlightening the World" (*La Liberté éclairant le monde*). The statue in Egypt was to be called "Egypt Enlightening the World" or, more awkwardly, "Progress Carrying the Light to Asia."

Failing to close the deal in Egypt, Bartholdi repackaged it for America.

When this bit of backstory reached the American public, Bartholdi denied that one project had anything to do with the other, but the similarity in designs is unmistakable.

Egypt was a vassal state of an authoritarian empire and the gateway for the colossal African slave trade into Asia—whereas the fundraising for the Statue of Liberty proposed a monument not merely to liberty but to the recent abolition of American slavery. (Picture the broken chains at the Statue of Liberty's feet.)

The original statue was to be an Egyptian woman—a *fellah*, or native peasant—draped in a burqa, one outstretched arm holding a torch to guide the ships on the great waterway over which she would stand.

Bartholdi had wanted to place his piece at the northern entrance to the Suez Canal in Port Said because the canal represented French greatness in general and engineering greatness more specifically. His statue was to be a synthesis of French art and French engineering, as well as a political symbol of the progress that France offered the East.

The canal was indeed a great engineering accomplishment and a giant step forward for world trade and greater wealth and comfort for everyone—including the toiling masses. But it was built on the back of slave labor, a 10-year *corvée* that forced Egyptian peasants to do the digging. Thousands died.

The female *fellah* to be represented in the statue may not have been a slave in any permanent sense, but her contemporary real-life counterpart was likely to have been drafted into the army of involuntary labor that built the canal over whose northern port she was to stand, "enlightening the world."

If it was embarrassing for the American project that Bartholdi had not originally had the American people in mind, it was that much worse that the design for the great icon of liberty began as a symbol, however unintentional, of coerced labor from the commercial center of slavery.

Fortunately for Bartholdi's vision, the controversy did not scuttle the project. But before he could talk "the American people" into receiving his monumental gift, he had to persuade "the people of France" to pay for it. Bartholdi and his confederate, the French politician Édouard René de Laboulaye, formed an organization called the French-American Union in 1875 and sought donations in both countries.

France's national government did not contribute, but thousands of French schoolchildren made small donations. A copper company donated the metal sheets that would form the statue's skin.

But these donations were not enough. More successful was a lottery held by the French-American Union, with prizes donated by Paris merchants. At every stage of the fundraising, Bartholdi felt insulted by the lack of public enthusiasm and the absence of "official" assistance. But he was flexible enough to do what was necessary. Ultimately, he filled the gap by doing what we still do with monuments today: He charged admission and sold souvenirs. People who were less than eager to donate money were happy to pay to see the inside of the incomplete statue's head or climb to the top of the torch in the not-yet-attached arm.

Does any of this mean that the Statue of Liberty fails to represent either liberty or the American people? Methodological individualism would require us to say that a group of French individuals funded the construction of the statue, and a different group of American individuals funded the base on which she now stands—its foundation dug into an island given to the project by yet a third group of individuals in the U.S. government. The American government ended up owning the statue, and therefore "the American people" own it in that euphemistic, grammar-school-civics-class sense. But in fact, there is a way in which the Statue of Liberty can legitimately be said to be American, and populist, and maybe even libertarian.

After Bartholdi and Laboulaye failed to get anyone in America especially excited about the project, the newspaper publisher Joseph Pulitzer began a popular campaign for private donations to complete the base of the statue. His campaign attracted more than 120,000 contributors. Most gave less than a dollar.

"We must raise the money!" Pulitzer announced in a March 16, 1885, editorial in the *New York World*. "Let us not wait for the millionaires to give this money. It is not a



U.S. Army Corps of Engineers

gift from the millionaires of France to the millionaires of America, but a gift of the whole people of France to the whole people of America."

The U.S. government provided the island the statue now stands on, but they were stingy with "the people's money" in a way that warms a libertarian's heart.

The real people's money—money voluntarily donated by individual people themselves—made the American monument possible.

So the statue, it turns out, was funded as much by French gamblers and entertainment seekers as by schoolchildren and shopkeepers; and on this side of the Atlantic, the final funds came from American newspaper readers. To the French, the project was Bartholdi's, not theirs. But for Americans, by the end, the statue was ours.

Pulitzer may have joined Bartholdi in the rhetoric of nationalism and populism, but it was capitalism that finally erected the great American symbol of liberty. **FEE**

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Questioning Rothbard

Is fractional-reserve banking fraudulent?

MALAVIKA NAIR

Fractional-reserve banking is the practice whereby a bank retains funds equal to only a portion of the amount of its customers' deposits as readily available reserves (currency on hand at the bank plus deposit accounts for that bank at the central bank) from which to satisfy demands for payment. The remainder of customer-deposited funds is used to fund investments or loans that the bank makes to other customers. —Wikipedia.com

Would fractional-reserve banking exist in a world without a central bank? Put another way: Is fractional-reserve banking inherently fraudulent?

Murray Rothbard claimed, in several works, that it was indeed fraudulent. He argued that fractional-reserve banking would have to be outlawed in a world without a central bank and a strict 100 percent reserve rule would have to be enforced on bank liabilities. But outlawing fractional-reserve banking, if it is not necessarily fraudulent, would actually decrease efficiency and consumer welfare.

Rothbard's Case

Rothbard's argument goes as follows: Money deposited in a checking account that can be withdrawn at any time represents a bailment or a safekeeping device. A redeemable IOU thus issued to the depositor represents a warehouse receipt or a property title. If the bank now lends out this money—either through issuing more IOUs or by lending out money proper—it is breaking the terms of the initial contract with the depositor. Doing so amounts to fraud or overissuing of property titles and results in the bank keeping fractional reserves.

I think Rothbard is essentially correct in the way he frames his argument. Lending out or issuing IOUs on money that has been placed with the banker with the explicit intention of safekeeping and nothing else (a storage contract) would indeed amount to fraud. But his conception of the types of possible banking contracts is too narrow. So, while his argument may apply to the kind of contract that he describes, it does not apply to other

contracts that do not share the same characteristics, but nonetheless do lead to fractional reserves.

Fractional Reserve Reframed

There are contracts (and have been through history) that do not violate any of the above stipulations. For example, it is perfectly possible for clients to place money under deposit with a bank that fully discloses the fact that the money is going to be lent out further. In fact, the bank may even pay the depositor a rate of interest, while also promising redemption of money at any time. So far, there is no question of fraud involved. The bank has not hidden the fact that the clients' money will be lent out. The client even earns a rate of return on this activity (albeit a lower rate than he would earn on a time deposit). The only difference compared to a time deposit so far is that this account comes with the added benefit of being redeemable at any time.

The bank also issues redeemable IOUs to the depositors in the form of either banknotes or checking accounts. Since this is not an explicit safekeeping deposit or bailment, the issue of the IOU being a property title or a warehouse receipt does not exist in this case. The IOU is just that: a debt claim on the money with a special promise to pay the money back any time the depositor may want it. Hence, the question of "over-issuing of property titles" does not arise.

Readers interested in such historical cases may refer to George Selgin's paper, "Those Dishonest Goldsmiths," published in *The Financial History Review* in 2012, as well as my paper, "Fractional Reserves and Demand Deposits: Evidence from an Unregulated System," published in *The Independent Review* in 2013.

Two Places at Once

What about the argument that because depositors have full use of their money (via the banknote or checking account) at the same time as it is invested (lent out to borrowers, maybe via banknotes or checking accounts), this arrangement amounts to one thing being in two places (or having two owners) *at the same time*—and so amounts to fraud?

This is not a case of fraud, either. A claim to money is not the same thing as the money itself. Now, it is true that a claim to money is capable of performing all the functions that money performs. This comes about because of the unique nature of money as a medium of exchange. Since money is demanded or held only to be given away in exchange again, it is possible that a claim to money performs the same function just as well. That is, a claim to money can be held and given away in exchange (it can circulate) while doing all the job of a medium of exchange. This is not true of consumer goods or producer goods.

So while a claim to a car or a claim to a house is fundamentally incapable of performing the services rendered by the underlying good, a claim to money is capable of performing the function of the underlying good (money). This does not mean one thing is in two places at the same time, however. Two different things are in two places at the same time. It is merely a unique (perhaps irksome) characteristic of money as a medium of exchange—something that is to be taken as a fundamental fact or datum of the economic system, which alone cannot imply fraud.

Free Money

If we accept, contra Rothbard, that there is a kind of fractional-reserve banking that is not fraudulent, does this mean that banks operating on this basis face no limit as to how many IOUs they can print? On the contrary, banks face severe limits in a free market. So while

depositors may indeed use banknotes or write checks on their accounts while their money is invested, these only act as “money substitutes” if others in the economy accept them or don’t immediately ask for redemption from the bank. Another way of saying the same thing is that the banknotes or checking accounts must first of all circulate as money.

It is important to realize that the bank would have no direct control over this phenomenon. It would not be able simply to order others to accept its notes and hold onto them without asking for redemption. In a free market, the bank must rely on its reputation and good judgment of the underlying preferences of its customers for base money.

The same holds true for debtors of the bank. If the bank proceeds to issue debt (grant loans) in its own redeemable IOUs, it must be wary of debtors asking for base money at any time or a bank run may ensue.

This places a severe limit

on the bank’s ability to flood the market with its own IOUs. This is not the case in our current banking system. The central bank, fiat money, federal deposit insurance, and other government guarantees ensure the widespread circulation of bank-created or inside money.

In conclusion, is fractional-reserve banking fraudulent? It certainly can be if it arises from contracts meant only for safekeeping, as described by Rothbard. However, this does not imply that fractional-reserve banking is always a fraudulent activity. In a free market for money, we can and must expect fractional-reserve banks of the second kind described above to exist and to serve customers. One may also expect strictly 100-percent reserve banks that cater to those interested in only keeping their money safe at all times. To outlaw all fractional-reserve banking in a free society without a central bank would be a mistake. **FEE**

F R A C T I O N A L
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safekeeping.

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Britain's BBC Tax

Clogging the courts and slanting the news

EMMA ELLIOTT FREIRE

Last year, over 180,000 people in Great Britain were prosecuted for failing to pay the tax levied on their TV signal. This made up 12 percent of all criminal prosecutions in Great Britain. Of those prosecuted, 155,000—two-thirds of them women—were convicted and ordered to pay fines of up to £1,000 (\$1,600). Each walks away with a criminal record.

The tax in question is known as the “license fee.” It is unusual in that it goes entirely to fund the British Broadcasting Corporation (BBC). “The license fee is, in effect, a television tax,” explains Philip Booth of the Institute of Economic Affairs, a free-market think tank based in London. “It’s a sum of money that everybody has to pay if they have a television which they use for receiving television signals. All the revenue of the license fee goes to the BBC, regardless of whether or not you watch BBC programs at all.”

The BBC has an annual budget of \$11 billion—\$8 billion from license fees and \$3 billion in the form of free spectrum granted by the government.

The license fee is currently set at about \$226 annually for color TV and \$76 for black-and-white. The level of the fee is set by the government, but the BBC collects the money itself. It does this under the trading name “TV Licensing,” presumably so that the BBC brand is not associated directly with the dirty work of collecting the fee.

And that work can be quite dirty. TV Licensing starts by sending threatening letters to suspected offenders. These are worded to imply that their inspectors have the right to enter private homes (in fact, they need a warrant). The next step is a home visit from an inspector, who will try to gain entry with permission. If that fails, TV Licensing has technology to detect if a house is receiving a signal. They use this to gather evidence to apply for a search warrant. TV Licensing’s inspectors have targets for the number of offenders they are supposed to catch, and they earn bonuses for exceeding their targets.

TV Licensing’s policy stipulates that the first adult resident of the house that the inspector encounters

becomes liable for prosecution. This is the reason two-thirds of those prosecuted last year were women. Inspectors usually come calling during the day when women are more likely than men to be at home.

Up to now, various campaigns to demote the license fee to a civil matter have been unsuccessful, though punishments have grown less severe. “The criminal aspect if anything has gotten slightly better,” says Booth. “People are very rarely now sent to prison for not paying the TV license.” In 1993, over 800 people were jailed for failure to pay their license fee, typically for sentences of around two weeks. Today, only fines are imposed. However, failure to pay the fine can land a person in jail.

As a regressive tax, the license fee falls heaviest on the low earners. Journalist Charles Moore wrote in *The Spectator*, “The licence fee is the most regressive and most ruthlessly collected of all government imposts, and the annual sum of £145.50 is a seriously painful sum for the social groups who watch television (though not, usually, the BBC) the most.”

Moore, author of an acclaimed biography of Margaret Thatcher, decided to stop paying his license fee to protest a segment on BBC Radio that offended him. The segment involved Jonathan Ross, who was being paid \$9 million a year by the BBC to host various shows. Moore wrote to the BBC to say he would start paying again when Ross was fired. The BBC responded by taking Moore to court, where he was fined \$260.

This regressive and ruthlessly collected “impost” doesn’t just pay a generous salary to stars like Ross. Over the past three years, \$39 million was paid out in severance to 150 BBC senior managers. That’s equivalent to 400,000 license fees. At least a quarter of the payments exceeded those required by the relevant employment contracts.

The BBC’s large, guaranteed revenue gives it an overwhelming advantage in Great Britain’s media landscape, particularly for news coverage. According to a government study, in 2011 the BBC spent \$669 million on its news division, more than all other English radio and TV



Zizzu02/Wikimedia.org

news providers combined. Also, 73 percent of all TV news hours watched in Great Britain were produced by the BBC. The BBC's news website attracts 14 million unique visitors each week (between 60 percent and 70 percent of them in Great Britain).

This is troubling for many reasons, not least because the BBC is biased against free-market views. "There is a sort of mainstream opinion in the BBC which is left leaning," says Booth. "It's not that they sit around at their desks thinking 'ah, we must present this in a left-leaning socialist way.' They don't actually see that there could be another rational worldview from their own."

As an example, Booth points out that Paul Krugman is a frequent guest on the BBC's flagship news show *Newsnight*, where he gets long segments to air his opinions without any presentation of alternative viewpoints. Also, until recently, one of the show's chief economics correspondents was

Paul Mason, a former member of the Socialist Workers Party.

New research from the Centre for Policy Studies shows that BBC News was far more likely to cite ideas from left-leaning think tanks than right-leaning ones. The study also found that BBC anchors are far more likely to point out the political ideology of a right-leaning think tank than a left-leaning one.

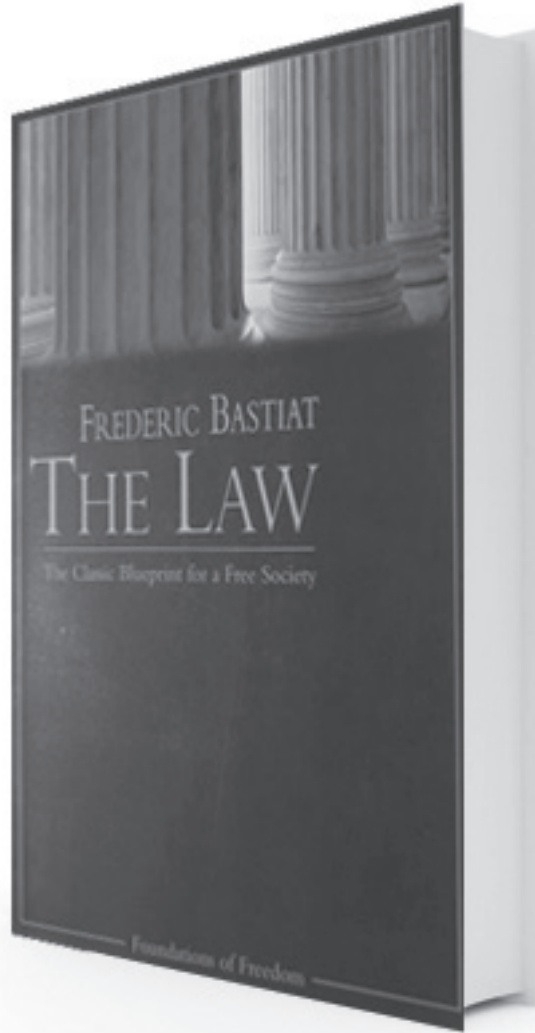
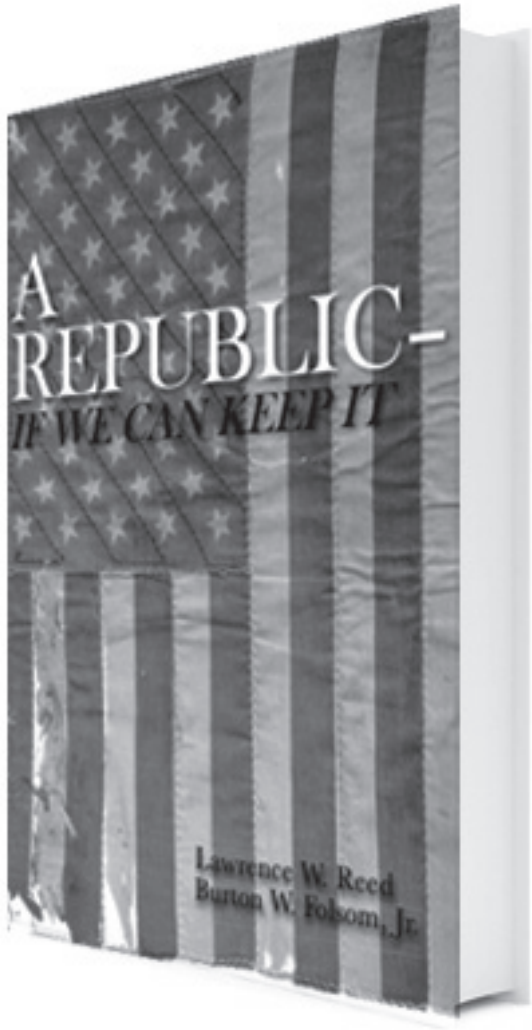
And then there is the matter of BBC News's failure to investigate Jimmy Savile, a pedophile who is accused of raping hundreds of boys and girls. Savile was a BBC radio and TV host for over 40 years, and some of the rapes are alleged to have taken place on BBC premises. In 2012—a year after Savile's death from pneumonia—British channel ITV aired a documentary revealing Savile's crimes. Subsequently, some BBC staff indicated there had been office gossip about his pedophilia for years.

At the time of Savile's death, *Newsnight* journalists were investigating rumors about him, but the story never made it onto the air. The BBC commissioned an independent review, which found that the *Newsnight* story was axed because of "chaos and confusion" among BBC management who had no idea how to handle the situation. Several employees were disciplined as a result, but no one was fired.

The review cost over \$4 million. The BBC's general director received \$166,000 for testifying. The BBC's legal costs over Savile are already above \$20 million. The one area where the BBC is getting off relatively cheaply is the victims. Under a settlement currently being finalized, 120 individuals who were raped as children by Jimmy Savile will be paid \$52,000 each.

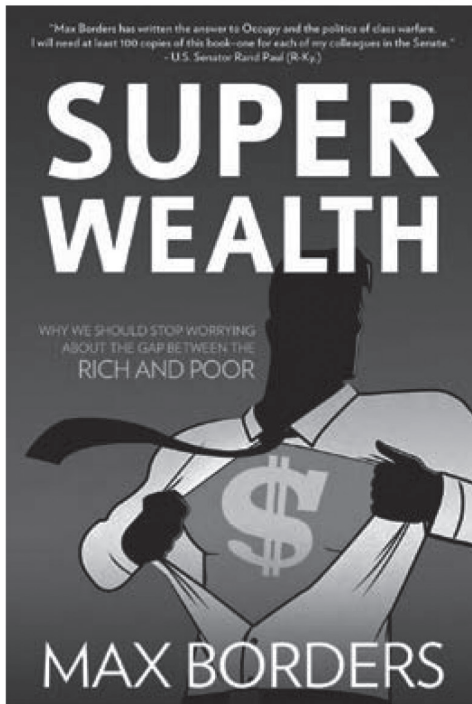
All these costs are adding up quickly for the BBC. TV Licensing inspectors will have to work hard to keep the revenue coming in. **FEE**

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Taxpayers Pay It Forward

The Latest Bad Idea for College Funding

MATT MILLER

If there's one thing the State is unquestionably good at, it's justifying its own existence. Whenever you hear politicians touting the latest cutting-edge "solution" they've developed to a perceived problem, you can be sure that this is just one phase of a vicious and repetitive cycle. First, the State intervenes in a market in order to supposedly improve it. This intervention fails, making things worse than before, thereby justifying further intervention in order to fix the new problems that have been created.

This process is currently under way in my home state of Oregon, where the legislature is considering adopting a plan known as "Pay It Forward, Pay It Back" to finance college education at public, in-state schools.

Under this plan, the state (meaning the taxpayers) would fully fund, up-front, the college education of any Oregon student who decides to attend a public, in-state school. In exchange, the student would "pay back" 3 percent of her post-graduation income for the next 24 years. At no point will anyone bother to examine and compare the amount that was spent on a particular student and the amount that she repaid. If, after 24 years, you have only paid half of the amount that was originally "lent out" to you, don't worry about it, you're off the hook anyway. If, after 24 years, you've paid double the amount that was originally "lent out" to you, don't expect a refund for the difference, either.

What seems so fascinating to people about the proposal is, in essence, why the program is doomed to fail.

Under such a system, the costs of a service are not even remotely connected to what someone pays for the service. Such a scheme incentivizes all sorts of waste and irresponsible behavior. According to *The Wall Street Journal*, "The program's designers intend it to become self-sustaining," with the money paid back by graduates going into a trust fund in order to finance the next year's crop of students (similar to how Social Security is theoretically supposed to sustain itself).

In order for the program to become self-sufficient, the

revenues would have to match (or exceed) the costs (plus interest, as the costs would be borne immediately, while the revenues would trickle in slowly over the course of the 24-year repayment term). The university system is already full of unclear subsidies and cost disparities; this program would confuse the basic cost-benefit analysis even further. An audit of the Oregon University System conducted by the Oregon secretary of state conceded that "across universities, the revenue from departments with surpluses is used to support departments that cannot cover their expenses." While the website CollegeMeasures.org estimates that the cost per degree at the University of Oregon was \$64,218 in 2011, the true total cost of an education for any individual student is virtually unknowable.

The Raw Deal

In terms of benefits, we all know that the amount of earning potential for recent graduates is far from equal. Certain majors generally tend to outearn other majors. According to its enrollment statistics, the top five majors at the University of Oregon in 2012 were pre-business administration, psychology, human physiology, biology, and business administration. According to the website StudentsReview, the 10-year average salary for psychology majors is about \$75,000. Meanwhile, the 10-year average salary for biology majors is about \$133,000.

Assuming this program does not become mandatory for all students, those who are going to end up earning the most money would have a strong incentive not to participate. These are the very students the program depends upon to become self-sustaining. Someone who intends to major in biology or any other high-paying field is likely capable of crunching the numbers and realizing that participating in this program essentially means subsidizing classmates who obtained degrees in less lucrative fields.

Under this program, any student making an average salary over \$100,000 for 24 years will end up "paying back" over \$72,000 in tuition. Meanwhile, a student making an

average salary of \$45,000 over 24 years would pay back only \$32,400. Currently, four years of resident tuition at the most expensive state school in Oregon is about \$40,000 (other costs, such as food, room and board, and living expenses are not included in this program, and would still have to be provided by the student out-of-pocket).

We end up with a situation where the most productive and successful students are potentially paying a lot more than their education may have cost, while the least productive and

successful students are potentially paying a lot less. (Who said that college doesn't prepare young people for life in the real world?)

You don't have to be an economics major to recognize that this is a raw deal. Traditional college financing is still going to be the better option: It establishes a maximum amount of money a student will owe, rather than an open-ended figure that could end up being much higher. Students might also flee Oregon entirely, seeking an educational environment where success and achievement are not punished.

At the same time, by lowering the total cost of degree programs less likely to lead to high-paying jobs, Oregon would essentially be subsidizing and encouraging more students to enter these fields. Before deciding whether to utilize this program, students would likely attempt a cost-benefit analysis by examining the earning potential of their field of study. Students in nontechnical fields traditionally face higher unemployment and lower wages. For these students, the program potentially represents a great value, as the cost of paying back 3 percent over 24 years will likely be lower than the cost of financing college through traditional loans. At the same time, students who choose more technical STEM fields will do some calculations and realize that traditional loans will be the lowest-cost option. This will wildly distort the population of program

participants in favor of lower-earning fields, which will make it that much more difficult for this program to sustain itself financially. It will also leave Oregon with an even greater surplus of students who spent four years in college, only to graduate and face high unemployment and low wages.

TAXPAYERS ARE going to provide all of this money to prospective students up front.

Given these perverse incentives, I consider it quite likely that the planners are wrong, and that this program will follow in the footsteps of every other "self-sufficient"

government program—that is to say, it will not be self-sufficient at all. In that case, who is on the hook? Why, those suckers in Oregon who already pay the third-highest income taxes in the United States. Taxpayers are going to provide all of this money to prospective students up front. If the revenue from the future earnings falls short of expectations, then the same taxpayers will have to take a loss from this program.

Up-front costs would become totally irrelevant to the average student, thus incentivizing universities to raise tuition and waste money on extravagant and unnecessary expenses (something universities are experts in already, as John Stossel has frequently reported). Students themselves will face incentives that encourage them to pursue degrees in fields with relatively low pay and high unemployment. Particularly successful students could easily end up paying three, five, or even ten times the amount of their peers who received the exact same education. The entire program smacks of "from each according to his ability, to each according to his need." Perhaps they should at least go for truth in advertising and call it "Taxpayers Pay It Forward, We'll Let You Know What to Pay Back." **FEE**

A self-taught student of Austrian Economics, Matt Miller lives in Oregon, where he recently separated from the United States Navy. He blogs at [Dude, Where's My Freedom?](#)

Our Cages and Labyrinths

Contemporary pop-culture themes point to a conscious awakening

JEFFREY A. TUCKER

Over the last year, I've had some sense that certain themes are emerging in pop literature and film—themes that are different from dominant strains of the past. I struggled to put my finger on it, but it finally hit me what these themes are and why they matter.

The plot lines are highly suggestive of what it is like to live in (and overcome) an age of pervasive government control—an age pretty much like our own.

Five shows illustrate the point: *Breaking Bad* on AMC; *Orange Is the New Black* and *House of Cards*, both of which are currently making Netflix a mint in new subscribers; the insanely popular *Hunger Games* series of novels and films; and *Boardwalk Empire*, from HBO. Let's look at what they have in common.

All students of literature and film are trained to find the core source of drama in a story. What is it that is stopping the main characters from achieving their goals, and how do the characters work around those difficulties? In the nineteenth and early twentieth centuries, the sources were predictably natural: terrible weather (*Grapes of Wrath*), privation and the struggle with poverty (Dickens), caste and class (the Brontë sisters), moral upheaval (*Frankenstein*, *Dr. Jekyll*), the reversion to the state of nature as a result of accident (*Robinson Crusoe*), and so forth.

But times have changed. And 21st-century popular culture reflects those changes. Given all the progress we've made, the obstacles in our world tend no longer to be material but political. In most places in the world today, disease, hunger, shelter, plagues, and natural disaster aren't the overriding issues affecting daily life as they once were. Something different afflicts today's generation.

These are the artificial barriers of law and legislation as contrived by bureaucrats and politicians.

Games People Play

The Hunger Games illustrates the point nicely. This dystopian novel series, hugely popular among young people, features a tyrannical government bent on total social and economic control. Every person has been assigned a district and each district has certain deprivations assigned to it. Society has plenty of wealth, but that wealth is only on display in the capitol. For everyone else, wealth is apportioned based on political favoritism and planning.

The result is a wholly unnecessary, wholly selective deprivation. Such deprivation is intended to keep the population dependent on the center and too weak to revolt. People are especially demoralized by the annual games in which two children are chosen from each district for a battle to the death—a kind of annual penance that must be paid as the price of an attempted *coup d'état* many years earlier.

What do people do about it? Surrender completely and have their individuality crushed? Not at all. These people form families, cultivate learning and talents, figure out ways to trade to their mutual benefit, and even come up with ways to subvert the system given the extreme constraints. They love, they grow, they struggle to be free, digging deep within themselves to find meaning and somehow cobble together a civilized existence.

The message of the series: The human spirit is uncrushable, despite every attempt to do it in.

Red, White, and Blue (Blood, Walter, and Meth)

In a strange way, the hugely popular *Breaking Bad* similarly takes on external restraints, this time those imposed by the drug war. A high school chemistry teacher is diagnosed with cancer; the cost of treatment means his family will be left destitute

when the disease kills him—as it appears certain to do. So he turns to using his knowledge and talents to enter the production side of the drug market.

In this series, the viewer discovers a gigantic society that thrives despite the law. There are large production structures, monetary and financial arrangements, capital investments, distribution channels, and fierce competition between providers. The series is eye-popping because we all know abstractly that such sectors exist, but we don't encounter them in real life. And yet, the series retains the character of real life in every way.

In this drug sector, we see distortions that result from legal restrictions. People cheat, they lie, they steal. Violence is endemic. Jealousies and ego rage out of control. But despite it all, there are certain human universals. There is ambition, talent, exchange, determination, shifting alliances, social complexity, and the striving for a better life. And it all happens underground, even though the drug war overlords are everywhere and absolutely determined to stop it all—the main character's brother-in-law is a big shot with the local DEA. Still, it doesn't stop and it won't stop.

The theme: The human penchant for getting ahead and living life to its fullest, even at great risk to person and property, cannot be crushed.

Verboten

We find the same in the show *Boardwalk Empire*, which is television's longest-running series on alcohol prohibition. As the show writers render the situation, two things are inconceivable about the law in such a world: that

it could stop or even curtail alcohol consumption, and that there would be no vast, underground (barely) apparatus running production and distribution.

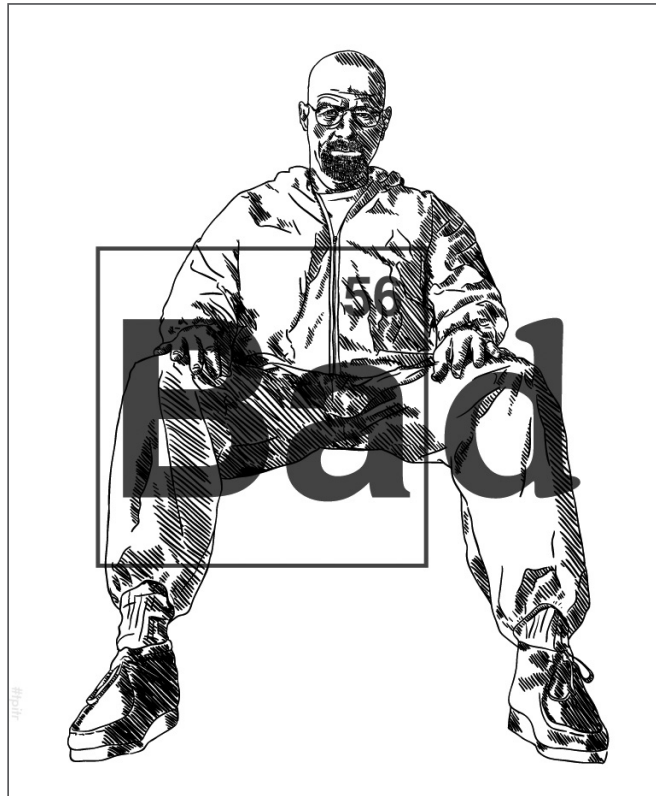
The official corruption among government agents is so pervasive that it is hard to call it corruption at all; prohibition is nothing but opportunity for them. All the main players are focused on the same issues as every enterprise: distribution routes, payments, accounting, suppliers, competition, product quality. The big difference between this market and others concerns the lack of legal channels to settle disputes. That means unrelenting violence.

Rusty Cage

Another permutation of the idea of artificial barriers is revealed in the prison drama *Orange is the New Black*. Even in prison and despite ever-present guards and wardens, bars, and rules, somehow a complex society is formed. The prisoners learn to trade and develop ways of getting along, keeping dignity, cultivating talents, and finding love. All the guns in the world can't stop this process.

There is a complex coordination taking place between people and groups—a full society unto itself, even in prison, and it is not unlike regular society except to the extent that it is truncated and corrupted by the institutional constraints under which it evolves.

So there we have it. Even a high-security prison cannot suppress that which is in all of us: the longing for a better and more prosperous life. We will form associations. We will cobble together a life. We will make the best of a ghastly situation and even prevail under extreme restraint.



Mark McKenny [flickr]

The drama with which we identify is to cheer on those who are getting around the system.

Intriguingly, you can find the same themes in the series *House of Cards*. I initially dismissed this series—who cares who is ascending or descending within the political system?—but eventually came to see it as subtly brilliant for what it tells us about government today.

The main character has the ambition to be president. He is dedicated to power as an ideology and life ambition. But in order to obtain it, he needs the cooperation of others, which he buys with favors and careful maneuvering. Even more than the prison situation, the political game is ridiculously artificial. Still, we see the same motivations at work as we see in every other area of life. Markets exist even in the thick of government morass. And yet because of the institutional constraints, they are put toward the evil end of ruling other people rather than serving them.

These are all stories of the invincibility of individualism, human ambition, and the will to survive and thrive. Examples abound.

Sign of the Times

Now to the question: Why is this theme so pervasive in popular culture today? The reason has to do with the signs of our times. Humanity has learned to clothe, feed, and house itself. Prosperity of the sort we know today has never in history been more pervasive. We've learned to control plagues, infestations, and crop failure. We've even learned how to deal with natural disaster better than any previous generation. As a result, in the developed world, today's poor live better than the rich of a century or even a half century before. So where is the drama?

Where do we find the difficulties and challenges in today's world?

The problem is government. Government is in a sense artificial, something built by people with power; it is unnecessary but somehow larger and more intrusive than ever. A free market has no such legal restrictions. There are challenges and difficulties but they are not distorted and encumbered by force of law. Their tendency is toward ever more opportunity and elimination of distortions.

Government, in contrast, imposes systems, and these

systems have the effect of limiting human choice and the formation of normal lives and institutions. This is obviously the problem in the United States today. Dealing with bureaucracies, politics, absurd rules, and gigantic, convoluted legislation is something that affects every business and every family. Our choices are limited by that labyrinth of control. This state of affairs disproportionately affects young people.

But do we give up? No, we work to overcome. We learn to deal with the realities and somehow find our way to a better life regardless of the barriers and restrictions. This reality is dawning on people today, simply because the coercive apparatus of the State is creeping deeper into people's daily lives, and that reality is becoming more obvious. Individuals will not be defeated, no matter how extreme the constraints.

To be sure, other societies have dealt with such problems. Nineteenth- and twentieth-century Russian literature featured this theme. And so it was with the popular ideological convictions in Eastern Europe after the Second World War. A Polish woman who lived through communism recently told me that in her day, everyone knew who the enemy was. The enemy was government. There was no doubt about it. As she put it, as bad as the system was, there was widespread clarity on both the problem and the solution. Everyone knew that surviving and getting by meant breaking the law.

Are we getting to that point under modern democracy today? Absolutely. But the realization has been slow to dawn. The themes and popularity of these shows are a sign of hope that this consciousness is beginning to spread. The major barriers to social advancement today are the systems of government human beings created. They have attempted to regiment us and take away our freedom of action. As pop culture is demonstrating for us, this must not be allowed to happen. Above all else, it must not be allowed to succeed, for the success of external control means the failure of the human spirit. **FEE**

Special thanks to Paul Cantor, Steven Horwitz, Doug French, and Nicholas Tucker for their commentary on a draft of this piece.

Jeffrey Tucker (tucker@lfb.org) is a distinguished fellow at FEE and the executive editor and publisher at Laissez Faire Books.

Turns Out I'm Not Crazy

Area 51 exists

ANDREW HEATON

Recently the CIA released a hitherto classified report acknowledging the existence of Area 51. The agency remains suspiciously silent on the juicy parts: There's no mention of alien spacecraft or a profitable wing of the U.S. Postal Service operating there. But at least the revelation that Area 51 exists, now officially, validates the underappreciated sentiments of myself and thousands of other armchair conspiracy theorists throughout this great nation.

We've believed in the existence of Area 51 for years, long before it became fashionable to discuss at cocktail parties or baptisms. We had two very good reasons for our hypothesis, despite fervent official denials from the government. The first reason was fervent official denials from the government; the other was that the Russians were fairly candid from the late 1990s on about their satellite photos of "a big airbase-looking thingy out in the Nevada desert" in a spot that the U.S. maintained was definitely, absolutely, totally, not a secret military playground. So the math added up.

We conspiracists agreed Area 51 existed, but differed over what it housed. On one end of the spectrum you have hardcore extraterrestrial enthusiasts who staunchly maintain that bits of an alien spacecraft (like space hubcaps or a muffler that fell off) are stored at Area 51. The idea is

I BELIEVE I HAVE the exact right dose of paranoia. I'm suspicious of our government, but I also have a deep and abiding faith in its general incompetence. This belief spares me from some of the more gaudy and ambitious conspiracy theories.

that in 1947, an alien spaceship crashed in Roswell, N.M., when the inhabitants of the town shot it down as the only possible way to ever encourage tourism there. Accordingly, the Air Force declared that the smoking debris was a "downed weather balloon," then gathered up the pieces and spirited them away to Area 51. Since then the debris has been carefully analyzed, studied, and finally incorporated into the 2005 Pontiac Aztek.

The more mainstream camp asserts that the Air Force designs and tests super-secret hardware at its clandestine desert location. The aforementioned CIA document acknowledges

this. (The official declassification of Area 51 came through a report on U-2 spy planes, as requested by a tireless George Washington University researcher. The Pontiac Aztek wasn't mentioned specifically; that part was likely redacted.) For example, if the Air Force wanted to build a stealth bomber with a cloaking device, it might try it out at Area 51. Then the pilots would fly the new vessels over Iowa cornfields and appear just long enough to create interesting episodes of "*Unsolved Mysteries*."

I believe I have the exact right dose of paranoia. I'm suspicious of our government, but I also have a deep and abiding faith in its general incompetence. This belief spares me from some of the more gaudy and ambitious conspiracy theories.

By way of example, Buzz Aldrin once punched a man in the face when the mouthy conspiracist taunted him about the moon landing being a hoax. This is an intriguing idea that has persisted for several years, predicated on the notion that the Kennedy and Nixon administrations filmed the moon landing in a secret film studio in order to bluff the Russians and raise American morale. (The Russians had succeeded in launching a dishwasher or something, which they called “Sputnik,” into space, and we were all terrified about what might happen if they started launching refrigerators. Hence the Space Race.)

The moon landing hoax idea is utter balderdash. It would literally be easier for the government to blast three guys into the stratosphere and let two of them play golf on the moon than to fake the whole thing and keep quiet about it for 40 years. If the government had attempted such a hoax, the spurious moon footage would involve a boom mic dangling in the right corner, and one of the “astronauts” would have come clean when, years later, he stopped receiving lunar unemployment checks.

Here you might bring up the fact that recently we discovered the National Security Agency has been wiretapping us and sifting through our e-mails, reading our Facebook statuses late at night, asking our friends if we have been talking about the NSA or at least if we have picked a date for the prom yet, and so on. That’s an important issue, but I don’t feel like the nature of it surprised anyone, just its extent. Did anyone not know about wiretapping under the Bush administration? Did anyone think the thousands of employees at the NSA had quit domestic surveillance and contented themselves



playing Sudoku? Being a narcissist, I always assume that people are interested in the minutiae of my phone calls; I just hadn’t anticipated that the NSA had concerned itself with so many other people as well.

Area 51’s existence is not astonishing in fact or scope. The clandestine aspect of the base was clumsy at best. It was the kind of secret where you would go to the top of a mountain, point at the air force base and say, “Look! There’s a base! See?” and the government would respond by buying the mountain.

It would be neat if some extraterrestrials are actually working in the bowels of Area 51, though I doubt it. I suspect the only little green men there are the ones that come printed on dollar bills. **FEE**

Andrew Heaton is a former congressional staffer, now working as a writer and standup comedian in New York City. More of his wit and insight can be found at his website, MightyHeaton.com.

Thoughts on Work and on Working

How we talk about work matters

SARAH SKWIRE

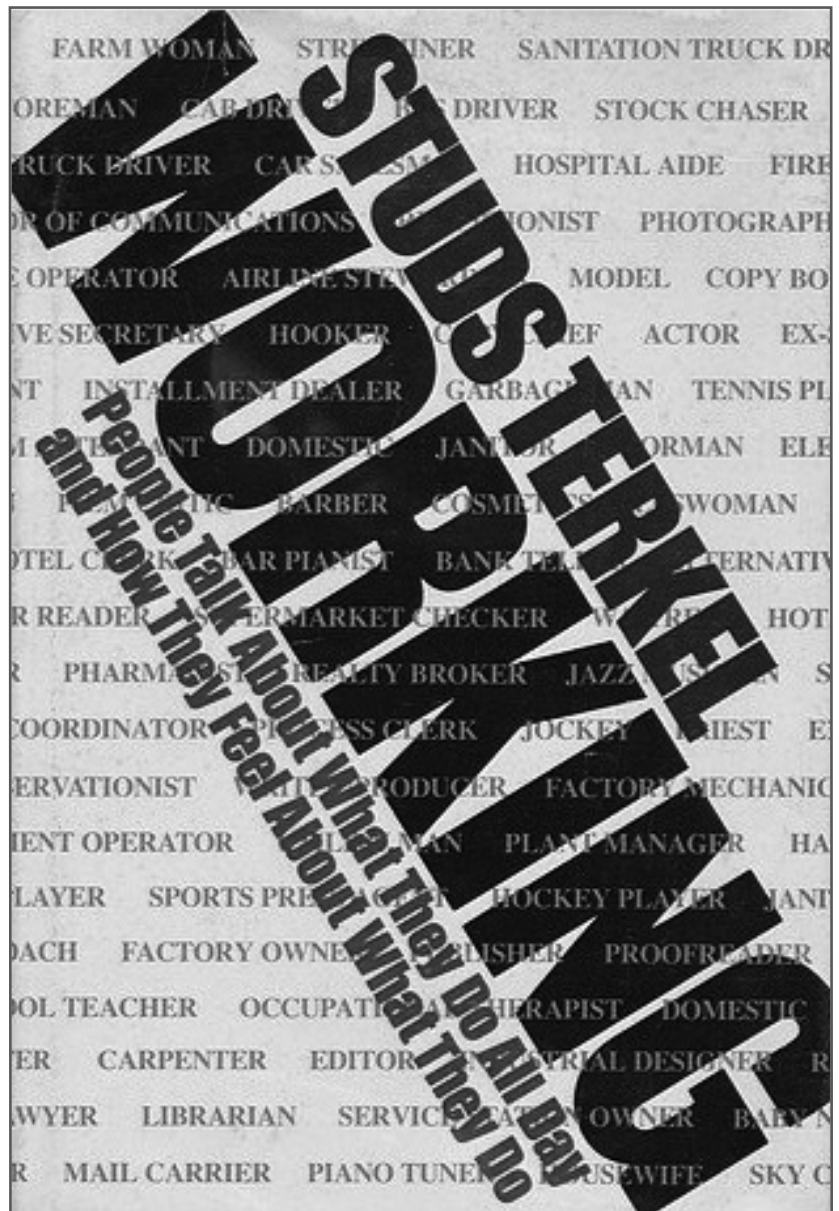
Studs Terkel • *Working: People Talk About What They Do All Day and How They Feel About What They Do* • New York: The New Press, [1972] 2004 • 589 pages

I had the chance recently to talk about work with a group of students at a summer seminar sponsored by the Institute for Humane Studies. What follows is part of what I told them.

Work—all kinds of it, at home, at the office, on farms and in factories, all the way up and down the pay scale—is the engine that drives the free market. If we love markets—and I do—and we love the liberty that the market enables, we have to be willing to tangle with the challenges of talking seriously about all kinds of work.

The economist Dierdre McCloskey says the way that we as a culture talk about things like work and business and money changes how we feel about them. She says, in fact, that the biggest push to bring us into the modern world was a change in the way we spoke and wrote about work and business. That means that what we say when we talk about work matters. It matters if we think and say that work makes you “a slave to the man” or “a cog in the corporate machinery.” It matters that we think and say work is degrading. Or fulfilling. Or creative. Or deadening. It matters that I just called it the engine that drives the free market.

I think that right now we’re having a long-term human crisis about work and what it means—and that means we have an opportunity, a really important one, to have a discussion about work that is clear-eyed about



its problems, but also optimistic about its possibilities. In his book *Persons, Rights, and the Moral Community*, the philosopher Loren Lomasky tells us that people are pursuers of projects. We like to be doing. More than that, Lomasky tells us that it is a good and moral thing to be a pursuer of projects, because—since we value our projects—it confirms for us that we have worth and value. And it confirms for us, by extension, that other people who pursue their own projects have worth and value as well. We need a way to talk about work that allows us to bring in Lomasky’s respect for the projects of others as well as respect for our own projects.

To think about better ways to talk about work, it helps to talk to a lot of people about their jobs and to listen to what they tell you. This was the project of the Pulitzer-winning journalist Studs Terkel in his book *Working*. The book, which is a series of interviews with people about their work, reminds us that the working world is full of people exploring and engaging and developing their capacities in all kinds of ways. Terkel’s masterful use of the interview form, of oral history, of capturing the voices and experiences of a whole range of working people makes *Working* the kind of book that rewards both casual scattershot readers and those who are determined to plow straight through it.

Working is full of useful and educational surprises for those of us who might be inclined to think that salary and prestige are what it takes to create satisfying work. Most of us, for example, would probably assume that working on an assembly line is dull. Wheeler Stanley, who worked on auto assembly lines before being promoted to foreman, begs to differ. “I could stand back, look at a job and I could

do it. My mind would just click.... I enjoyed the work. I felt it was a man’s job. You can do something with your hands ... [It was] far from boring. There was a couple of us that we were hired together. We’d come up with different games—like we’d take the numbers of the jeeps that went by. That guy loses, he buys coffee.”

There’s Babe Secoli, the grocery store checkout clerk whose pride and satisfaction in her expertise shines through in her words, “There are items I never heard of we have here. I know the prices of every one. Sometimes the boss asks me and I get a kick out of it.... On the register is a list of some prices. That’s for the part time girls. I never look at it.... I don’t have to look at the keys on my register.... My hand fits.”

And then there’s Elmer Ruiz, reminding us that “not anybody can be a gravedigger. You can dig a hole any way they come. A gravedigger, you have to make a neat job. I had a fella once, he wanted to see a grave. He was a fella that digged sewers. He was impressed when he seen me diggin this grave—how square and how perfect it was. A human body is goin’ into this grave. That’s why you need skill.”

These workers, talking about jobs that many would classify as menial, or blue collar, or simply “awful,” talk about expertise, creativity, and pride. So if I were going to pick a place to start changing the way we talk about work, I’d like to see us begin to acknowledge that instead of being a kind of paid slavery, work—even work we can’t imagine wanting to do—can be a source of pride and of pleasure. **FEE**

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