

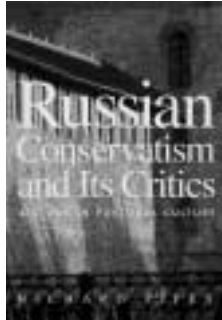
Book Reviews

Russian Conservatism and Its Critics

by Richard Pipes

Yale University Press • 2006 • 216 pages • \$30.00

Reviewed by Richard M. Ebeling



Why do some nations seem more open to the ideas of liberty, while others appear resistant to them? Friends of freedom often work from the axiom that liberty is something all men desire and want. Yet there are parts of the world in which large portions of the population seem to resist the trend toward

liberal democracy and free markets. Both intellectuals and “ordinary” people in those societies often say they reject “Western” notions of freedom and individualism.

This question touches on many of the most important issues of the contemporary world. One example of a country that seems to be reversing many of its earlier steps toward the rule of law, civil liberties, and market freedom is Russia. I was in Moscow in August 1991, when a group of hard-line Communist Party members attempted a coup to prevent the breakup of the Soviet Union and to reassert centralized Party control. After three days, the coup failed. The next day, in a large square behind what was then the Russian Parliament building, thousands of Muscovites attended a rally to celebrate the survival of their fledgling democracy. At one point there arose from the ocean of people a chant, which they shouted in unison: *Swaboda! Swaboda! Swaboda!*—Freedom! Freedom! Freedom!

After nearly 75 years of communist tyranny, those Russians were declaring their hope and desire for the chance to be like us in the West—what they called a “normal society.” Yet 15 years later the hope has faded a great deal. The government of Vladimir Putin has reasserted central control over the far-flung regions and districts of the country. Radio and television news is dominated by the government, as are many newspapers. Many economic reforms have been reversed, with gov-

ernment ownership or control of the economy being reestablished. The new class of wealthy Russian businessmen, sometimes referred to as the “oligarchs,” has been thoroughly intimidated by the government, with few of them willing to risk their property and position by challenging Putin’s near monopoly over political power. And there is a longing and nostalgia among many in the country for the reestablishment of Russia as a great power that would be feared and followed in the arena of international politics.

Part of the reason why there has been acceptance of these trends by so many in Russia has to do with the culture and the mentality that has evolved and shaped the Russian outlook on life, society, and the State over several centuries. Richard Pipes’s recent book, *Russian Conservatism and Its Critics*, attempts to explain how this has come about.

In the beginning there were accidents of history. The Mongols invaded and conquered what is now European Russia. They appointed the ruthless rulers of the Grand Duchy of Moscow as their enforcer of taxes and control. When the Mongols withdrew 400 years later, Moscow asserted itself by expanding and annexing regions that were potentially more open to liberal and commercial values. As the conquest advanced, the rulers in Moscow threatened the position and wealth of the Orthodox Russian Church and the landed aristocracy. To hold on to what they had, they conceded total power to the expanding government in Moscow. They gave away all their potential “rights” to maintain their political privileges under the absolute autocratic rule of the Russian monarch, the tsar. This meant that unlike in the West, there were no countervailing sources of power to check the authority of the king.

There was a consensus that in a country as large as Russia, with an ethnically diverse population, and with no “natural borders” to block potential invaders, strong, centralized power was necessary to hold the state together. The three elements of legitimacy for the Russian monarchy became autocracy, religious orthodoxy, and a growing nationalism that emphasized the unique and special character of the Russian people, making them distinct from other peoples in the West.

As much as both Russian liberals and advocates of absolute monarchy may have admired and valued what

they saw and learned from France and England in the eighteenth and nineteenth centuries, they all were suspicious of or hesitant about a liberal political system in Russia. Social unrest and political chaos could be prevented only by strict obedience and loyalty to the all-powerful tsar.

Russian religious orthodoxy emphasized that only the Russian Church had remained pure and devout in the face of the decadence and wayward spirit of the Western Christian faiths. Russian Orthodoxy was the true faith, ordained by God to bring salvation to the world. Western ideas could only poison the Russian soul and threaten Russia's religious mission in God's plan.

Even in the last decades of the nineteenth century, when Russian liberals attempted to influence political currents, they could not let go of the idea of autocracy. The most *laissez-faire* of the Russian liberals, Boris Chicherin (1828–1903), could not endorse Western-style representative government. He insisted that to do so “would mean renouncing one's whole past, rejecting the obvious and universal fact of our history that demonstrates clearer than the day that autocracy can lead the nation with giant steps toward citizenship and enlightenment. . . . In a word, under present conditions, popular representation will bring nothing but chaos.”

Peter A. Stolypin (1862–1911), Russia's last important pro-market reformer before World War I, declared, “Supreme authority is the sustaining idea of the Russian state, it embodies its strength and unity, and if Russia is to be, then it will be only by the effort of her sons to defend, to protect this authority, which has forged Russia and keeps her from disintegrating.” As for Western political ideals, he added, “One must not attach to our Russian stem some alien, foreign flower.”

Even the peasantry endorsed the idea of absolute monarchy. In the late nineteenth century, Pipes points out, “the peasants regarded the tsar as the proprietor of Russia and expected to receive from him the land allotments they so desperately needed. Peasant rebellions in Russia were invariably directed not against the tsar but carried out in the name of the tsar against what the rebels perceived as selfish nobles and usurpers of the tsar's authority.”

Russia's status as a great power that stretched from the Baltic Sea to the Pacific Ocean was attributed by the

Russian people to the unquestioned power of the monarchy. Centralized power not only kept Russia together, it also made Russia a force among the powers of the world—something Russians could take pride in regardless of how lowly their rank might be.

Autocratic government, Pipes explains, prevented the emergence of an independent middle class. Private property rights never took hold because in principle all land and the objects on it were the possessions of the tsars. There were none of the intermediary institutions of civil society that had nurtured the growth of liberty in the West.

These are the cultural and psychological legacies left to the Russian people by centuries of autocratic rule, many of which were reinforced by three quarters of a century of communist dictatorship. Pipes's book may help us to understand why Russia's path to liberty seems so slow and tortuous.



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Paying with Plastic: The Digital Revolution in Buying and Borrowing, 2nd edition

by David S. Evans and Richard Schmalensee
MIT Press • 2005 • 367 pages • \$62.00 hardcover;
\$24.95 paperback

Reviewed by J. H. Huebert



The market has an amazing ability to induce voluntary cooperation among millions of people around the globe to provide goods and services we tend to take for granted. Leonard Read showed this by telling the story of a simple lead pencil. In *Paying with Plastic*, the authors relate the similarly impressive story of the credit card.

Today, of course, you can use your credit card almost anywhere to buy anything. But not long ago, credit cards were unheard of. If you wanted to borrow money, you went to the bank and took out a loan. Or you might have had a charge account at a store you frequented—but your bill had to be paid off each month. Early charge cards from Diner's Club and American Express, which

arrived in the 1950s, worked the same way, requiring full payment each month, and were narrowly targeted at business travelers.

Credit cards as we know them didn't really exist until the late 1960s, when banks across the country joined together to form the organizations we now know as MasterCard and Visa. Few people who use credit cards today know the massive amount of voluntary cooperation that was required to bring them into existence and make our everyday card purchases possible.

Consider, for example, that MasterCard and Visa are joint ventures, owned by all the banks that issue those cards or offer accounts to merchants who accept them. As the authors note, the member banks remain competitors in all facets of their business, *even the credit-card issuing business*, but nonetheless cooperate at the card-system level to set standards and allow consumers to use the same cards across the country, and around the world, regardless of whom they bank with.

This should give pause to statists who insist we need antitrust laws to prevent businesses from collaborating with each other. Here we have banks "conspiring" in a way that unquestionably benefits consumers by maximizing both convenience and competition.

Inventing the cards was one thing—but it's another free-market miracle that anyone uses them. After all, when the Visa card and MasterCard were created, no consumers had one, and no businesses accepted them. The banks had to figure out how to make consumers want a credit card no one accepted and how to make businesses accept credit cards no one carried! *Paying with Plastic* explains how they did it.


And you may have noticed that when a merchant swipes your credit card, he does so through the same terminal, regardless of what type of card it is. How can one little machine not only handle different card brands, but also move money between the various banks involved, all in about two seconds? Again, the book provides an easily understood explanation. And although the authors don't consider this implication, their discussion of this issue made me think about how the use of free-market money (say, gold) would be easier than ever given modern technology.

If the book's story has a villain, it is government. Many states, for example, have obstructed the growth of

credit cards through usury laws—that is, they have imposed price controls. (Banks escaped this problem by moving their offices to friendlier states, such as South Dakota.) And, of course, federal antitrust authorities are always looking for new reasons to harass businesses that have done nothing more than voluntarily cooperate with consumers and each other. The authors do a fine job of explaining the economics of those and other government interventions and how they harm consumers.

Unfortunately, the authors fail to note that banks themselves are not without fault—they benefit from government intervention that allows them to inflate the money supply and effectively steal from all of us. And the book's brief history of money and banking also treats the abandonment of the gold standard too lightly.

Despite these shortcomings, the book focuses on those aspects of the credit-card business produced by peaceful cooperation. It shows how the market, not government, coordinates human action on a grand scale to advance human welfare.

Accordingly, I recommend *Paying with Plastic* not only to those who want to know more about credit cards—and given their ubiquitous role in our lives, you *should* learn about them—but also to anyone seeking a detailed example of the great things even a hampered market can achieve. 

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The New New Left: How American Politics Works Today

by Steven Malanga

Ivan R. Dee • 2005 • 147 pages • \$22.50

Reviewed by George C. Leef



Murray Rothbard liked to argue that our understanding of politics would be improved if we would categorize people as either tax *payers* or tax *consumers*. The latter always desire political action to make their positions more secure and lucrative. Indeed, the increasing politicization of the United States has proceeded hand in hand with the rising number of

tax consumers. Tax payers, alas, may fail to see that opposition to government expansion is in their interest. Many of them are in the thrall of statist myths and don't understand that their pockets are being picked. Some even applaud.

To all members of the tax-paying class, I recommend Steven Malanga's book *The New New Left*. Malanga, a New York-based journalist affiliated with the Manhattan Institute, has dug deep into the dung heap of modern politics to show how various interest groups succeed in getting what they want at the expense of others. Malanga's exposé is certain to provoke screams of protest from the tax consumers because he's so good at demolishing their intellectual pretensions.

Government-employee unions are one of the book's main targets. Malanga writes, "Today, public unions don't merely use their power to win contract concessions for their members. They help elect sympathetic legislators and defeat proponents of smaller government; they lobby for higher taxes, especially on the rich and on businesses; and they oppose legislative efforts, such as privatization initiatives, aimed at making government smaller and more efficient." That's true not only in union-dominated cities like New York, but also in many others. A lamprey attaching itself to a fish is the image that comes to mind.


Those unions have formed an alliance with leftist politicians in which the politicians can count on union support (money and manpower) and in return they promote the unions' desire for expanded government. A prime example Malanga shows is the health-care industry, where growing governmental involvement has been a gold mine for union treasuries.

Malanga also takes on the numerous activist organizations on the new new left (NNL). One of the most virulent is ACORN (Association for Community Reform Now), which pushes relentlessly for socialistic nostrums such as "living wage" laws. Those laws mandate that businesses must either pay their workers an hourly wage that's supposed to be the least someone could live on, or else face punitive taxes. It's just a super-minimum wage. ACORN and its backers (including the Ford Foundation) try to deny that "living wage" laws have any disemployment effects, but it's hard to suppress the truth. Malanga notes that after Detroit adopted its ordi-

nance, the Salvation Army had to lay off some of its workers because it couldn't afford to keep them all on the payroll. In response, ACORN accused the Salvation Army of "propagating a Big Lie."

Undoubtedly, the Number One Enemy of the NNL is Wal-Mart. The company resists unionization with all legal means. It even chose to shut down a store in Canada, where a union had been certified, rather than bow to collective bargaining. For its stance, the firm receives a steady torrent of invective from Big Labor and its activist allies. They rant, for example, about the low percentage of Wal-Mart employees (compared with other large firms) who have health insurance as a part of their compensation package. Malanga points out an inconvenient fact for the crusaders: many Wal-Mart workers have health-insurance coverage elsewhere, through a pension plan or other family members. No one who finds the compensation at Wal-Mart inadequate has to work there, but many people obviously think it's their best option. Only in a hyper-politicized world would anyone regard the NNL activists who seek to meddle with mutually beneficial exchange as heroes.

In another essay, Malanga takes aim at the faddish notions of Professor Richard Florida. Florida has become an intellectual guru to many for his theories on how to make cities vibrant, growing places. His idea is that if cities attract "creative people," they will thrive. So what flowers will lure these wonderful bees? Florida says that the key is for a city to have the amenities that such people supposedly want for their upscale lifestyle: fine arts, recreation, green spaces, and so on. Therefore, cities should throw plenty of money into performing-arts centers, bicycle paths, parks, and more. Malanga douses Florida's dreamy visions in cold water by demonstrating that those amenities are neither necessary nor sufficient for a vibrant, growing city. It's just another excuse for political elites to spend taxpayer money.

This book is a timely attack on some of America's most destructive political phenomena. 

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Learning Economics

by Arnold Kling

Xlibris Corp. • 2004 • 376 pages • \$32.99 hardcover;
\$22.99 paperback

Reviewed by Donald J. Boudreaux



Because the marginal social value of eloquent explanations of basic economics exceeds the marginal social cost of supplying these explanations, efficiency requires that more such explanations be produced.

Got that?

The jargon-laden opening sentence of this review is typical of much too much economic writing. Economists have many important and interesting things to say about the world, but it's the rare economist who is both able and willing to share economic insights with non-economists. It's the even rarer economist who does so from a market perspective.

Boasting a Ph.D. in economics from M.I.T.—he was a classmate of Paul Krugman—Arnold Kling is as well-credentialed and technically skilled as any economist. He has a knack for using metaphors and analogies effectively; his sentence construction is clear; he assiduously avoids jargon; and he's interested in relevant topics.

Learning Economics is a collection of 57 essays—each about the length of an op-ed—on public-policy topics ranging from health care to education to stock prices. The engaged reader will learn, up-close and clearly, just how a master economist uses the economic way of thinking in ways that matter most.

Learning Economics reminds me of *Capitalism and Freedom*. Like Milton Friedman, Kling isn't shy about using basic economics to push market-oriented policy proposals. Most of these proposals will be agreeable to *Free-man* readers. For example:

“One of the silliest government positions ever created was that of ‘Chief Trade Negotiator.’ There is no need to negotiate—we can do our part for free trade now. The whole concept of trade negotiation is absurd. It is like saying to your spouse, ‘I’ll change my underwear regularly, but only if you’ll agree to brush your teeth.’ We should eliminate our harmful trade barriers, not

keep them in place just to have ‘negotiating leverage.’”

Some of Kling's proposals will strike many libertarians as dancing with the devil. For example, he advocates what he calls the “bleeding-heart libertarian approach to income redistribution.” The libertarian part is to abolish government schooling, health-care subsidies, Social Security, and income taxation. But this plan also relies crucially on instituting a tax on consumption.

Many libertarians disparage such proposals. “It leaks,” as some say, using Leonard Read's famous phrase. And indeed it would leak if it were an answer to the question “What's the best possible way to arrange reality?” But Kling isn't here laying out a picture of his ideal world; rather, he's offering a specific proposal to improve the world.

Such efforts as this are easy and tempting to reject. While I believe that we should never lose sight of the attainable ideal, we should also recognize that moving toward that ideal is most likely to be achieved by a series of small steps rather than one heroic leap. We should understand that even small improvements that fall short of the ideal generally are better than no movement at all. Spelling out the details and benefits of practical policy improvements that might be politically doable is a strength of this book.

Not that I agree with everything Kling writes. His macroeconomics is too Keynesian for my taste. But even his Keynesianism is well-argued and should be understood and engaged by serious thinkers.

On almost all non-macroeconomic issues, however, I find myself in enthusiastic agreement with Kling. Here are two of my favorites.


To explain that lower wages paid to foreign workers—such as Indian software programmers—reflect their correspondingly lower productivity, Kling asks the killer question to those who insist that lower foreign wages will drain America of all jobs: “Why don't firms hire more programmers, since they are getting more in value than what they are paying? If the reason that firms do not increase their hiring is that all of the qualified programmers are already working, then why do the workers not demand higher wages? Until wages come in line with productivity, there are unexploited profit opportunities.”

Therefore, the fact that American firms still hire lots

of American workers means that hiring foreign workers at lower wages generally is no better a deal than hiring American workers at higher wages. In other words, don't hold your breath for the giant sucking sound.

Cutting clean through to the heart of the matter on health insurance, Kling observes, "The fundamental problem is that we believe that health insurance is something that only should be received as a gift—never obtained for oneself. Thus, we immediately assume that

when a family does not have health insurance, they are to be pitied for not having received the gift, rather than being blamed for not having taken responsibility."

Learning Economics is intelligently and clearly written. I welcome Arnold Kling to my gallery of champions of economic literacy. 

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Coming in the June Issue of *The Freeman*

Anthony de Jasay on
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Joseph R. Stromberg on
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