

# Liberty

July 1997

Vol. 10, No. 6

\$4.00

## Richard Nixon Resurrected

### Ebonics: Bridge to Illiteracy

*by Nicholas Stix*

### The Politics of Drug Hysteria

*by R. W. Bradford*

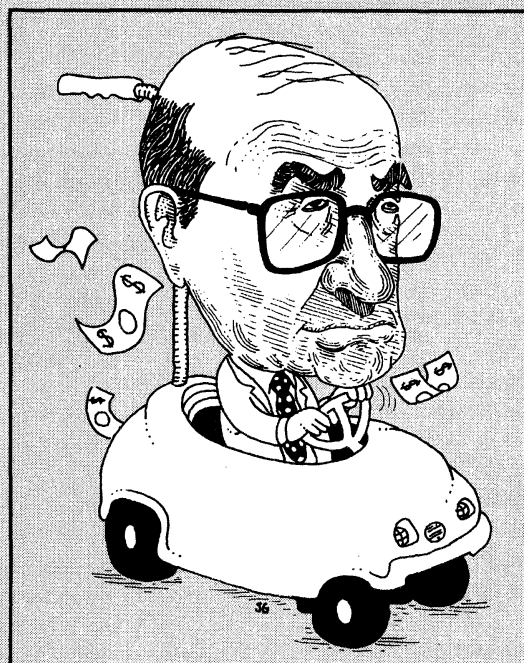
### Out of the Closet, Endlessly Talking

*by Michael Grossberg*

### Money, Gold, and Paper

*by Bruce Ramsey & Bob Higgs*

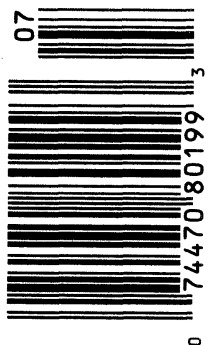
## De-Inventing Government: The End of Central Banking



Alan Greenspan's control over the economy can be compared to that of a four-year-old driving her Cozy Coupe. She joyfully spins the steering wheel, exulting in her control; but the steering wheel is not connected to the drive train.

**Also:** *Joy Taylor* on how women's shelters abuse women, *Carlos Ball* on the new revolution in Latin America, *David Friedman* on private law enforcement, *Stephen Cox* on the new class distinctions... plus other articles, reviews, and humor

*"Liberty is the best of all things." — William Wallace*



# Letters

## Star v. Star

Todd Seavey ("Rebels vs. the Federation," May 1997) loves the flash and the adventure of *Star Wars*, the absolutely unambiguous conflict of good and evil — the sort of stories we give our children to teach them values in a way that they can understand. And we all wish to retain our child-like pleasure in a bold tale of the fight between good and evil. We take a primordial delight in the solution to conflicts via violent means. There is no shame in this, and our adult sense of wonder and drama can be wonderfully complimented by these old-brain attributes.

*Star Trek*, on the other hand, begins centuries after the earth's crucial battles are over, and shows how society might deal with problems while trying never to use violence as its first solution. The *Trek* stories attest that "human nature" is not necessarily a contemptible beast that we must constantly struggle to subdue at the behest of a punishing god or a human tyrant. *Star Trek* gives us hope that we can improve — not only as individuals, but as a society. Nothing else in our current culture tells us that. Mostly we are told that our technology will ruin us, our ideals will fail us, and our civilization is doomed to destruction.

Mr. Seavey complains that "the modern *Trek* spin-offs have fallen prey to Mr. Roddenberry's optimism." I find it a huge plus that this is true. For many of us, optimism is as exciting as pyrotechnics.

C.D. Laubscher  
Poulsbo, Wash.

## Trek's Libertarian Ethos

It is a mistake to categorize *Star Trek* as "socialist." For the most part, *Star Trek* has a pervasive libertarian streak. It's irrelevant that the show centers around a government vessel. The prevailing ethos is "we shouldn't interfere

with what people do and how they live unless their lifestyle violates the rights that any sentient being is by nature entitled to." The show is generally sympathetic to the adventurous individual and to freedom's advocates. Sure, the ship is under the authority of the Federation, but bureaucrats and administrators are always portrayed as foolish or myopic or self-serving. The heroes are explorers and scientists who stand up for freedom and truth.

Aeon Skoble  
Cape Girardeau, Mo.

## Stars in Your Eyes

Just because the heroes in *Star Wars* are part of a "rebellion" does not mean that they are fighting for freedom. We are still talking about saving a "princess" and the old royalty establishment. The idea that such a system of government could ever lead to the technological advancements needed to go faster than light seems pretty silly — just as it is silly that every race in *Star Trek*, no matter how tyrannical its government, seems to be at about the same level of scientific development as the Federation, as though science will proceed no matter what sort of state you live under.

There is a reason why only Harrison Ford is still doing big movies — the acting in *Star Wars* is campy, at best. The first *Star Wars* movie looks primitive — yes, it does, Todd; get over it.

Todd, you can insult me — and other people who see reality for what it is — all you want, but that isn't going to change the facts. If *Star Wars* is the best you think we've got, then it is you who are a "very poor observer."

Jamie Pofert  
Minneapolis, Minn.

## Male Call

Since, as Wendy McElroy explains in "Foucault and Feminism" (March 1997), gender feminists regard language as a

weapon that men have used to oppress women, it's not surprising that they use it against men. In one regard, they have been spectacularly successful: the use of the word "male" for "man" — and in particular, "males" instead of "men" — which has spread through the language like a cancer. Even many anti-feminist male writers occasionally call men "males." Observe that writers who use "males" rarely refer to "females" rather than women. This may be unconscious, but it is no accident. "Males" and "females" are dehumanizing terms, in that they can refer to any animal. "Men" and "women" can refer only to human beings.

If you are a man, or like me, a woman who likes men, watch your language. Even when talking about groups of people you don't like, call them men, women, boys, girls, ladies, gentlemen. Give them the dignity of their humanity.

Ryck Brown  
Phoenix, Ariz.

## Open Season on Killers

With regard to George Smith's article on capital punishment ("A Killer's Right to Life," November 1996), I would like to point out that mistakes are inevitable. The problem of possibly executing the innocent can be handled as follows. The judge invites the defendant to attend his trial. If he finds the defendant guilty, the judge makes three statements:

- a) The defendant murdered X;
- b) The defendant has not sincerely repudiated the principle that it is OK to kill another person; and
- c) Unless it can be shown that "a" or "b" is in error, if anyone kills or attempts to kill the defendant, actions against that person will not be heard.

Thus, the risk of killing an alleged killer who is in fact innocent would not fall on the judge, but on volunteers, on the plaintiff, or on the plaintiff's hired agent.

Richard D. Fuerle  
Grand Island, N.Y.

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## Ultimate Penalty

I have no wish to be generous to capital criminals. As a person in his late seventies, I would like these bastards also to live out their lives in the discomfort of aging — both in their surroundings and physically. Execution is simply too easy an out.

George Amberg  
El Cerrito, Calif.

## A Christian Nation

In David Mayer's description of Thomas Jefferson's views on religion ("The Misunderstood Mr. Jefferson,"

May 1997), he misuses Jefferson's "wall of separation" to show that Jefferson was "neutral" with regard to religion. But the quotation is from a letter in which Mr. Jefferson was merely calming the fears of the Baptists of Danbury, Connecticut that the federal government was preparing to name another Christian denomination as the "state religion."

To use that statement to prove that the Founding Fathers did not want religion in government is dishonest. Anyone who has done the research necessary to write such an article must also have

uncovered a multitude of evidence that the Founding Fathers wanted just the opposite. They considered this a "Christian nation" with the principles of Christianity as the basis of government.

Elder James D. Bradley  
Romeo, Mich.

## Christian-Libertarian Coalition

Harry Browne says that the Libertarian Party needs to overcome the "Hurdle of Irrelevancy" ("Does the Libertarian Party Have a Future?" March 1997). Mr. Browne, I suggest that your party ally with a pressure group that is willing to live with your irrelevancy for a decade or two. This will increase your numbers, which will make you look better to the media and the pollsters, which will then publish stuff to make you more relevant.

I have in mind the Christian Coalition. They have been patient with the Republicans for thirteen years now and are still being ignored. I suggest that you get together with one or two conservative Christians and work out a model for a society that both you and we would strongly prefer to the present one. Then approach the Christian Coalition with this model as your negotiating position.

You *cannot* cling to the right to torture pre-born citizens to death if you try this solution. We regard the pre-born citizen as having as much right to protection from violence as anyone else. If the mother objects to motherhood, or to the child, adoption is legal in all states of the Union. We would allow her to charge the child rent by selling him as an heir, not as a slave.

Rachel Whittlesey  
Newburg, Ore.

## The Mismeasure of Liberty

Robert Higgs, summarizing Jeffrey Rogers Hummel's *Emancipating Slaves, Enslaving Free Men* ("The Bloody Hinge of American History, May 1997), states: "Before the [Civil War], individual freedom had tended to expand; afterward, it tended to shrink."

But the only instrument for measuring aggregate human action is the market, and the only measure is money. I'm not smart enough to say if measuring liberty is conceptually impossible. But I think I'm knowledgeable enough to say that it's practically impossible.

Higgs appears to believe that antebellum America enjoyed a largely

*continued on page 30*

## From the Editor . . .

The issue that you hold in your hands marks the end of *Liberty's* tenth year of publication — an accomplishment we have yet to find time to celebrate, but of which we are nonetheless proud.

Why would we take this occasion to lead with an essay on the "dismal science"? Economic theory, after all, has a reputation as a soporific, and many of *Liberty's* readers seem content that Hayek or Mises or Friedman or (much earlier) Adam Smith has provided an answer to most any economic problem that might possibly confront them.

Don't be dismayed: we have good reason. This is a challenging piece with breathtaking implications. Harry Watson and Ida Walters don't find economics dismal and don't believe the last word on the subject has been written. They believe, instead, that recent advances in economics not only supplant the theories of the aforementioned thinkers, but also provide powerful new support for a free economy. They argue that the work of these new theorists — who would toil in relative obscurity had they not been awarded Nobel Prizes — calls into question whether government attempts to manipulate the business cycle, prevent recessions, or enhance prosperity have any effect at all. And they go further: the work of these economists has given people around the world new tools to circumvent idiotic government policies.

Watson and Walters aren't the only writers who challenge some widely held assumptions. In our opening "Reflections," David Friedman suggests that perhaps it might be a good idea to get rid of government prosecution of crime altogether, and John Hospers challenges the orthodox libertarian approach to foreign policy. Elsewhere in Reflections, Gary Alexander reports on the new documentary about the life of Ayn Rand. (Speaking of which, two versions of Barbara Branden's *The Passion of Ayn Rand* will be produced next year: a television film on Showtime and a stage version at the Old Vic in London.)

As you might expect, those of us at *Liberty* have given a little thought to a celebration of the milestone just past. We believe the best way to celebrate is to make *Liberty* a better magazine — and you can expect to see some major improvements during the next few months.

The Cato Institute just celebrated its 20th anniversary with a celebrity-studded, black tie, \$250-a-plate dinner in Washington, D.C. I'm so well-connected in the libertarian movement that I learned of it only when I read an account of the evening in *The Washington Post*. Suffice it to say, our celebration will be quite different, and no one will learn of it by reading about it in the *Post*.

We shall host a modest celebration in Port Townsend, where our editors, readers, and friends can see our new quarters. But we'll do more than celebrate. From our beginning, *Liberty* has been the place where libertarian intellectuals have chosen to challenge and expand libertarian thinking, and at our 10th anniversary conference, several of our editors will present papers that explore the boundaries of libertarian thinking and the directions libertarianism will take during the coming century.

*R. W. Bradford*



# Celebrate the Tenth Anniversary of **Liberty**

Join Liberty's editors, staff and friends this August to celebrate our Tenth Anniversary, at our new offices in Port Townsend, Washington! Liberty's Tenth Anniversary Celebration and Conference includes:

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If you've attended a previous Liberty Editors' Conference, you have an idea of the pleasures and intellectual stimulation in store — and if this will be your first, be forewarned: the fun never stops for three long, glorious days and nights.

## *Please Note:*

Facilities in Port Townsend are limited, and we will give priorities to our editors, staff members, and those who have attended past Editors' Conferences. As a consequence, we will be able to accommodate only a limited number of other guests.

Therefore, if you would like to join our celebration, we encourage you to fill out and send in the coupon to the right as soon as possible.

We'll send you information on travel arrangements, scheduling, accommodations (ranging from modest motels to luxurious bed & breakfasts and hotels), etc. This will be one vacation you won't forget!

Total cost of the celebration, including the gala banquet, the seminars, talks, parties, and all the fun is \$225. A deposit of \$75 is required with your application, and the balance is due August 1.

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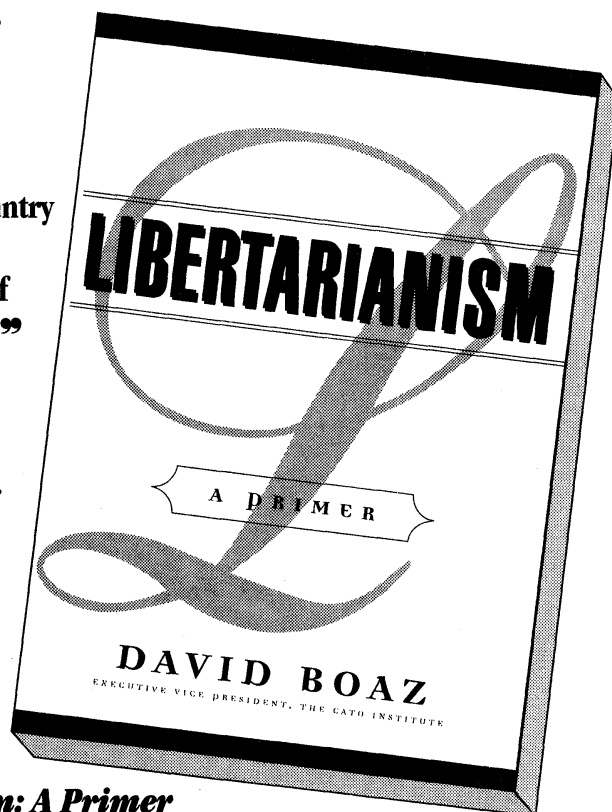
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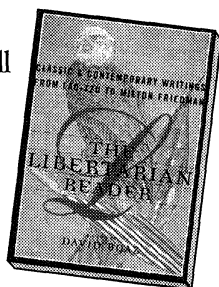


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# Reflections

**That's the bottom number** — Washington's newly elected governor, Gary Locke, offers fresh hope to the disconsolate Sandinistas who compose the bulk of western Washington's adult population. Locke distinguished himself early by making it known that he would not do anything as governor without first clearing it with the state's labor union bosses.

In his inaugural speech, he vaguely threatened to support an increase of the state's minimum wage, recently overtaken by the new federal minimum, declaring, "Let us make work the solution to poverty. So let's make sure work pays more than public assistance." Somehow it never occurs to these people that the ratio of earned income to welfare income can also be increased by reducing the denominator. —RH

**Compounding error** — The word "compound" has gotten a lot of use in the media lately. It entered English from the Malay *kampung*, meaning an enclosure around a residence. "Compound" could refer to any such enclosed structure, but its meaning in the press is somewhat different. Mt. Carmel, David Koresh's rambling house at Waco, was called a compound. So was Randy Weaver's unenclosed shack on Ruby Ridge. The trailer housing the Republic of Texas was a compound, as was the house the Heaven's Gate cult had rented. The only recent reference to a compound that actually *was* a compound was the Japanese Embassy compound in Lima, Peru. But current media usage has nothing to do with walled enclosures. These days "compound" means any besieged building containing desperate lawbreakers or other social misfits.

This being the case, when will the press begin using the phrase "White House Compound?" —JSR

**Rights theory** — The man who said "two wrongs don't make a right" undoubtedly committed the first wrong. —SLR

**Miracle on the Potomac** — A month ago, it looked as if there was little chance of a balanced budget. The Republicans insisted on tax cuts, and the President insisted on maintaining government spending more or less at current levels.

Then, on May 2, the President and the Republicans announced that they had arrived at a deal that would balance the budget in the year 2002. The GOP would get some tax cuts, and the President would get to keep most spending programs intact. In the words of a *Wall Street Journal* headline, the "Agreement Seems to Cause Surprisingly Little Pain."

How did this miracle happen?

The source of the miracle was not God in Heaven, but a bureaucrat in Washington, D.C. In March, June O'Neill, director of the Congressional Budget Office, presented Congress with a report projecting deficits over the next five years, growing from about \$105 billion this year to about \$185 billion in 2002. On May 2, she sent a new report, projecting much higher tax revenues than those in the earlier report. Now, she pre-

dicted, the deficit for this year would run only \$60 billion, and rise yearly to around \$145 billion in the year 2002.

In short, she predicted that thanks to our booming economy, tax revenues would be some \$225 billion higher than she had predicted only two months earlier.

The Republicans and the President were overjoyed. If the new report was correct, instead of having to raise taxes or trim spending by some \$380 billion over the next five years to balance the budget, only some \$155 billion (or about \$30 billion per year) would have to be raised in new taxes or cut from spending.

In less than 24 hours, Clinton and the Republican leadership made a deal. The GOP would get some relatively minor tax cuts (about \$17 billion per year), and the president would get some spending increases of about \$25 billion (socialized medicine for children, more welfare for adults, etc.) — and about \$315 billion would be cut from spending (biggest target: the military).

In sum, based on some rosy projections about the economy, Bill Clinton and the Republicans have come up with a plan that will balance the budget in five years . . . if they can get medical providers to cut the cost of their services for Medicare patients by \$110 billion, if they can get hospitals to go along with being shorted \$17 billion in Medicaid payments, if no military crisis comes along that panics Congress into restoring defense cuts, if, if, if . . . As usual, the big savings are in the future, when of course Congress can change its mind. And it all depends on the economic boom continuing for five more years, which would require it to last longer than any previous economic expansion. And it also depends on the CBO forecasting accurately, though as Roger Lowenstein observed in *The Wall Street Journal*, "the CBO, like most forecasters, has lately been unable to project six months ahead of time."

The bottom line: the budget deal is a phony plan that has a little chance of balancing the budget as any other budget balancing deal we've seen over the years. President Clinton got his way: discretionary spending will remain at record levels. The Republicans have abandoned their promise of cutting government: no departments will be abolished, no programs cut back, and tax cuts will be relatively minor. —RWB

**Budget deal, big deal** — You may not have heard the details of the new federal budget deal. But here's all you need to know about *any* budget deal: (1) the politicians will take credit for numerous "budget cuts," but the government will be bigger next year than this year; (2) the budget won't be balanced, but the politicians promise that some future Congress will balance the budget; (3) no Congressman will know the specific terms of the deal until after he has voted for it; and (4) whatever tax cuts are included are insignificant compared to what you'll continue to pay. The more things change . . . —HB

**All politics is lucre** — Newt Gingrich must reimburse the Congress \$300,000 for costs connected with the

investigation of his alleged ethical sins. After we waited in suspense for weeks — wondering how he was going to pay the fine — it was announced that Bob Dole had ridden to the rescue with a \$300,000 loan. All's well that ends well.

But wait a minute! Where does Bob Dole get that kind of money? According to *Who's Who*, in his entire life he has spent only eight years working in the private sector — and even then he was moonlighting as County Attorney. Whatever wealth he has, he amassed working for the government. His wife, Elizabeth Dole, is apparently wealthy in her own right. But her biography includes only two years of law practice in the 1960s, a long career in government, and then a stint as the head of the American Red Cross — a job she could never have obtained without her political connections.

Could the Doles be rich because they invested wisely their tiny government checks? No, that doesn't seem likely either. Any man who defines small government as a \$1.6 trillion budget that grows by only another 14% certainly doesn't have a way with money.

Bob Dole isn't the first politician to "sacrifice" opportunities in the private sector to devote his life to his country — and somehow come out a wealthy man. Michael Dukakis was a millionaire by the time he ran for President, despite spending all but his earliest working years in government. And Hubert Humphrey — whose entire private-sector experience consisted of a few weeks' work in his father's pharmacy — died a multi-millionaire.

The only true "public servants" are the poor taxpayers — who serve the public in their work but have to pay for government's follies as well. The folks in Washington and the state capital are today's aristocracy. They have people fawning at their feet, paying their bills for them, providing luxurious services for them — in hopes of gaining a special privilege or an exemption from some onerous tax or regulation. —HB

### ***Tuition bills of the rich and murderous***

— If justice ruled this world, Albert Gore wouldn't be traipsing around the world in Airforce Two. Instead, like the rest of the gang of mafiosi-cum-Keystone Cops who compose the present "administration," he'd be sweating out answers to a grand jury, meanwhile figuring out how to plea-bargain his friends to the jailhouse. But, that, when all is said and done, is the least of it. Some basic facts about the Gore dynasty were revealed last fall, when Edward Jay Epstein published his exposé, *Dossier: The Secret History of Armand Hammer*. Epstein's work was put out by Random House, as befitted a respected investigative reporter who is regularly published in the *New York Times Magazine* and other *haut-establishment* outlets.

It transpires that Armand Hammer, head of Occidental Petroleum and other corporations, was all his life an agent of influence of the Soviet Union. This was a job he'd inherited from his dad, Julius, a close buddy of Lenin. Julius laundered millions for the Reds, funneled funds to Comintern agents, and in general acted as errand boy for the century's greatest mass-murderer, Joseph Stalin. In the course of this, the

Hammer family became very rich.

In 1950, son Armand began befriending a Tennessee politician named Albert Gore, Sr., whose Washington contacts he found useful. Armand set up Gore, Sr., in a suite at the Fairfax Hotel in D.C., and his funding permitted Gore, among other things, to send his scion to the elite St. Albans School. On Gore, Sr.'s retirement from office, Armand Hammer made him president of his coal subsidiary, at a salary of over half a million a year. At Reagan's 1981 inauguration, Hammer was the honored guest of Gore, Jr., now a U.S. congressman. (Reagan, evidently informed of what was going on, gave Hammer the cold shoulder.) It was the least Gore could do for Uncle Armand, the Soviet agent who'd paid the prep school bills of the future senator from Tennessee and Vice-President of the United States. —RR

***The cloned heads of Europe*** — Few observers of European politics saw much importance in the Labour Party's overwhelming victory in the British elections. After all, Tony Blair, Labour's candidate, had announced time and again that there would be no radical change under him, and that he cherished many of the accomplishments of the previous Conservative government. About the only difference he had with the Conservatives, he said, was that he favored slightly higher "investments" in the government-run education and health care system.

But words are cheap. The last Labour Prime Minister was Harold Wilson in the '60s and '70s, and he talked moderate while acting socialist. But whether Blair will turn out to be far left or moderately left is unimportant compared to the undeniable fact that the European Union has now lost its only government which at least half-heartedly backed free markets and resisted the idea of a European super-state. John Major, for all his waffling on issues, was still a healthy contrast to other European heads of government, who uniformly agree that only their combined wisdom can lead to a new renaissance for the tormented continent. At the head of every Eurogovernment there now stands a clone of Helmut Kohl. Together, they suffocate Europe under a blanket of German-style subsidy and taxation.

With his call for tax increases and government "investments" to "help" a country's companies as a nanny helps an unruly child, Tony Blair fits well into this clique. It won't be long before Britain announces that it will join the common European currency after 2000; and the last island of prosperity in Europe will be gone.

For Americans, this may have advantages. With a crumbling economy and a weak currency, the home of most Americans' ancestors will become a cheap vacation destination again, one big Euro-Disney with real castles. But will a continent ruled by authoritarian quasi-socialists still be worth visiting? —OB

***Acting ambassador*** — A week after rumors spread that the Clinton administration was planning to appoint former Speaker of the House Tom Foley as Ambassador to Japan, the Bahamas upstaged

### **Liberty's Editors Reflect**

HB	Harry Browne
OB	Oliver Becker
RWB	R.W. Bradford
DC	Douglas Casey
SC	Stephen Cox
DF	David Friedman
JH	John Hospers
RH	Robert Higgs
LEL	Loren Lomasky
JSR	James S. Robbins
RR	Ralph Raico
SLR	Sheldon Richman
CS	Clark Stooksbury
SS	Sandy Shaw
RO'T	Randal O'Toole
TWV	Timothy Virrkala
LBY	Leland B. Yeager



the American government by appointing actor Sidney Poitier as its ambassador to the land of the rising sun.

The two diplomats don't seem to have much in common. Poitier will continue acting, and sees his new job as a glorified advertising scheme to get more Japanese tourists to visit the Caribbean isles. Unlike Poitier, Foley would live in Japan, managing trade and greasing the wheels of international logrolling, espionage, and graft.

But there is one similarity: both men hold dual citizenship. Poitier is a citizen of the U.S. as well as of his native island nation; Foley is also a distinguished citizen of that most un-American of nations, the District of Columbia. And it is out of respect for his years of service to that blight upon the continent that Foley is considered for the job of "liaising" with the Pacific Rim.

I wish Poitier the best of luck. But for Foley, well . . . as a native of the state that he ostensibly represented in Congress, I've always dreamed that he would end up whiling away his hours in some distant outpost. Japan is *almost* far enough from the Evergreen State. If I were Clinton, however, I'd send him to Tuva.

—TWV

**Hook, line, and tinker** — Republican politicians try to keep us on the string by promising various reforms that they know (and we *should* know) will never come about. They pledge to get rid of the National Endowment for the Arts, and then they vote to increase its funding. They've been vowing to get rid of the Education and Energy Departments since 1980 — although no Republican (to the best of my knowledge) has ever so much as introduced a bill to close either of those departments. Still, they come back to us year after year dangling the bait in front of us.

A big favorite in this vein has been the scrapping of the income tax code. The current tax code is so corrupt (they tell us) that it can't be fixed; it must be pulled up by the roots and discarded completely. According to them, it must be replaced by a retail sales tax or by a flat tax that contains one low rate for all taxpayers.

Each of these proposals is flawed in two ways: (1) it won't be an improvement; and (2) it will never happen anyway.

So long as you have a \$1.6 trillion government, it will take \$1.6 trillion in taxes to finance it. Personal and corporate income taxes produce over \$800 billion a year. Any replacement tax will have to produce that much (even more, if a \$1.6 trillion budget is to be balanced).

Any politician can talk about the virtues of a simple 15% flat tax or sales tax. But he's talking about the mythical land of Cockaigne — where the roasted pigeons fly into your mouth — not the real world of Washington politics. When the politicians get to work on the "simple" flat tax or sales tax, it will become as complicated as the present tax code — with exemptions for every politically powerful group, requiring a tax rate of 25%, 30%, or maybe even 35% to cover the cost of big government.

And that's why it will never happen. The current government is so big that no kind of tax system could pay for it in a way acceptable to the American people. The income tax remains simply because it already exists. But no replacement tax could gain widespread public acceptance once its necessary rate were revealed.

It is a mistake to think that the flat tax is in any way a libertarian proposal. It would not eliminate the IRS. And there is nothing inherent in the flat tax that encourages

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*The current government is so big that no kind of tax system could pay for it in a way acceptable to Americans.*

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smaller government. In fact, Steve Forbes made that plain in a recent speech I heard him give. He spoke eloquently about the dangers of big government. But when he got to the policy proposals at the end, after extolling vouchers and Medical Savings Accounts (neither of which is mentioned in my copy of the Constitution), he launched into his pitch for the flat tax. Buried among all its virtues was the phrase, "it will lead to higher incomes, higher revenues, and more prosperity."

"Higher revenues"? Is *that* what we want? More money for the politicians to play with? When three quarters of the American people say government is way too big, I don't think they mean they want it to have more revenue.

Yes, it's imperative that we get rid of the income tax. But the only way we'll do so is by reducing government to the level where the current revenues from the income tax are no longer needed. That means getting rid of all the current federal programs that aren't authorized in the Constitution. And despite all the rhetoric about the Constitution, no Republican or Democratic politician will suggest getting the federal government completely out of education, welfare, health care, crime control, regulation, and the thousands of other extra-Constitutional federal programs.

**POLITICS MADE SIMPLE**



And so the politicians will continue to dangle one kind of bait or another before us — confident that they can keep us jumping indefinitely, without having to actually deliver anything to us. —HB

**Broken English** — The first question of a poll sent out by U.S. English, Inc. has an urgent tone: "Should English be the official language of the United States? It is absolutely critical," USE's board chairman writes, "that you answer the 10 brief questions on this POLL and return your answers to me immediately."

The words "absolutely critical" suggest something about the organization's standards of accuracy. So does the sham of a poll, with its leading questions. USE says it needs the results to prove to the politicians that the American people support U.S. English's objectives. "If you agree, PLEASE complete your POLL and rush it back today . . ." (Tacit qualification: "If you don't agree, don't bother.") And, of course, send money.

It is ironic that self-appointed defenders of the English language should abuse it by writing with too many capital letters and underlinings, in the style of Queen Victoria. More important, what does it mean to adopt an "official language"? It is no answer to trumpet resistance to "the other side," which is "fighting to make America officially multi-lingual." Just what is U.S. English's purpose? The actual text of the law it proposes might be revealing; but no copy was enclosed.

Is it too cynical to suggest that some employees of cause-oriented organizations exploit niches in the not-for-profit market to enjoy comfortable jobs? Conceivably some donors to U.S. English are venting resentment or fear of immigrants and ethnic minorities.

Sure, people living in the United States should know English for their own good. That's why virtually all immigrants to the U.S. learn English within a generation. But why should the law try to force English on them? What provision of the Constitution authorizes the federal government to try to make people use English? Sure, a well-functioning society presupposes that its members share certain basic values, like

honesty and respect for one another's persons and property. Let us not, though, confuse such values with speaking a common language, desirable as that may also be.

Like so many organizations and interest groups, U.S. English is calling for federalizing matters better left alone. It calls for still more paternalistic intervention into the lives of individuals. It calls for still more noble-sounding but vague legislation that provides pretexts for lawsuits and work for lawyers. It illustrates a familiar mind-set: all sorts of actual or imagined problems can be set right by legislation; Washington is omniscient. It forgets the sound maxim, "If something ain't broke, don't fix it." —LB

**Moscow on the Willamette** — Oregon passed statewide land-use planning laws in 1973. Though they have clearly failed to prevent sprawl, they have generated a public-relations effort that has led to recent passage of similar laws in Washington and British Columbia, and their consideration in other states.

The legislators who are passing these laws have clearly failed to learn the major historic lesson of the second half of the twentieth century: that government planning does not work. Planners in Oregon, Washington, and other states and provinces are trying to do to private land what the Soviet Union tried and failed to do with its entire economy: achieve efficiency through central control.

When I compare American planners with Soviet communists, I am not in any sense red-baiting or claiming that land-use planners are communists. I am saying something much worse: that the reason the Soviet Union collapsed is that the Soviet communists were planners. —RO'T

**A place in history** — I really appreciate Bill Clinton. Not just because of the entertainment value of watching the net close over the circus act he calls an administration, but because of his solid record of accomplishments in office. President Clinton has cut more social services than Ronald Reagan ever dreamed of, he has reduced the number of federal government employees, he has destroyed any chance of medicine being socialized in the United States, and he ended 40 years of Democratic dominance in the United States Congress. So far as I'm concerned, his place in history is secure. Adding accomplishments like "the first First Lady convicted of a felony" and "the first President to be impeached and convicted" would just be showing off. —JSR

**Volunteerism, Inc.** — Colin Powell has bypassed the presidency and gone straight into the role of ex-president — that pompous breed that refuses to go off into the sunset, but continues to inflict its presence on a helpless and annoyed populace. In late April, Powell met with most of the other ex-presidents in Philadelphia to wax flatulent about "volunteerism."

What's volunteerism, Powell-style? Well, don't get all worked up and go read to a neighborhood child or help a single mother fix her car. And don't look for Powell and George Bush to be feeding and changing crack babies in the near future. That's not how it works. I gaged through enough articles in *Time* and *Newsweek* to learn that "volunteering" requires a coordinated top-down effort from large corporations and charitable foundations. It consists mainly of press



BILL CLINTON AND THE WOMAN VOTER

release/photo opportunity events such as KMart providing money for "drug education" and Pillsbury launching a "mentoring program" in conjunction with Big Brothers/Big Sisters — programs that can be launched with a plethora of good PR today, accompanied with a guarantee that no one will care about the results five or ten years down the road.

The spirit of this sham was captured by an ad in *Newsweek*, placed by the Nickelodeon cable channel. The ad extolled something called "The Big Help," which serves to "connect kids to their communities through volunteering" by having them call in and pledge their volunteer time during a "Big Help-a-Thon."

If that's what volunteerism amounts to in 1997 — a cable TV network connecting "kids to their communities" — then I think I'll take Big Government. —CS

**The new L-word** — Speaking before an audience of journalists and TV newscasters some time back, Bill Clinton japed that his staff had made a list of suggestions on how he could break through the media "din." At the top of the list: "We'll take a cue from *Ellen*. I'll announce at the last press conference of the year that my character will become a libertarian . . ."

The "coming out" episode of *Ellen* was its funniest in a long time. A Clinton administration "coming out of the closet" as libertarian may not be more amusing, but it would bear watching.

The humor of the situation was not lost on the people in the Libertarian Party. LP Director of Communications Bill Winter gave Clinton "credit for one thing: He managed to work into one sentence two words not normally associated with Bill Clinton — Libertarian and character."

Of course, as Mr. Wolf observed in *Pulp Fiction*, "because you *are* a character doesn't that mean you *have* character." The inadvertent slip in Clinton's quip was a near admission that his character is mere persona, and an inconstant one at that, easily rewritten for how it might play on TV screens across America.

Back in the Gutenberg Dimension, Molly Ivins wrote that "Teen-agers are particular targets of oppression [during] this session [of the Texas legislature]. If I were a teen-ager, I'd become a Libertarian immediately." Molly then went on to list the draconian ways in which the Texas solons are working to curb the freedoms of Texas youths. Unlike Clinton, Ivins didn't bring up libertarianism as a joke; she seems to be serious, sincerely concerned about the freedoms of young people. Alas, this is not something one can say about Clinton, who every other month comes up with idiotic plans like a national curfew for minors.

Maybe she's mending her ways. Her usual method is to fight Republican tyranny by ignoring Democratic tyranny. Perhaps she "outed" herself as a lib-symp in exasperation with the loathsome civil liberties record of Texas Democrats, who are at least as bad as their Republican tweedledee. Indeed, the author of one of the bills Ivins pillories is a Democrat, though she doesn't mention it.

Of course, Ivins has never been a libertarian, closeted or otherwise. And her faith in government persists, unabridged by a deeper commitment to individual liberty. "I don't know, kids," she confesses, "I'm not sure that running away to Louisiana is the solution. If I were you, I'd just wait until I

was 18 and vote against these guys." Of course, if they vote Libertarian, as she nearly suggested a few paragraphs earlier, they'll still wind up with a Republican or Democrat as their "representative." It is sad that Ms. Ivins can't come up with anything better than a lame "rock the vote" plug.

My advice to teens is to take the liberties that they deserve, accept responsibility for the deeds they do, and not put much stock in the writings of pundits or the yammerings of politicians. In short, do what Ivins and Clinton have yet to manage: grow up. —TWV

**No inconsistency here** — Back in 1973 a public opinion poll found that 28% of respondents thought the Senate committee investigating Watergate was just trying to discredit Nixon, and 57% thought the committee was trying to uncover the facts. Recently a poll found that 28% of respondents think the Senate committee investigating political fund raising is trying to uncover the facts, and about 60% think the committee is just trying to discredit the Clinton administration. I don't see that the alternatives are mutually exclusive, as it seems quite likely that making known the facts will itself discredit the Clintonistas. Unfortunately for the Republicans leading the investigation, the facts will discredit them, too. —RH

**Fool's gold** — In 1916, when Congress considered legislation to authorize a commemorative silver half dollar to honor William McKinley, someone pointed out that McKinley had been elected president on the sole issue of the gold standard, and his opponent, William Jennings Bryan, had run on a platform of inflating the currency by unlimited issuance of silver. Wouldn't it be a little inappropriate to issue a silver commemorative to the great advocate of gold? Congress quickly amended the measure, and a gold dollar was issued to commemorate McKinley.

The present Congress is not so smart. On May 16, the Mint started taking orders for a \$5 gold coin commemorating Franklin Delano Roosevelt, the man who took the U.S. off the gold standard, forced Americans to "surrender" their gold to the government, and made ownership of gold a criminal offense. He did all this so that he could have a free hand to inflate the currency of the United States, whose money had remained quite sound until he became president. Issuing a gold coin to honor FDR is about as appropriate as Israel's dedicating a public shower to honor Hitler.

What would be an appropriate way to honor FDR? I am tempted to suggest a commemorative made of paper. But



"I'm sorry about the fly in your soup, sir, but our policy is 'No Substitutions.'"

that's not quite right. What's really needed is a commemorative made of something that constantly shrinks, like the value of the dollar that Roosevelt forced into our nation's commerce. —RWB

**In an ironic vein** — Appearing in my university mail box was a notice from the local chapter of the Red Cross announcing that blood supplies have run dangerously low, and that during the following week bloodmobiles will pay a three-day visit to the campus in hopes of rectifying that unfortunate situation. Fair enough; I have more than enough blood for my own use and can think of an interesting way in which I might replenish the odd pint or two. But further perusal of the notice revealed that it was not primarily my own fluids that the Red Cross craved but rather those of my students. The notice urged me to announce the details of the drive to my classes and suggested that I offer extra credit to students who donate.

Extra credit? The pedagogical rationale for deeming a visit to the Red Cross commensurable with demonstrated competence concerning the metaphysics of Maimonides struck me as obscure, not to mention bordering on the academically disreputable. Over the years, the Red Cross has passionately championed its model of free donations against the scourge of commercial operations that buy blood for dollars. It's truly breathtaking to see it begging third parties to bribe potential donors.

On second thought, perhaps this project is educationally relevant to the syllabus of a course on Jewish philosophy. How better to give clear meaning to that recondite concept, *chutzpah*? —LEL

**Monumental liar** — In a cheery letter to two of his friends, Albert Jay Nock wrote that the demise of Franklin Roosevelt "is the biggest public improvement that America has experienced since the passage of the Bill of Rights," and suggested a celebration-luncheon at Lüchow's. Sadly, there are few such stalwart Roosevelt-haters as Nock left. The political class has reached a diametrically opposed consensus. FDR's praises are sung by both the *Wall Street Journal* and the *New York Times*, and thinkers of the caliber of Arthur Schlesinger and Newt Gingrich are agreed that Roosevelt was one of our truly great presidents. To top it all, on May 2nd, to universal hosannas, the Franklin Delano Roosevelt Memorial was dedicated in Washington, D.C.

Situated on a 7.5 acre site by the Tidal Basin, the project includes an 800-foot wall, six waterfalls, outdoor galleries, and nine sculptures, among them one of the Great Man himself, and another of Eleanor (*la boca grande* — Big Mouth — to use Westbrook Pegler's name for her, perhaps for the last time in print). It is, as the *Times* happily reported, "a memorial laced with a zest for the power of government." The current administrators of that power, which Roosevelt did more than any other twentieth century president to create, lent their plundered support: \$42.5 million was voted by Congress, with bipartisan enthusiasm. Coming generations of school children will learn history from this monument.

In our current open society, where all points of view fight it out freely in the public forum, the only dispute has been over whether Roosevelt should also be depicted in his wheelchair. I believe he should not be. While in office, with the con-

nivance of the press, he prohibited any photographs exposing his polio-crippled condition. Thus, from the start, the statue of a chairless Roosevelt sets exactly the right tone of calculated deceit. Of course, avoiding drawing attention to his affliction was a very minor deception in a career that contained so many. In fact, what is missing in this vast taxpayer-funded junkyard is what would be most characteristic of the man it honors: a wall of Roosevelt's Greatest Lies.

I propose a contest to make good this grotesque omission. Obvious entries would be his 1932 statement that he would cut government spending and reduce the bureaucracy; his many avowals, in 1940 and 1941, that he was working night and day to keep us out of war; and his assertion, on returning from Yalta, that he had conceded nothing to Stalin.

My own favorite is a statement at his press conference of September 30, 1941, when he was trying to sell the public on Lend-Lease to Soviet Russia. According to FDR, Article 124 of the Soviet Constitution of 1936 guaranteed "freedom of conscience, freedom of religion. Freedom equally to use propaganda against religion, which is essentially the rule in this country, only we don't put it quite the same way."

So, in 1941, Roosevelt informed the American people that the Stalin Constitution secured religious freedom in the USSR, just as the Bill of Rights did in the United States. And the old fraud gets away with it, because history has certified him as one of the truly Great Presidents. He has a memorial in Washington to prove it. —RR

**Looking bad all the way to the bank** —

You may never win the Publishers Clearing House lottery, but if you're a member of an officially recognized minority, you might one day get a windfall without even trying. For example, 1,348 lucky individuals will soon get a check for about \$63,000 apiece. For doing what? Because they happened to be salaried black employees at Texaco sometime between 1991 and 1996. This is the result of a \$176 million judgment against Texaco in a "discrimination" suit that never proved that any discrimination occurred. And none of the beneficiaries even has to allege that he was discriminated against.

The press reported that secret tapes quoted Texaco executives referring to blacks in insulting ways. Comedians had a field day ridiculing the company. It turned out that the actual statements on the tapes weren't demeaning to blacks, but the damage was already done. The longer the affair dragged on, the more damaging to Texaco. So it paid the extortion and will try to bury the scandal from view as quickly as possible.

The attorneys who instituted the class-action lawsuit will get \$29 million for their efforts. But it would be a mistake to blame them — or lawyers in general — for all this. So long as government is there to bestow such rewards, there will be people using the system to get them. Don't blame farmers for the farm program or lawyers for large settlements. Blame the politicians that pass the laws that provide for the subsidies or facilitate the lawsuits.

Government is adept at one thing: it creates disasters and deflects the blame to others. Thus, corporations and unions are criticized for inflation caused by the Federal Reserve, health-insurance companies are blamed for practices inflicted on them by government, and multi-national companies are



denounced for moving offshore to escape oppressive government regulations. And politicians are cheered for riding to the rescue with reforms that will just make the problems worse.

In a free market, companies are kept in line by competition. But government has perverted the natural checks and balances, and any group that takes advantage of this perversion looks bad — whether that group be lawyers, insurance companies, or someone else. Instead of a free market we have subsidies, litigation, and a \$176 million lottery. —HB

**Vargas girls** — Psyche was condemned by the gods for unmasking her lover, Eros. Mario Vargas Llosa, a Latin American writer with a fine sense of the erotic, recently attempted to unmask Eros in a very different way. In an interview with the Colombian news agency Colprensa, Vargas boldly asserted that "Eroticism is perfectly defined. It's the enrichment of physical love with the help of the imagination."

It is hard not to dispute this statement. Can something as complicated and mysterious as the erotic be subject to a "perfect" definition in one simple sentence? Vargas, it seems, has wandered onto holy ground without first removing his pundit's sandals; he would have done better to avoid pronouncement, and stick to fiction.

The interview was picked up by the international press in part because the writer not too long ago *did not* stick to fiction: he ran for public office (he lost to Fujimori in Peru, in 1990). But the real interest of that interview was Vargas's attack on America's middle-brow giants, *Playboy* and *Penthouse*. Such pornography is "the total trivialization of eroticism because it doesn't allow individuals to enjoy their own creativity . . . That's what I see as symbolized by magazines like *Playboy* or *Penthouse*. They reflect a programmed, banal, superficial and, quite often, very tasteless form of eroticism."

Well, I don't really want to defend the "taste" of such glossies, but the notions that most people, without exposure to pornography, experience the erotic in truly imaginative ways, and that these magazines somehow prevent people from imaginatively experiencing romantic and sexual love, strike me as unsupportable. One of the reasons pornography is popular is that most people lack much imagination. Because they lack imagination, they greedily devour what Vargas calls "an industrial product imposed on society through publicity."

Vargas suffers from the usual failings of modern elitists: outrageous optimism and paranoid pessimism. He seems to expect far too much from the mass of humanity, and, at the same time, sees simpler habits and arts as somehow a threat to sophisticated practices. No elitist should expect the average man to follow in his or her footsteps, in art or in sex. And the fact that some kid is jerking off to a *Penthouse* pictorial while listening to the music of AC/DC in no way

interferes with, say, an aesthete's pleasure in reading Vargas Llosa's *In Praise of the Stepmother* while listening to the music of Olivier Messiaen.

As for defining the erotic in literature, I'll stick with what seems to me the obvious truth: erotic literature is pornography that we, the cognoscenti, like. High-brow Vargas may despise the genius of low-minded Hefner or Guccione, but if he thinks readers in a world *without* Hefner and Guccione would be enriched by his own perceptive imagination, he is sorely mistaken. The mass of such marginal readers would skim his novels for the naughty bits and ignore the refinements of sense and sensibility, as they did in days of yore, when readers flocked to books such as James Branch Cabell's *Jurgen* simply because the New York State Society for the Suppression of Vice had declared it "offensive, lewd, lascivious and indecent."

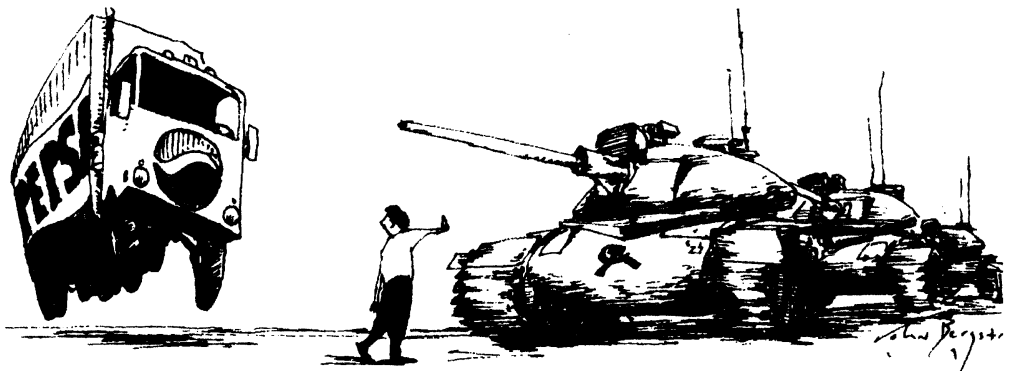
Warning to Vargas: the enemies of the erotic often have the greatest imaginations of all, for their judgments rarely have much to do with reality — as any frustrated porn-seeker must have felt while thumbing through the corpus of Cabell's droll comedies. —TWV

**Coffee, tea, or safety?** — The FAA announces that it is considering making public its airline safety evaluations, and the companies fly into a tizzy. That, they protest, might lead to competition over who is most likely to get passengers to their destinations in one piece! Far better, presumably, that they continue to hawk their services on the time-honored basis of who has the catchiest jingle or the most perky stew — oops, make that "flight attendants." At last word, the FAA is reconsidering.

Isn't it good we don't have to rely on capitalists for the defense of capitalism, but can instead consign that task to the intrepid editors of *Liberty*? —LEL

**Disentangling alliances** — Thanks to Bill Clinton and Helmut Kohl's show of persuasive skills in their meetings with Czar Boris of Russia, and maybe also thanks to a few billion dollars in what would in other cases be called development aid, there seems to be no obstacle left on the way to NATO's expansion into eastern Europe. Probably within the next two years, Poland, Hungary, and the Czech Republic will join the Atlantic alliance, and soon the gates will be opened for Bulgaria, Rumania, and the Baltic Republics.

American isolationists see this as a new "entangling



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alliance," with military and financial obligations which are not in the interest of the US. They should re-think this view. During the Cold War, many Americans were convinced that an attack on, for instance, West Germany would violate the vital interests of the US. But almost nobody will think the same of an attack on Estonia or Hungary. The acceptance of new members will thus attenuate the obligation felt by NATO members to support each other in case of attack. NATO expansion would drive a wedge between American and European security interests, and distance the US from its current allies. American involvement in potential European wars will become much more unlikely. —OB

**I found it at the movies** — A few minutes into *A Sense of Life*, Michael Paxton's new documentary on the life of Ayn Rand, I realized that his film must have had the blessing of the Rand estate. The film's most prominent talking heads are Leonard Peikoff (who holds the property rights to her estate and is her anointed "intellectual heir") and Peikoff's associate, Harry Binswanger. Paxton offers no interviews with people critical of Rand, and he has strongly downplayed the influence of psychologist Nathaniel Branden on Rand's character and thinking.

Nevertheless, Paxton's film is an excellent documentary, both technically and philosophically, and its title aptly reflects Rand's main contribution to philosophy and literature. Paxton provides a great deal of material about Rand (much of it new, at least to me); and even some of the more familiar material took on greater depth due to an impressive array of pictorial evidence. As Paxton said in a presentation after the screening I attended, Rand was a "pack rat" — and whatever the limitations of "authorized access" to the Rand estate, it did allow for some interesting shots of Rand and her numerous associates, hangers-on, followers, and friends.

The first part of the 140-minute film delves deeply into her early life, with most of the film set before her first novel (*We the Living*) was published in 1935. Rand's years as a Hollywood screenwriter are covered in great detail. In *The Fountainhead*, Rand's hero, Howard Roark, destroys a housing project that was erected from a despoiled version of one of his designs — an act that takes on a special meaning after seeing *A Sense of Life's* depiction of how Rand's screenplays were watered-down, betrayed, or compromised.

Paxton's portrait of Rand is surprisingly warm and passionate. She is allowed full space to express the basic tenets of her philosophy of Objectivism, as well as her famous hatred for altruism and "mysticism" (a term she equates with religion); but it was her expression of her faith in man that I found profoundly moving. Even her advocacy of "selfishness" seemed somewhat communitarian; clearly Rand believed that it was only in a community — a voluntary one, of course — that one's highest desires could be fulfilled. Also touching was the film's depiction of Rand's affection for Frank O'Connor, her deep sense of loss at his passing, and her courage in facing her own death.

By the end of *A Sense of Life*, I realized I had let my previous deep respect for Rand lapse in the last ten years. But

Ayn Rand has changed my life for the better, and *A Sense of Life* provides an appropriate reminder of the enormous difference she made for me and for thousands of others.

—guest reflection by Gary Alexander

**You are how you eat** — Even though I ate at the Beijing's Great Hall of the People at least twice back in 1987, and generally enjoyed a VIP-level experience, the food was nothing to write home about. But during a recent trip to China I discovered that things have changed, and not just in Beijing and other big cities. Out in the farthest boondocks there are restaurants in villages that are barely big enough to have a name; all along the two-lane truck routes we drove there were hundreds of new buildings, many housing new restaurants. We stopped at a few, including the poetically named "Drink Too Much, Have Excellent Happiness Inn," and the food was uniformly excellent. If you stay away from delicacies, which drive up the price, an excellent meal with beer can generally be had for around two dollars a head.

The Chinese make a big deal out of banqueting together when business is being conducted, so I had perhaps a half-dozen official meals, which were heavy on local delicacies for the benefit of the visiting *gwei lo* [foreign devils]. Scorpion was a favorite; about 50 of the creatures (flash fried, but life-like) swarmed a mound of rice crisps. Although intimidating, they were very tasty. The chicken feet and duck's foot webbing were not to my taste. The shark skin and fish's air bladder were chewy. Donkey tasted, predictably, like horse. Dog was a dark meat, very rich and soft; nobody much cared for it.

I find people's eating habits offer an insight into other aspects of their personalities. In this respect China is disturbing. China is famous for things like the "water torture," one variation of which is to tie the victim down, and for days drip water, one drop at a time, on his forehead; it becomes excruciating. Another is the "Death of a Thousand Cuts," wherein the subject is wrapped tightly in chicken wire, and a razor used to slice the protruding skin off, one section at a time. Another is to cut off one of the victim's joints each day, starting with the fingertips; a confederate of the torturer weaves a convincing tale, making the victim believe that if he just holds on, help is on the way. Of course, many cultures, from pre-Columbian America to medieval Spain, have gained notoriety for this kind of thing. But many others — including our own — not only don't have a reputation for it, but have an outspoken aversion to it.

These unfortunate proclivities to cruelty evidence themselves in Chinese cuisine. One delicacy that's no longer avail-



able, but only because of a lack of supply, is monkey brain. The troubling part is the way it's traditionally served: securing the monkey under a special table, and removing the top of its skull while the creature is still alive. I haven't seen this done, so perhaps the story has been romanced. But there's a ring of truth to it that becomes apparent when you're served "drunken" shrimp, a dish with shrimp that still alive — or a fish dish we had, where a good-sized live fish is dipped into boiling oil — but only up to its gills. The fish is kept breathing, gasping on the dish while diners tear at its body with chop sticks.

I'm actually something of an animal lover, and don't approve of this aspect of Chinese culture. On the bright side, though, it's evidence that it's going to be a long time before the animal rights people gain any foothold here. The Chinese like nature as much in theory as anybody, but the pressures of 1.2 billion people make the practice of maintaining it somewhat problematic. In the hundreds of miles we drove through the countryside, we saw a grand total of two birds, zero mammals, zero reptiles, and zero amphibians in the wild. If it moves, it's eaten, end of story. —DC

**Royal reception** — A decade ago, for some unfathomable reason, I visited the World's Fair in Vancouver. The day I arrived, the entire fair was shut down for two hours so that Prince Charles and Princess Di could visit the exhibits without suffering the indignity of waiting in line with the *hoi polloi*. The result was that a few tens of thousands of people had to wait around with nothing to do. As far as I could tell, this annoyed none of Prince Charles' and Her Bulimia's subjects.

In February, at the Auto Show in Chicago, Vice President Al Gore and some politician from Russia (its Prime Minister, I think) arrived late for a private visit, causing a 40-minute delay in opening the show to the public. When the Veep and the Russkie finally arrived, they attempted to address the crowd as per their schedule. The crowd turned ugly and hooted down the politicians.

Some days I'm proud to be an American. —RWB

**A prophet in her own country** — April 24 was the fiftieth anniversary of the death of Willa Cather, America's most distinguished woman of letters.

One would think, given Cather's character and interests, that she would be the hero of today's multiculturalists and leftwing litterateurs. She was a woman who had to struggle hard for success: she was 38 years old before she published her first novel, partly because she had been too busy working to support herself; and the heroes of her own stories are often poor, struggling young women. She was, in the awful 1990s phrase, "culturally marginalized" in a number of respects; she was probably a lesbian and certainly not eager to conform to contemporary ideas of woman's role. She respected other forms of "marginality," too. She championed the rights of immigrants to their own culture and was among the first important writers to draw inspiration from the distinctive Spanish-Indian culture of the Southwest. She had, besides, a considerable amount of feeling for the community in which she was reared, and performed many acts of private charity.

This is a record that should qualify Cather for sainthood,

either in a radical-feminist heaven or in a broader but duller communitarian one. Well, it hasn't. A few feminists are attracted by the lesbian factor, and a few multiculturalists by the immigration factor, but the rest of them regard her with what the eighteenth century used to call "the utmost indifference." Why? One reason is that Cather was the kind of person who would say the kind of thing that she said, as follows.

Cather's politically "progressive" friend Elizabeth Sergeant once reported to her that, thanks to the government, a new day had dawned in a certain New Mexican village, and "all the men were laboring on needed highways at WPA wages." Somehow, this good news failed to put Cather in a celebratory mood. She informed Sergeant that "nobody, young people especially, should be helped," and, in case you're wondering about artists and writers, "no artist or writer either. Endowments, frescoes for public buildings, travelling fellowships be damned." Cather believed, instead, "in the early American virtues, courage, sturdiness, tough endeavor."

This sort of thing just could be the reason why Cather is not likely to win any Robert Mapplethorpe Humanitarian awards from the National Endowment for the Arts. It's also reason for thinking that Cather actually possessed the virtues that she esteemed. —SC

**Little girl lost** — The idea of filming Vladimir Nabokov's great novel, *Lolita*, seems a fool's notion. How does one impart a sense of the Russian-American writer's simultaneously ironic and ecstatic prose? Or transfer to the screen his masterly evaporation of the reader's empathy for the narrator halfway through the book? Or translate the parodies of Poe and Eliot into cinematically interesting subtleties? And these problems are, of course, only the proverbial tip of a very imposing iceberg.

Stanley Kubrick's 1962 attempt was interesting, but a failure. The performances by James Mason (as "Humbert Humbert"), Shelley Winters (as "Mrs. Haze"), and Peter Sellers (as the improbable lover "Clare Quilty") were all marvelous; and the title nymphet played by teenager Sue Lyon was as good as 1962 film morality allowed. But truth is, *Lolita* is a tale about pedophilia, and *Lolita* ("Dolores on the dotted line") is, in the book, a "nymphet," a girl on the cusp, a twelve year old. This story could not be filmed in 1962.

It can be filmed today, this time with the title role played by a much younger looking actress named Dominique Swain. But, apparently, it can't be *distributed*, at least not in America. The land of the free is obsessed, you see, with an imagined childhood innocence, and does not hesitate to persecute all who would break the taboo drawn around "children" (variously defined). I can imagine *Lolita* having as much trouble getting published today as it did back in the 1950s. And a film? It is not for nothing that the current French-made flick, starring Jeremy Irons as the pedophile-turned-murderer Humbert Humbert, has not been picked up by any American distributor.

Amusingly, the hidden message of *Lolita* would shock our Comstocks far more than the well-known surface story. The tale is that of aged, corrupt Europe out to molest young, innocent America, only to find the much fantasied virgin nation far more corrupt than the old aesthete could possibly have imagined. On a less symbolic level (a level that

Nabokov didn't approve of, anyway), the nymphet turns out to be far more knowing, much less romantic, and far more vulgar than the reprobate Humbert Humbert. His tragedy — which Nabokov treats as a dark comedy — is that of a person whose ideal is shown to be brummagem.

Caught between Nabokov's aestheticism and today's moralizing culture, the lessons I can draw from this current controversy are somewhat limited. So I'll conclude with a definition and a hesitant moral.

*Pedophilia: n.* That which one is expected to give up, upon ceasing to be a child.

Advice: readers of literature, instead of seeking to translate their loves from the realm of perfection into the realm of the vernacular, should put away childish temptations — such as cinema — and let fantasies remain glorious where they *can* be glorious: in books, and in their heads. —TWV

**The Murderer in Chief** — Living in central Nevada, some 100 miles from the nearest movie theatre, I am generally months behind everyone else in keeping up with the latest movies. But even out here, I've noticed that ads for a certain kind of movie are coming so fast and heavy that one can barely keep up. I mean, of course, films about violence, murder, and mayhem at the White House. Consider just the most recent examples:

*Independence Day* — Who could forget this movie? Well, nearly everyone. But at least everybody cheered the scene in which the White House is blown up.

*Absolute Power* — Clint Eastwood discovers the shocking fact that the Prez is a murderer. Of course, Clint isn't going to let him get away with it. The scene where the Prez gets what is coming to him is even better, I hear, than aliens blowing up the White House.

*Murder at 1600* — I saw an ad for this one on TV just yesterday. Surprise, surprise — it's a tale of murder at the White House.

Apparently inspired by the Clinton presidency, Hollywood producers are trying to jump on any book or film treatment that deals with corruption in the White House. Reagan-Bush speechwriter Douglas Mackinnon's new book *First Victim*, for example, which deals with wife abuse, was requested prior to publication by 14 Hollywood studios or producers.

We all know that the feds live in terror of cyberspace, encryption, hackers, and their own incompetence in dealing with technology (as evidenced by the multi-billion dollar IRS computer debacle). But considering how these films are likely to affect public perception of the Prez and his cronies, perhaps they should be more concerned with the relatively antique technology of the silver screen. —SS

**A streetcar named pork** — The largest committee in the House of Representatives this year is Transportation. And the largest subcommittee in Transportation is Surface Transportation, which — unusually — includes practically every member of the full committee. This smells of pork.

In 1997, Congress will re-authorize ISTEA, the Intermodal Surface Transportation Efficiency Act, first passed in 1991. This little-known law ties the distribution of federal gas taxes

to urban air quality. Cities with dirty air must spend more on mass transit than highways.

Many cities are spending their federal funds building streetcar lines (fashionably renamed "light rail"). This is exactly the wrong strategy. A single light-rail line costs hundreds of millions of dollars yet carries hardly any passengers because it doesn't go where most people want to go. Since money is spent on light rail instead of highways, highways get more congested. And since slower cars pollute more, this leads to dirtier air. But that's O.K. because ISTEA rewards cities with dirty air by giving them more money.

Buses can carry more people at far lower cost than light rail. But light rail generates thousands of local construction jobs and millions in local profits. So members of Congress are lining up to get light-rail boondoggles for their cities written into the ISTEA re-authorization.

Representative John Kasich and Senator Connie Mack have proposed to end this by eliminating most federal gas taxes and letting states fund their own programs. But that won't happen because surface transportation is now the biggest porker in Congress. —RO'T

**Arms and the boys** — From a moral point of view, I find anarchy immensely appealing. After all, as a venerable adage instructs us, I was not born with a saddle on my back to be ridden, nor you with spurs on your feet to goad me. My difficulties with anarchy are entirely practical ones.

These difficulties came home to me with special force during the recent turmoil in Albania. (Never mind that the events in question were not a spontaneous uprising of Oppressed People but, according to Mark Almond, a caper instigated by a "coalition of unreformed Communists and the Albanian Mafia"; that's another story.) With the authorities in disarray, the army in retreat, and the citizens breaking into armories and barracks, I could scarcely keep my phlegmatic spirits from soaring.

But reports of boys as young as nine years old making off with automatic rifles and hand grenades gave me pause. Those who have had close personal dealings with young human males will understand my misgivings as I contemplated what one might reasonably expect from 13- or 14-year-old boys who are armed to the teeth.

As the outbreaks subsided, local councils in the cities urged those under 18 to return the weapons they had recently taken. Evidently, hardly anyone did. Said one local, "It makes sense. If you have no job, no money and everything looks bleak, then — bang — you have this gun and power and authority. Who would give it up?" The question answers itself. —RH

**Justice socialized, justice denied?** — Imagine a legal system with no police and no public prosecutors. If you see your stolen horse in the next village, it is up to you to arrange for the local (unpaid) constable to come with you and make the arrest. When the case goes to trial, it is up to you — or anyone else who wants the job — to prosecute.

It is hard to imagine how such a peculiar system could work — why, for example, would someone accept the cost and trouble of prosecuting a criminal case? In our civil system, the victim prosecutes — and if he wins collects. In the



criminal system I have just described, the victim prosecutes and, if he wins, gets nothing.

Yet it did work. We do not know exactly how well — criminal statistics are scarce until recent times — nor whether it worked better than some alternative would have, but it clearly worked better than most of us would expect. England in the eighteenth century was a prosperous and successful society, busy with the early stages of the Industrial Revolution at home and the British Empire abroad.

While the British made do with such bizarre arrangements, their neighbors across the channel had a system of law enforcement more to modern tastes: paid professional police and public prosecutors. While the English system went blithely on, it was the comparatively modern legal system of the *ancien regime* that collapsed into the chaos of the French Revolution.

One puzzle is why these institutions worked as well as they did; another is why they happened. Why didn't the British adopt something more like the French (and our) system for enforcing criminal law?

The seventeenth century was, for England, a time of political chaos and turmoil — a civil war, the overthrow of the monarchy, military dictatorship under Cromwell, a successful coup against Cromwell's son, restoring the monarchy, and finally a successful coup against the restored monarchy — the "Glorious Revolution" of 1688. In the course of that century, the English had lots of opportunity to observe the ways in which government power could be abused for political purposes. One lesson was clear. If prosecution was controlled by the Crown, the King's friends could get away with murder. The solution was equally clear. A system of police and public prosecutors might do for Frenchmen, but in England, any Englishman could prosecute any crime.

I was reminded of these historical curiosities by some recent news stories. As we all know, there are two people in Florida who have publicly confessed to committing a felony — and are still walking around free. I expect that situation to continue. Intercepting and recording a cellular phone call is a Federal offense — and the federal government, including the department of Justice, is controlled by the political party for whose benefit that particular felony was committed.

The Martin case is a fairly minor, although highly visible, example of the risks of having criminal prosecution controlled by the state. I can think of at least three cases, over the past thirty years, where the King's servants committed rather more serious offenses. In two, both arguably involving murder by law enforcement agents — the Black Panther killings of the late sixties and the more recent Ruby Ridge incident — the survivors filed civil suits which were settled out of court for large sums of money. In the third case, Steve Jackson sued the Secret Service for a particularly egregious violation of federal law — and won. Criminal prosecution is controlled by the state; civil prosecution is controlled by the victim.

It is easy, looking backwards from our rich and technologically sophisticated world, to assume that the reason people did things differently in the past was that they were too stupid to think of our superior institutions. But there is little evidence that intelligence, or for that matter wisdom, has been trending up in recent centuries. The eighteenth century English saw, by direct observation, the modern approach to enforcing criminal law. They also saw what was wrong with it.

(Readers interested in a more academic discussion of the history of English law enforcement will find it in "Making Sense of English Law Enforcement in the Eighteenth Century," in *The University of Chicago Law School Roundtable* (Spring/Summer 1995) and webbed at [http://www.best.com/~ddfr/Academic/England\\_18thc./England\\_18thc.html](http://www.best.com/~ddfr/Academic/England_18thc./England_18thc.html).)

—DF

**Blue genes** — The more scientists study sex, the more they appreciate that the give and take between males and females isn't exactly a battle of the sexes, because neither sex can pass on genes without the other's help. But males attempt to maximize their genes' chances for survival, and females attempt to do the same for theirs. Male insects, for example, put copulatory plugs in females after inserting their semen, and female insects respond by removing them.

The basic evolutionary deal, simply put, is: the female needs resources to support herself and her offspring, while the male supplies those resources in order to spread his own genes. When females get those resources from a third party — e.g., the government — the equation changes dramatically. In providing those resources, the state has no interest in propagating a third party's genes — it is looking for votes, a rather different matter. The mother votes; her propagated genes do not (at least not for a long time, hence not for extant politicians).

Now that government largesse (e.g., welfare of various sorts) has replaced men in the reproductive lives of many women, however, such evolutionary constraints have largely been removed. As Robert Nelson pointed out in the March 1997 *Liberty* ("Bill Clinton, welfare dad"), women no longer need to rely on men for economic support and physical security.

At first glance, the welfare state may seem to offer a real evolutionary advantage for the genes of females who are able to propagate their genes endlessly without more than the most token help of a male. But a child raised without a man's assistance often fails to be socialized properly, and this diminishes his prospects for long-term survival. And as we've all seen, fatherless boys often become criminals (Bill Clinton, for example).

I am certainly not one to say that evading Mother Nature's "plans" is a bad thing. After all, I would like to live a lot longer than Mother Nature provided. However, it does appear that replacing fathers with government is likely to harm both kids and the society in which they grow up. —SS

**Send in the Clausewitzes** — The other day, while perusing the *Letters of Ayn Rand*, it occurred to me that although many were written during World War II, there is no reference in them to the ongoing war, hardly even to national policy. Letters written shortly after Pearl Harbor, D-Day, and war's end contain no reference to these events, which dominated the minds of most Americans.

Why the silence on these matters? Rand surely believed then, as she said to many persons later, that America had lost the moral high ground when the Soviet Union joined the Allies.

Did she oppose America's entrance into the war? It seems unlikely, since after Pearl Harbor, America's entry into the war was a retaliation against the initiation of aggression by

Japan (though the U.S. did push Japan into a pretty intolerable situation).

Once the attack occurred, however, how far should the U.S. have pursued the war? Almost nobody raises this question: "Whatever it takes," "To the bitter end" — such responses seem too obvious to state explicitly. But what might such a painful and costly struggle involve? A greatly expanded role for the federal government, as always in war. And another: the war could not have been conducted on such a vast scale (ten million under arms) without a military draft. And on that subject Rand was firm and unwavering to all who knew her: a military draft is always immoral.

Libertarians one and all are opposed to a military draft: volunteer armies yes, drafted armies no. No, not even if they volunteer only under the imminent threat of being drafted. No, even if so few volunteer as to guarantee military defeat for those who do. Libertarians I've talked with seem to sense some discomfort about this stance, but not enough to count it as a real problem.

Should the U.S. have entered the war without a Pearl Harbor? Libertarians in general, along with the America Firsters Rand was a part of, say no. Not even if taking on the Nazis was the only way to bring about their defeat and prevent future holocausts in conquered nations? Libertarians tend to skirt this question. They sometimes respond that if the U.S. hadn't entered World War I in 1917, the Germans would have won the war and there would have been no Hitler, no Nazi Party, no World War II. And perhaps this is true (Churchill apparently thought it was). But the question persists: under the conditions that *did* exist in 1941, should we have gone to war to avoid the consequences of a Nazi victory? It's easier to fall back on the World War I case than to confront this question. Perhaps the answer is, "At the time, we didn't have enough knowledge to give a satisfactory answer" — an answer that is often given to the question, "How far should conditions within a nation deteriorate before resorting to armed revolution against the government, in which innocent persons are bound to be casualties?" But if this is the answer, we don't hear much about it.

There are other issues as well which tend to elicit some degree of discomfort. Libertarians want "open borders" — those who want to get into the U.S. should be permitted to come in; but of course they shouldn't receive welfare benefits. This stance, however, is hardly realistic: most Americans

wouldn't let people, domestic or foreign, actually starve in the streets, and would continue welfare laws in order to avoid such a spectacle. Neither would they remove aliens' medical benefits, even if for no other reason than to protect Americans against imported diseases.

Well then, should we continue to provide welfare, thus attracting more indigent immigrants, and let Americans continue to foot the bill? No, we are told, that won't do: libertarians don't like freeloaders. Well, what then? Let's not *assume* that enough people would voluntarily provide all the disabled and unemployed with care and three meals a day — it may be true, but we shouldn't take it for granted. Those libertarians who say bluntly, "If they can't pay for the service, let them die" are at least consistent.

It doesn't help much to tell us how things would be in a world in which libertarian principles were already observed, or what ill consequences would be avoided if more people were libertarians. These are all intriguing hypotheticals, but they tell us nothing about what should be done *now*, when the assumed conditions do not exist. —JH

**Monday morning quarterback** — "The Fed is afraid of growth and refuses to allow the economy to grow faster," Jack Kemp recently argued in the *Wall Street Journal* ("The Fed's Retreat on Principles," April 2, 1997). With these words Kemp joined journalists, pundits, and politicians such as Mortimer Zuckerman, Fred Barnes, Felix Rohatyn, and Newt Gingrich in misconceived Fed-bashing — and in spreading a misconception about price inflation and real economic growth.

Kemp's anti-Fed litany is familiar enough: in raising its target interest rate on federal funds, the Federal Reserve not only "buckled under to big banks and major industrialists," it also reacted to "an inflation specter of its own conjuring." It "was taking a shot in the dark" at its inflation quarry, though "unsure even that the quarry exists."

Confusing microeconomics and monetary theory, Kemp claims that "the price mechanism acts like a self-adjusting fly-wheel to prevent the economy from overheating." According to Kemp, "far from being inflationary, real expansion of the economy 'soaks up' inflation, creating more goods for the same amount of money to pursue." His remark is correct in one context — but not in his own.

Growth based on such "real" factors as a larger labor force, new goods and services, and increased productivity (due in turn to capital investment, technical advances, healthier and better-educated workers, and improved coordination of diverse activities) strengthens the demand for money and so tends to raise rather than lower the dollar's value. Such real factors do indeed help provide both high economic activity providing "full employment" and freedom from price inflation. But this fundamentally sound, sustainable growth is radically different from activity temporarily stimulated by easy money.

Consider how businesses react to "new money": provided that it can get more labor and other inputs at unchanged cost, a firm will be glad to meet higher demand for its output — even at a substantially unchanged price. But this is dependent on other people's willingness to reduce inventories, run plants closer to full capacity, enter the labor force, work overtime, take less leisure between jobs, and postpone retirement.

*continued on page 44*



"You didn't *either* get that merit badge for Desert Storm!"

## Report

# The New Economics and the Death of Central Banking

*by J. W. Henry Watson & Ida Walters*

The current revolution in economic theory isn't just "theory" — it provides practical tools to help people around the world deal with the idiocies of the state.

In reporting that Robert E. Lucas, Jr. of the University of Chicago had won the 1995 Nobel prize in economics, CNN announced that the winner was "someone nobody ever heard of." The popular media's response was similar in 1991, when economists Merton L. Miller, Harry Markowitz, and William Sharpe shared that year's Nobel.

The ideas of these little-known thinkers now dominate the economics profession. Moreover, they represent a quantum advance in the intellectual and scientific case for free markets, advance our understanding of how economies work, improve the functioning of markets, and create new market-based constraints on government power. These ideas have trashed all other theories about securities markets and business cycles.

The seemingly disparate areas researched by Lucas, Miller, and their colleagues are tied together by a common thread: the idea that in making their economic decisions, people use all the information they have. In the jargon of economics, they use information "rationally"; to ignore available information in making decisions would be "irrational."

At one level, all economists since Adam Smith, especially market-oriented economists, have built their research on the rationality premise. The big difference is that the work of Lucas, Miller and their colleagues extends such rational behavior to include the way in which people form forecasts about the future. Strangely, most previous economic theories

assumed that people made forecasts that were not in their best interests. For example, no previous theory recognized that people form rational forecasts or expectations of what government is likely to do, and then adjust their own behavior to improve their situation — often foiling government plans in the process.

Consider the routine calls during recessions to cut taxes to encourage a recovery. This might work if such tax cuts took people by surprise. But if tax cuts are *expected* during recessions, they will fail to stimulate economic activity because people will already have factored them into their economic decisions. In fact, a policy of never cutting taxes or always cutting taxes in a recession will leave business cycles largely unaffected one way or the other.

From business cycles and securities prices to financial risk management and corporate finance, theories based on the assumption that people form rational forecasts have yielded remarkable insights into just how well markets work. They have also enabled the private sector to impose strong new controls on government power. In this regard, the new theo-

rists have, in effect, provided the private sector with the equivalent of aircraft carriers and cruise missiles to replace horses and rifles. These new weapons, as will be shown, have left central bankers who attempt to impose their will on the market in the same position as Iraqi generals in the Gulf War.

### **The Random Walk**

The best way to understand the revolution in economics is to start at the beginning. In the early 1950s, British statistician Maurice Kendall found, to his surprise, that changes in stock prices are what statisticians call a "random walk." This means that the likelihood that the price of a given stock will rise or fall, or that the market will rise or fall, is unrelated to its history. Every day is a new day, and the way prices change on any given day is as unpredictable as a coin toss.

A good way to understand a random walk is to do a simple experiment. Begin with the number 100 and then start tossing a coin. Every time you get a head add 10%, and every time you get a tail subtract 5%. If you plot the resulting series of numbers the plot will look very similar to the

charts of stock price histories or of indexes such as the Dow Jones. This lack of "memory" in securities prices means, for example, that the dramatic rise in the Dow Jones Index over the past several years tells us nothing about the likelihood of it rising or falling in the future. While highly counter-intuitive, this factual finding has been confirmed repeatedly in study after

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*The business cycle theories of Mises, Hayek, and Friedman do not meet reasonable standards for useful models based on what economists now know.*

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study and is one of the most well-established facts in economic science. No more what goes up must come down!

The finding that changes in stock prices are a random walk caused a great deal of consternation because at the time it was thought to mean that investing in the stock market was tantamount to pure gambling. Economists who thought it undermined the case for free markets and economic science reacted with outrage.

### Efficient Markets

At about the time Kendall made the discovery that changes in stock prices are a random walk, Harry Markowitz put forth the concept of an "efficient" investment portfolio — that is, one that achieves a given expected return in the stock market with the least possible risk. Markowitz was the first to analyze the relation between risk and return in investment decisions and to show the importance of diversification in understanding that relationship.\* Failure to diversify is "irrational" because it requires taking more risk than necessary to achieve a given expected return.

In this sense Keynes was irrational in that he was convinced that concentration was the optimal way to invest, and that diversification was a flawed

strategy. Many investment advisers since, and even today, would agree with Keynes.

Markowitz's work did more than simply stress the value of diversification in limiting risk. He showed exactly how to measure the influence of diversification on the relationship between risk and return. Prior to Markowitz, the understanding of the trade-off between risk and return was limited to exhortations that widows and orphans shouldn't buy stock.

Nevertheless, while easy to understand in principle, his methods were very difficult to apply in practice. And, of course, as Friedman had noted, they did not address overall securities markets economics.

Markowitz's work did raise questions. If investors hold only "efficient" portfolios (that is, they don't take unnecessary risk in pursuing a given expected return), then what does that imply about the overall market? And was there an easier way to identify an efficient portfolio? In 1959, William Sharpe answered the latter question with his "Capital Asset Pricing Model" of securities prices. Sharpe was able to show how Markowitz's insights could be applied in a very simple way. Sharpe's work revolutionized investment advice and set the foundation for the modern diversified mutual fund.

The implications for the overall market involved linking the Capital Asset Pricing Model with the fact that changes in stock prices exhibit a random walk. Eugene Fama, another Chicago economist, was the first to fully articulate the idea that "efficient markets" (markets where prices reflect all available information) imply that changes in security prices are a random walk. As we show more fully below, not only was Kendall correct in his empirical observation that changes in stock prices are a random walk, but he also proved that securities markets are efficient!

Fama's article bristled with mathematical modeling and advanced statistics, but the fundamental idea is readily understood. Suppose for example, as stock market chartists and tech-

nical analysts claim, that future changes in securities prices can be forecast using historical data. After a full analysis, the securities analyst knows that a stock's price will rise in the long term. The response? Buy like crazy now. This drives the price of the stock up. The "new" information about the stock is reflected instantly. The forecasted rise will not occur — because it already has.

Harry Roberts, another Chicago faculty member, summed it up in the following definition of "strong efficiency" in securities markets: securities prices reflect not just public information, but *all* information that can be acquired by painstaking fundamental analysis of a company or market and the economy. Securities prices are always fair, and no one can make consistently superior forecasts.

In short, markets are efficient when all the information available to people is reflected in prices. By "fair" Roberts means that the price of a security at any given time is an unbiased forecast of the future cash that the security will generate; "unbiased" means that the forecast is never consistently high or low. This means that securities prices

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*The ultimate frustration for the aging Keynesian is that rational expectations scholars have shown that contriving ways for the government to manage short-term economic activity is a waste of time.*

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are as likely to rise as they are to fall. The past cannot be used to predict the future.

This research didn't just overturn the theories of chartists and other stock forecasters, who depended on historical data for forecasting changes in securities prices; it also led to a quantum increase in the respect economists had for the rationality of market participants. Gone were any thoughts of the "animal spirits" theories of changes in stock market prices that Keynes, for example, had suggested. Also, this marked the first time that economic science had been able to propose a simple

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\* Milton Friedman, a member of Markowitz's dissertation committee at the University of Chicago, criticized his work, claiming it wasn't economics because it was directed at providing practical investment advice. But the Nobel that Markowitz later shared with Miller and Sharpe was based on this work.



empirical test for market efficiency: that is, if markets are efficient, securities prices had to be a random walk. And this is exactly what study after study has shown.

When the efficient markets findings first hit the economics and securities markets in the early 1960s, it didn't take long for their importance to be recognized. "You could just see the fin of the shark cutting through the water," said a Wells Fargo executive who was among the first to use efficient markets ideas to manage money. The shark soon chopped its way through traditional money managers, swallowed up corporate finance as it was then practiced at large companies and on Wall Street, and bloodied even the most powerful central bankers.

Merton Miller's major contribution during this period was his work on the famous Modigliani-Miller (M&M) Theorem. The M&M Theorem extended the realm of rationality to include the capital structure of firms. He and Modigliani proved both in theory and with considerable empirical evidence that the mix of debt and equity (that is, corporate borrowings and stock) chosen by a company had no effect on its total market value (the sum of the market value of its debt and equity). What mattered for total value was the *cash* a company could generate from its operations. As with his colleagues' work, rationality was the key. If market value could be affected by varying the mix of debt and equity claims on a fixed stream of operating profits, then investors were being fooled and were irrational. (During a television interview after his Nobel had been announced, Miller explained the M&M Theorem by saying that cutting a pizza into eight pieces rather than four gives you more pieces but not more pizza.) His work marked the beginning of the end for investment bankers like former Treasury Secretary Brady and his ilk, whose only asset is their school tie. They have been supplanted by those with real ability.

Research on asset pricing continued to advance rapidly. In 1972, Fischer Black and Myron Scholes published an article on valuing options.\* The effect was electric. Heretofore, the under-

standing of options had been so poor that their widespread use was impractical, but Black and Scholes' highly mathematical, sophisticated analysis enabled market participants to use the price history of the underlying security and other readily available market data to determine the value of the option. Their model was at once esoteric and practical. As Robert Merton, who worked closely with Black and Scholes on the model, noted with surprise: "Options traders now routinely talk about hedge ratios, deltas, partial diffe-

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*Many statists view business fluctuations as a sign that markets are inherently dysfunctional; many free market advocates view them as disturbances introduced by government.*

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rential equations and stochastic differential equations." Their discovery coincided with the end of the gold standard and other changes in the economy that significantly increased uncertainty. Options became a key tool for managing that uncertainty and ultimately reducing that uncertainty.

Within a few years, the advent of option-pricing models had led to vast new financial trading activities, including the explosive growth of new exchanges, such as the Chicago Board Options Exchange. This marked the first time economic models had become an explicit, integral part of a major market; traders roamed the floor with calculators that had the Black-Scholes model programmed into them.

And this was only the beginning. In a 1989 article on the most important financial innovations during the previous 20 years, Miller ran through a daunting list that included options, Eurodollar accounts, money-market funds, financial futures, floor-ceiling swaps, financial futures, index futures, etc.

In fact, these new financial instruments, which can be sliced and diced

and combined in a variety of ways, enable individuals and firms to do something that was simply not cost-effective to do before — achieve a portfolio of securities and financial instruments reflecting the "risk profile" that best fits their situation and goals.

In the same article, Miller went on to show how a great many of these innovations were generated, at least initially, by markets seeking ways to avoid government regulations or taxes, including the infamous but now forgotten Reg Q, which limited the interest banks could pay on deposits. As for taxes, Miller and Scholes were able to show that creative use of finance insights enabled the market to eviscerate the government's ability to tax returns on capital. Basically, their research showed that people can usually avoid taxes on income that isn't consumed. A key point emphasized by Miller is that "transaction costs" — roughly, the cost of buying and selling — were cut by more than 90% as a result of innovative investment practices. Such low transaction costs made it cheaper to avoid government rules and regulations.

## The Anomaly Hunters

The findings of efficient markets researchers outraged most investment advisers, as well as an army of statist economists. The battle to discredit the efficient markets researchers swung into action. Achieving little success, the critics turned in desperation to the search for "anomalies" — that is, instances where the historical record could be used to guide an investment strategy that could beat the market. The typical academic anomaly "sighting" involved a great flurry of initial excitement reminiscent of a *National Inquirer* story on visiting space aliens; it would usually be followed by a careful refutation that received limited publicity.

Interestingly, the ranks of anomaly hunters include more than the ragtag remnants of socialism. Fischer Black, for example, was among the first of a long line of finance scholars to leave academia for Wall Street to become an anomaly hunter. During the decade prior to his death two years ago, Black's job at Goldman Sachs was to find anomalies and profit from them. Black commanded an army of finance

\* An "option" is a contract that gives someone the right to buy or sell a stock share or other security at a certain price in the future.

Ph.D.'s and M.B.A.'s, as well as converted physicists. This formidable group focused on constantly refining sophisticated state-of-the-art mathematical models of securities markets and testing them against vast data sets of securities prices. Whenever they discovered a deviation from market efficiency they pounced, using everything from Cray supercomputers to international communications networks that would be the envy of the Pentagon,

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*Rational expectations researchers see business cycles as the market's efficient way of coping with changed circumstances.*

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and employing vast amounts of capital to execute trades designed to profit from the anomaly. If everything went well, the team generated short-term profits for Goldman Sachs.

Goldman Sachs and many others are engaged in a modern version of the ancient art of arbitrage. Arbitrage trades are designed to profit from discrepancies between prices for the same commodity in different markets. At one time this meant buying gold in London and shipping it to New York when the shipping costs were less than the price difference. This drove up the price of gold in London and drove the price down in New York, forcing the prices together.

Just as in the above gold example, trading activity designed to profit from an anomaly promptly "arbitrages it away." This puts the role of the statist academic anomaly hunters in a whole new light. If they succeed in finding an anomaly, it hardly makes their day to see it arbitrated away — in the process delivering short-term profits to sophisticated trading firms or individuals. Thus, while these academics argue over whether a particular anomaly really exists in the historical record of securities prices, the Fischer Blacks of the world are making damn sure it doesn't exist in the future.

### **Investors 24, Government 0**

It's not only the state's ability to regulate and tax that is being frus-

trated by the new economics. So is its power to distort exchange rates and interest rates while trying to manage employment, international trade and investment, and the pace of economic activity. The gold standard succumbed to government mismanagement, but options and related instruments are thriving. These instruments achieve what the gold standard is supposed to — they restrict central banks' discretion to print money, and do so more reliably and cheaply, and with greater certainty, than the gold standard ever did. If this seems implausible, consider the worldwide fall in inflation rates over the last ten years. Any country resorting to inflation is quickly besieged by speculators (and hedgers) seeking to sell the currency. The result is immediate and powerful downward pressure on the country's exchange rate.

To understand the discipline imposed on central banks, consider Britain's attempt in 1992 to peg the British pound to the European Currency Unit (ECU). As usual, the Bank of England bought pounds (by selling its reserves of foreign currency, primarily U.S. dollars) to support the price of Sterling against the ECU. It was simply replaying an approach seen over and over again, perhaps most memorably during the fall of the gold standard in the early 1970s. As you may recall, around the mid-1960s it became clear that the price of gold, pegged then at \$35 an ounce, could not be sustained. The US government propped up the price by steadily selling gold from its hoard at \$35 an ounce, and it took the relentless efforts of speculators many years to drive the price of gold to its true market level. The process entailed enormous economic dislocations, culminating in wage and price controls, as U.S. Treasury officials vainly fought inexorable economic forces.

This was not how things played out in 1992. International traders took on the Bank of England. Armed with an arsenal of futures, options, swaps, and other so-called "derivative" products — and working in an environment where transaction costs were a tiny fraction of what they formerly were — these investors proceeded to outmaneuver the former giant.

The match was uneven. Before it

was forced to accept the market's verdict that the pound was overvalued, the Bank of England blew billions of dollars in a few weeks. One trader, George Soros, pocketed a cool \$1 billion in a single day.

So where is Soros's book on how to profit from the coming fall in the British pound? Actually, Soros has written several books, but none of that genre. Adherents of efficient markets know that "how to profit" books just don't make it in markets where suspected future profit opportunities are reflected instantly in prices.

While used extensively by speculators, the dominant use of these "derivatives" (that is, financial instruments such as options, futures, and the like) is by individuals and firms seeking to offload a variety of financial risks to those who have the knowledge, capital, and desire to properly manage them. The word for such offloading is "hedging," as in "hedging your bet." And, though the idea of hedging was understood by many, actually doing it was much harder than it is now. Investors who hedge with derivatives can mitigate or eliminate the adverse effects of government policies, such as an unanticipated rise or fall in interest rates. They can even cushion shocks

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*No previous theory recognized that people form rational forecasts or expectations of what government is likely to do, and then adjust their own behavior to improve their situation — often foiling government plans in the process.*

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generated in the private sector, such as an unanticipated rise or fall in oil prices. Even governments use them. Many municipalities buy futures contracts that lock in the price they will have to pay for fuel to run city buses. In this way they can be sure that their tax revenues will support their transportation services.

If you are skeptical of any of this, spend some time reading the financial press of the 1970s, focusing on the earnings reports of large companies.

You'll read scores of stories detailing how the unexpected losses at one company or another in a given quarter or year were due to changes in exchange rates, raw materials prices, interest rates, or even the price of equities going against them. Or municipal bus systems shutting down because they ran out of money to keep buying fuel when fuel prices rose.

Today, that kind of story has largely disappeared because virtually every company in the Fortune 1000 and many smaller organizations systematically hedge these price risks. This frees management to devote its attention to running the enterprise's core affairs. When the chief financial officer uses derivatives, the average chief executive no longer needs the skills of a central banker.

Because people and companies can now more easily limit their risks, it's become much harder for governments to destabilize the economy and cause waves of boom and bust — the "business cycle." Theorists used to believe that the business cycle was caused largely by governments altering interest rates, inflation rates, taxes, etc. These changes supposedly distorted the behavior of firms and individuals.

The distortions supposedly worked in two ways. One way was by altering the wealth of firms and individuals — for example, by changing interest rates. Derivatives have limited these effects. Rising interest rates in the Jimmy Carter era, for example, left many firms without enough cash to service their debt. But if interest rates rose now, many firms would be largely unaffected because they would have hedged with derivatives.

The second way that price changes supposedly distorted behavior was by causing short-term changes in interest rates, exchange rates, and tax policy. Even though these changes were clearly unsustainable, it was supposed that people regarded them as permanent, just as they supposedly confused inflationary price changes with real price changes. For example, one theory advanced by the monetarists was that a new round of inflation always leads people to believe that real wages have gone up. According to the monetarists, such inflation would temporarily stimulate the economy; but it would be followed by a recession when people

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discovered that their real (inflation-adjusted) wages hadn't risen.

## Rational Expectations

But how plausible is it that people are systematically fooled by government policy? Do their brains shut down when the time comes to think about the personal implications of taxes, government spending, and monetary policy? After all, market participants had been shown to coolly and rationally evaluate securities markets — so effectively that a vast number of careful empirical studies have been able to identify only trivial departures from rationality. The efficient markets research of Miller, Fama, and their colleagues made it inevitable that economists would realize that there was something wrong with theories of the business cycle that fail to recognize that people are rational.

The common foundation between finance and "new classical economics" (a.k.a. "rational expectations") is captured in the words of Thomas Sargent, a key new classical scholar and Lucas collaborator. He notes that the ideas associated with rational expectations are motivated by a simple intuition: namely, that people do not systematically ignore readily available information that they could use to improve their decisions. This implies that people understand the economic "laws" of the environment in which they operate and, given the constraints they face, make the best decisions they can. In other words, rational behavior is defined as people behaving in the way that economics and common sense would indicate is to their advantage.

What kinds of results do business cycle theories that assume rationality

yield? Consider two of the better known rational expectations conclusions developed by Lucas:

1. *Any predictable change in the money supply should have no effect on output, employment, or any other real variable in the economy. Only unpredictable changes in the money supply can have output effects.*

This is known as the "invariance proposition," and sounds dry, technical, and academic. In fact, ideas just don't get more revolutionary. This conclusion guts every previous business

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*Options achieve what the gold standard is supposed to — they restrict central banks' discretion to print money, and do so better than the gold standard ever did.*

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cycle theory — including those of Keynes, the monetarists, and the Austrians. It implies that no conceivable government stabilization policy could work, since such policies must be predictable. (Think about it: if it isn't predictable, it isn't a policy.) This basically means that the Fed's control over the economy can be compared to that of a four-year-old driving her Cozy Coupe (the largest selling "vehicle" in America for small children). She joyfully spins the steering wheel, exulting in her control of the vehicle; but the steering wheel is not connected to the drive train. Put bluntly, the central bank can affect the economy only by acting like an unpredictable lunatic. This happens, but not even statisticians condone it.

In his 1993 book, *Rational Expectations and Inflation*, Sargent analyzes how a number of the hyperinflations in history ended. Unsurprisingly, he finds that the economic problems associated with the end of a hyperinflation were highly dependent on government credibility. When people had good reason to believe that the hyperinflation had ended, the adjustment to stable prices occurred rapidly and with relatively little economic dislocation. When people had little reason to believe that the hyperinflation would

end, severe problems ensued. In other words, when government action was predictable, its effects were limited because things rapidly returned to normal. An important implication of all this is that there is no predictable, stable relationship between monetary policy and economic activity. The same monetary policy change may well have different effects every time it is undertaken because people react differently from time to time. Indeed, that was the case with these various hyperinflations.

2. *Existing econometric models\* of the economy can, in principle, provide no useful information as to the actual consequences of future economic policies.*

Sound like an Austrian? Actually, this conclusion is implied in Lucas's first principle. It derives from the fact that policies affect people's behavior differently according to the information they have. If they were fooled by a policy once, they are going to do everything in their power to avoid being fooled again. Thus, even the same policy adopted a second time in nearly identical circumstances will have very different effects.

The sheer power and audacity of Lucas's conclusions help explain the hostile fury that greeted his initial work in the 1970s. Statisticians in the economics profession immediately recognized that rational expectations represented a quantum advance in the compelling case economic science makes for free markets. Within a few years, however, they were forced to adopt the analytical approach of Lucas, Thomas Sargent, Robert Barro, and their cohorts. By 1980, among serious economic researchers, the traditional Keynesian model that had tortured so many undergraduates was finished. The statist critics were again reduced to carping about various hypothetical anomalies that might sometimes erupt

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\* What, you may ask, is an econometric model? Think of it as a black box whose input is historical numbers on GNP, employment, interest rates, government spending, etc., and whose output shows how these variables have historically moved in relation to each other. A typical output might be that over the last 20 years whenever government spending rose 5%, unemployment rose 2%.

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despite generally rational expectations. But the entire discussion was on the terms set by Lucas and his colleagues.

This is not to say there wasn't a battle royal. Leading the charge were the Keynesians who felt, correctly, that they had lost everything. In fact, it was their last battle in a losing war. In the early 1970s, Milton Friedman and Edmund Phelps had put them on the ropes by shredding the Keynesian conceit (there's no other word for it) that governments could buy lower unemployment with more inflation. Reality, in the form of stagflation, was giving them a good and proper mugging too. And then Lucas ("someone nobody ever heard of") came along with the novel idea that economic actors are pretty smart, and tossed the Keynesians right out of the ring.

As Sargent put it, rational expectations reasoned with a new set of concepts and a new language that was perceived as destroying the old language and tools of applied macroeconomics while providing no workable substitute. The perceived destruction even extended to a rejection of the questions that Keynesians viewed as

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*It's not only the state's ability to regulate and tax that is being frustrated by the new economics. So is its power to distort exchange rates and interest rates while trying to manage employment, international trade and investment, and the pace of economic activity.*

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relevant and interesting. The monetarist response to the Keynesians was: good question, wrong answer. The rational expectations response was to dismiss all other business cycle theories as completely irrelevant.

The ultimate frustration for the aging Keynesian is that rational expectations scholars have shown that contriving ways for the government to manage short-term economic activity is a waste of time. In fact, even trying to explain the causes of individual booms or recessions is without value. On

reflection, this is not surprising. Does anyone really believe that there exists an economist who can plausibly and unambiguously explain every twist and turn in the economy during the last 50 years? How about one twist or turn? There is a different story behind every recession and every boom, and each story is usually complex and ambiguous and highly dependent on people's expectations — which, of course, cannot be directly observed. Indeed, when economists are featured in reports of the latest change in stock prices or the unemployment rate, their explanations remind one of the famous line from *Casablanca*: "Round up the usual suspects." (One of us, Ida Walters, began her career reporting on bond markets for *The Wall Street Journal*. Interviews with Wall Street economists regarding the cause of the latest move in interest rates often yielded, over the course of a few weeks, the same explanation for movements in either direction.)

Indeed, one salutary effect of the spread of rational expectations ideas is the decline of economic forecasting. Companies such as Wharton, DRI, Chase, and other suppliers of econometric models on which government policymakers and the press focused during the 1960s and 1970s are in decline. These companies have responded by shifting their efforts from soothsaying interest rates and the like to focusing on "real" forces in the economy, such as shifting technologies and changing patterns of international trade.

### The Expected and the Unexpected

So what questions are left for economists to answer? Rational expectations researchers are trying to figure out how long-term, systematic differences in government policy regimes affect long-term changes in employment, total output, and other measures of the business cycle. They're also trying to find out how different government policies affect long-term growth in average employment and in the economy as a whole. Robert Barro and others have found that, measured over several decades, countries with stable monetary and tax policies have more stable economies and grow faster. This yields a prescription for a

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"do-nothing" government.

Rational expectations researchers have also sought to understand what has been dubbed "real business cycle theory." Monetarists had reached a point where they seemed to attribute virtually all economic fluctuations to monetary policy, but obviously changes in the private sector can also require adjustments. Some recent examples are the oil shocks experienced over the past 20 years, the radical fall in the cost of computers and communications over the last decade, the rapid shrinking of large industries (the defense industry, for example), the unleashing of many economies caused by the collapse of communism and socialism, and rapidly rising levels of education in many formerly poor Asian countries. Unsurprisingly, such factors were found to be a major cause of economic fluctuations.

Again, this finding has fundamentally altered economic thinking. Historically, many statisticians viewed business fluctuations as a sign that markets are inherently dysfunctional and therefore something that government needs to correct. Alternatively, many free market advocates viewed business fluctuations as disturbances introduced by government into what otherwise would be a regime of steady growth. In contrast to both, rational expectations researchers see business cycles as the market's efficient way of coping with changed circumstances. Periods of slow growth and higher unemployment are an efficient response to dealing with changed circumstances. Thus, any attempt to suppress the business cycle, even if it were successful in the short-term, would result in the postponement of necessary adjustments and raise adjustment costs for the economy.

This raises an interesting question: if the government avoids extreme,

unexpected policy changes, does it have any effect on business cycles? That's a tough question to answer because we've never operated without significant government intervention. But one way the new scholars have tried to answer it is by estimating how significant short-term business fluctuations would be without government meddling, then comparing that measure of business-cycle activity to the level we've actually experienced. Early work in real business cycle theory indicates that the degree of variability experienced in the U.S. economy since World War II is about what one would expect to see in an efficiently functioning economy over which government had absolutely no control or influence over the business cycle. This finding is surprising only because even the most ardent libertarians have not believed that rational responses by the private sector have the ability to checkmate government efforts, deliberate or otherwise, to influence ups and downs in the economy. The consensus of economists from Austrians to Keynesians, however, is that the business cycle can be effected by government actions only if the private sector is fooled. It should not be surprising that the private sector has made every effort to avoid the role of the fool — and may have succeeded.

Of course, none of this implies that government actions don't affect the economy. They certainly do. Permanent changes in taxes, regulation, trade barriers, and the like, as well as the level of government spending, will have important effects. Our remarks here, and the arguments in the rational expectations literature, concern the effects of government actions on short-term business fluctuations. The Employment Act of 1946 directed the federal government to maintain steady economic growth and full employment, and presupposed that a theory would arise that would enable

it to do so. It now appears that none ever did.

However obvious all this may now seem, it was certainly not obvious 30 years ago. Keynesians weren't the only theorists to fail what has come to be known as the "Lucas critique." (A theory fails the Lucas critique if it

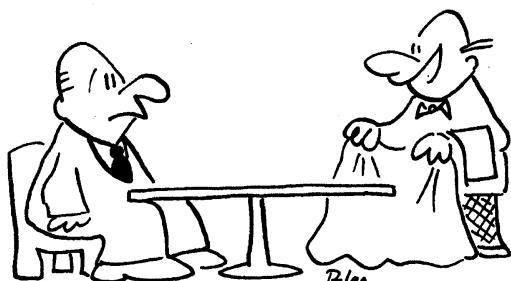
assumes that people form irrational expectations about the future.) In the Austrian theory of the business cycle, for example, the government deliberately depresses interest rates. Businesses, unable to perceive this, make investment decisions based on the lower interest rates (which are not sustainable). The economy booms. Businesses then discover that the "real" demand for their products has not increased. They retrench, sending the economy into recession. Would people who run businesses do this time and again? No, because they would tend to be replaced by people less easily fooled by the same trick over and over again.

Are the monetarists any better than the Keynesians? Yes, in that they admitted that people adapt to central banks' actions. No, in that they failed to take this idea of "adaptive expectations" to its logical conclusion — and insisted that government could repeatedly fool people with the same kind of manipulations.

In the monetarist model, it's not interest rates that distort behavior, but central bank activities that cause changes in the price level. The resulting inflation (or deflation, as in the 1930s) leads to confusion between real prices (how many hours of work required to purchase a given market basket of goods) and nominal (inflated/deflated) prices, with the result that people are fooled, for example, into thinking their buying power has increased when all that's really happened is their income has kept pace with inflation.

But, again, once the notion of rational expectations is introduced, the monetarist model is quickly revealed as one that simply doesn't describe the behavior of any sensible person, let alone sophisticated international traders such as George Soros. In retrospect, Friedman's famous empirical result of "long and variable lags" for the effects of monetary policy is hardly surprising. Is this really any different from saying there's no stable relationship between monetary policy and economic activity? And how could there be if businesses act rationally — that is, keep busy making every effort to avoid both repeating past mistakes and making a new generation of mistakes?

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  - “Reign of Terror,” by David Kopel & Joseph Olson
  - “The New Involuntary Servitude,” by Jesse Walker
  - “White Man’s Ghost Dance,” by Bob Black
- Plus articles & reviews by Nathan Crow, David Boaz, Ted Galen Carpenter, R.W. Bradford, Timothy Virkkala, Stephen Cox & others. (72 pages)

## November 1996

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cycle theories of Mises, Hayek, Friedman, and a host of other brilliant economists who've made tremendous contributions should be consigned to the ash can? Yes and no. *Yes*, in the sense that their business cycle theories do not meet reasonable standards for useful models based on what economists now know. *No*, in the sense that aspects of their theories are enormously useful and many elements of them are built into modern models that meet the test of rationality. Monetarism's adaptive expectations helped move the ball down the court by making it clear that expectations were the decisive factor in understanding the business cycle. And, of course, Friedman became one of capitalism's most articulate and persuasive spokesmen. The Austrians relentlessly focused on the process by which markets get to equilibrium and on how businesses and consumers search to establish prices. Rational expectations and efficient markets research have again put these questions at the center of our understanding of markets.

When all is said and done, however, comparing rational expectations to previous business cycle theories is like comparing a Dodge Viper with a Model-T. Henry Ford was a genius, and the Model-T was a technological and production marvel that changed the world. For all that, only collectors of antique cars drive them today.

At the end of the day, rational expectations has left its critics without a theory, without the questions they thought were important, and largely without even the tools required to participate in the discussion. In this regard, a recent example of the hegemony rational expectations has achieved is quite telling.

In a 1994 article, Lucas refers to a two-volume collection published in 1991, entitled *New Keynesian Economics*. The index to the collection contains 17 references to Friedman and many more to Lucas and other rational expectations theorists, but not a single one to John Maynard Keynes. Given that the self-styled new Keynesians are the principal critics of rational expectations, the absence of a single reference to Keynes is significant. In fact, the new Keynesians have grudgingly accepted the rational expectations paradigm. In the hope of finding some-

thing to support a constructive role for government, they now occupy themselves, like their brethren the anomaly hunters, in trying to identify some element of irrationality within a generally rational order.

### The Political Bottom Line

A question lingers: why haven't these new free market ideas in economics had more influence on modern-day adherents to the Austrian school? One important reason is that most Austrians steadfastly oppose the use of mathematical modeling and statistical methods. This opposition dates from the early years of this century, and at that time there were some good arguments for it. Back then there were no computers and not much data, so statistical research was unreliable and potentially misleading. And at that time the most well-known use of mathematical models in economics was to defend the feasibility of "socialist calculation" (that is, a command economy). Indeed, one of Mises' greatest achievements was decisively to refute the proponents of socialist calculation, which included the mathematical economist Oskar Lange.

Today, however, the most technically advanced researchers are using models that employ statistics and other mathematics to enhance our understanding of the economy and thereby advance the case for free markets. Also, many participants in the economy are using these same tools to aid them in making decisions. We simply can't conceive how anyone who understands how financial markets function in New York, Chicago, Tokyo, Hong Kong, London, and elsewhere could believe that there's no place in modern economics for mathematical-statistical analysis. Ironically, the central role of such methods in advancing the case for free markets has turned statist economists into vocal critics of analytical methods in modern economics. These critics of free markets have been driven into casual theorizing and purely illustrative empirical testing.

So outside of their admiring colleagues, and not counting CNN, who is aware of all this new work in finance and business cycle theory? While rarely covered in the popular media, these ideas have been a part of the core

curriculum at top graduate economics and business schools since the late 1970s. The graduates of these programs have been pouring into the marketplace, applying — and teaching — the lessons derived from these ideas. And not only in the United States.

Our company, for example, has a number of Russian clients, and we have found young Russian business people to be dedicated free-market advocates who hold as their heroes the key developers of these theories — especially Miller and Lucas, but also a number of other scholars working in these fields. Miller, for example, speaks frequently at economics conferences outside the United States, especially in Asia. Many of the top students of these pioneering scholars have become sought-after advisers to governments and businesses around the world.

Robert Lucas, Merton Miller, Myron Scholes, Fischer Black, Robert Barro, Thomas Sargent, Gene Fama and many of their colleagues should be as familiar as Mises, Hayek, and Friedman. These economists believe passionately in free markets and are today's leaders in free market ideas.

They support free markets based in part on a large and rapidly growing body of research that proves people form rational forecasts when making economic decisions. Prior to this research, no one had been able to prove that any market operated efficiently, only that in theory all should. Now finance scholars have proved beyond doubt that the securities markets, which are the largest and most visible markets in modern capitalistic societies, are efficient. Rational expectations scholars have utterly demolished business cycle theories used to promote government "fine tuning" of the economy. Their work has provided powerful new tools for curtailing the power of government, and possibly even its size. These new constraints on what government can get away with may well be responsible for some good news: the share of the national economy accounted for by the federal government has recently dropped below 21% — from 22% in 1992 when Bill Clinton took office. Clinton's frequent railings against "the bond markets" are an indication that his administration is unhappily aware of the market's power to limit government. □

## Memoir

# No Shelter from the Storm

*by Joy S. Taylor*

Abuse of battered women doesn't end at the shelter door.

In 1992, I decided to volunteer at a shelter for battered women in a small town in Washington state. I was there to fight a war, to hold high the ideals that had made me a feminist. I would help suffering women stand up for themselves, to see their womanhood as a strength and not a weakness. I would help them become self-reliant and self-aware, just as feminism was helping me become self-reliant and self-aware. I would help women escape damaging relationships. I would do good.

My volunteering began, like any job, with an application and an interview. The first hint of trouble came with this question: "You have answered the crisis line. On the other end is a young woman who tells you that she has been raped while hitchhiking. She has no intention of getting a rape exam at the hospital and of filing charges with the police. She is asking you what she should do. What do you say to her?"

I would tell her that it wasn't her fault, I responded, and that she had every right not to report it if she didn't want to. I said I would encourage her to seek counseling, and to call the line whenever she needed to talk. I also said that I would suggest taking some kind of self-defense training if she hitchhiked regularly, since that is a dangerous way for a woman to travel.

My interviewer's face soured. No, she told me, I shouldn't tell a woman to learn self-defense. She should be able to walk down the street naked

and not fear sexual assault. If I told her to be ready to defend herself in a risky situation, that meant I was blaming her for failing to do just that.

I was accepted nonetheless and began taking training classes, which didn't involve much training in anything but the politics of the women in charge. I was being exposed, I soon realized, to a different sort of feminism than the kind I had embraced. Men were always presented as potential abusers; any goodness one might see in them was only temporary. (At the agency, they weren't allowed to do anything except babysit kids and mow the lawn.) We learned that name-calling and battery deserved equal attention, and that it didn't matter whether the woman was engaging in the same behavior. (At the time I knew a couple, now divorced, who argued ferociously — and sometimes, after drinking, physically attacked each other. When a fellow volunteer asked me if I thought the woman was battered, I had to laugh: I had witnessed her return the violence in spades. She was in a bad relationship, but she was no victim.) We learned never to relate personal experiences to "clients," no matter how helpful it

might have been to do so. No one's opinions or personal beliefs were ever considered valuable unless they had been filtered through the other women's ideological agendas.

When my training period ended, my evaluators found me fit to provide direct service to the clients. I decided to split my time between work at the shelter and work on the phones.

The shelter, I discovered, got most of its funding from the state. And the state required us to get as many statistics as we could from our clients. The shelter staff encouraged us to embellish these so as to increase our funding potential. I would not do this. At the time, I simply thought it dishonest to make up statistics. I soon decided that it wasn't always constructive to ask for accurate stats either. If a woman on the phone was telling me how embarrassed she was because she couldn't hide her bruises from her co-workers, it didn't seem appropriate to reply, "I see . . . and just what color is this skin that was bruised?"

Our intake forms required the women to report their families' finances, among other private information. All the staffers I did intakes with agreed that this information was

irrelevant. But no one stopped asking the questions — even when it meant yet more pain for our clients.

The first intake I did was for a woman who was being beaten and raped regularly by her husband, a sergeant in the Army. Being a military wife requires traveling a lot, and as a result, she didn't really have any friends. But because her intake form revealed that she had a bachelor's degree in economics, our supervisors told us that we needed to ask her again if she didn't have somewhere else she could go. I've never been able to forget the shame and guilt on her face when we posed the question. At that moment, her pain was caused by government abuse, not spousal abuse. She had given us all the personal information she could, and we had used it against her. We eventually let her stay at the shelter. But the pain we inflicted upon her never entirely left her face. I know. I kept watching her, hoping it would.

I soon began advising women to downplay any education they had

received and not to tell me about any money they had. I told them that this was personal information and that it was not anybody's business.

More: We required battered women to sign three forms before receiving so much as a band-aid or a cough drop. A woman had to ask *twice* before we could get any supplies she needed — shampoo, diapers, etc. — from storage.

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*No one's opinions or personal beliefs were ever considered valuable unless they had been filtered through the other women's ideological agendas.*

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This was the actual policy. The supplies had all been donated by private businesses, to be freely given to anyone staying at the shelter. But the state regulated these private gifts to the point where it was difficult and demoralizing for the women to obtain them.

Women staying at the shelter told me that they looked forward to my overnight shifts because they knew that I would get them such items without interrogating them.

Something was wrong here, and I was beginning to figure out what it was. Government, I realized, should have the same control over a women's shelter as it should over a uterus: *none at all*. I don't understand why feminists aren't screaming to restore control of these places to the women who founded them, or why so many think that state control provides these shelters with security. All it really provides is a leash — funding that can be revoked with a penstroke if the government doesn't like how a shelter is complying with its regulations.

Eventually, I burned out, as so many shelter volunteers do. But it wasn't the horrific stories that the women had to tell me that did me in. It was the horrific treatment I was supposed to dole out to these vulnerable women and their children, and the fact that I was to do it in the guise of care. □

## Letters, continued from page 4

laissez faire economy, whereas post-war America increasingly fell under government regulation after the Civil War. Government intervention did change during the 19th century — but in method, not obviously in degree. Antebellum government economic activity was typically promotional, not regulatory. Sometimes by outright state socialism, more often by subsidies, loans and special-privilege legislation, government — especially at the state level — fostered turnpikes, canals, railroads, mills, even factories. At the same time, legislatures and courts fiddled with property rights to benefit entrepreneurs to the disadvantage of other property owners. There was a reaction against this policy — improvident loans to railroads forced Michigan and several other states into bankruptcy — but promotional activity never entirely ceased, and after the war was supplemented by regulatory action.

These developments in state and local government policy have no obvious relation to the Civil War, which strengthened the federal government

at the expense of the states and their local subdivisions. The federal government did no effective economic regulation until the 20th century.

If it is difficult to judge whether the Civil War led to more or less economic freedom, it is very easy to judge whether it led to more or less freedom in other respects. It led to more. The emancipation of four million slaves all but clinches the point, but there is much more. The married women's property rights statutes — enacted by few states before the Civil War, and often emasculated (if you will pardon the expression) by hostile judges — were increasingly enacted and properly construed. Blacks, of course, gained freedom and equal rights. In 1865, Maine became the first state to allow criminal defendants to testify at their trials. In several western states, women gained the vote. I could continue this list for several pages. Somebody else could adduce contrary trends. That's my point: we would both be right. Declension, like progress, is a myth.

Bob Black  
Albany, N.Y.

## Looking Backward

Contrary to Nathan Crow's article about Panama ("You have entered the Canal Zone," March 1997), Edward Bellamy's *Looking Backward* is not set in an English village; it's set in Boston.

Robert J. O'Donnell  
San Rafael, Calif.

## Looking Forward

I still remember walking into my local Borders as a seventeen-year-old Randite, and being shocked by a satire in *Liberty* about a film festival in Galt's Gulch. I was amazed and uncomfortable to see libertarians displaying irreverence toward Rand, and did not buy the magazine. A few months later, my curiosity having outweighed my discomfiture, I bought an issue and subscribed.

I have grown and changed a lot since then, but my excitement at the arrival of each *Liberty* has remained constant. I look forward to more.

Jesse Ross  
Annondale-on-Hudson, N.Y.



# Latin America at a Crossroads

*by Carlos A. Ball*

Latin America emerges from seventy years of nationalism, socialism, and other afflictions.

From the Rio Grande to Patagonia, the ideologies of socialism, nationalism and interventionism have played a dominant role in political life from the Russian Revolution of 1917 until very recently. Demarcations between the government and the private sector were slowly dissolved.

Political and economic power became concentrated into fewer and fewer hands, and decision-making was transformed into a centralized, personalized, and politicized process. The military dictators of the 1950s and 1960s, as well as the democratic governments that succeeded them, nationalized mining, oil, fishing, telecommunications, transport, and energy companies, along with other industries that politicians and central planners had decided were "basic and strategic." In many countries commercial activities were politicized by "marketing boards" established to market important exports — coffee (in Colombia, Central America, and Venezuela), cocoa, sugar, etc. Mexico even nationalized baseball teams and nightclubs. "Agrarian reform" usually meant collectivizing farms, with the state holding the title — a set-up that made it impossible to bequeath land to one's children or mortgage it to buy equipment.

Developments in Venezuela were typical. State takeovers began under General Marcos Pérez Jiménez in the 1950s, when iron mines, railroads, and the telephone company were nationalized, and the petrochemical and steel industries were reserved as state-

owned enterprises. This was the beginning of half a century of squandered opportunities. In 1976, President Carlos Andrés Pérez, a social democrat, gave the Venezuelan economy a mortal blow by nationalizing the oil industry. Today the Venezuelan per capita income is much lower than before the oil nationalization, the middle class has been reduced to less than 10%, and the poor comprise 84% of the population. Perhaps more important, the nationalizations destroyed any rational equilibrium between government and the private sector, the latter becoming under Pérez a mere appendix, allowed to be involved only in those areas despised by government. Any area in which Venezuela enjoyed extraordinary comparative advantages was placed beyond the reach of entrepreneurs.

Socialization and central planning were enthusiastically supported by bureaucrats in the U.N.'s Economic Commission for Latin America, the Inter-American Development Bank, the World Bank, and other multilateral organizations. And since these are the organizations that provide jobs for the bureaucrats who find themselves unemployed when their

party loses an election or their regime is ousted by a military coup, the admiration was mutual.

## **The Third World Model**

Historian Paul Johnson has traced the origin of Third World ideology to a conference held in Indonesia in 1955:

The concept was made flesh at the Afro-Asian Conference held 18-24 April 1955 in Bandung, at the instigation of Indonesia's President Sukarno. Some twenty-three independent states from Asia and four from Africa were present, plus the Gold Coast and the Sudan, both soon to be free. The occasion was the apogee of Nehru's world celebrity and he chose it as a brilliant opportunity to introduce Chou En-lai to the world. But the many other stars included U Nu of Burma, Norodom Sihanouk of Cambodia, Mohammed Ali of Pakistan, Kwame Nkrumah, Africa's first black president-to-be, Archbishop Makarios of Cyprus, the black Congressman Adam Clayton Powell, and the Grand Mufti of Jerusalem.

But 1955 was also the very year that the first Argentine presidency of General Juan Domingo Perón ended —

and it was Perón who had already firmly planted the Third World vine in Latin American soil. Before Perón, Argentina was one of the richest countries in the world. Respect for the classical liberal principles of the Constitution of 1853 had given Argentina a higher standard of living than Italy or France. But in 1946 Perón embarked on a campaign of nationalization. The state took over the central

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*Before Perón, respect for the classical liberal principles of the Constitution of 1853 had given Argentina a higher standard of living than Italy or France.*

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bank, the railroads, communications, gas, electricity, and the airlines. Perón, who had served as military attaché in Mussolini's Italy in the 1930s, installed a form of fascist autarchy — autocratic rule with the utopian aim of self-sufficiency — in order to keep domestic prices at levels that benefited the industrialists who supported him. Protectionism and the alliance of government with the unions led to inflation and the deterioration of all economic indicators.

Under Perón, Big Government joined Big Business and Big Unions to fix prices and salaries — benefiting Perón's supporters, but playing havoc with Argentina's ability to compete in world markets. The farmers and cattlemen who had produced Argentina's wealth were Perón's enemies, and so were systematically ruined. Perón's successors had no idea how to restore prosperity or control the forces he had unleashed, and by 1983 minimum-wage Argentine workers were taking home only 1,000,000 pesos a week — about 19 dollars.

And Perón wasn't the only Third World visionary in Latin America. There was Mexico's Lázaro Cárdenas, who nationalized the oil industry on March 18, 1938, a date celebrated ever since as a national holiday, the "anniversary of Mexican economic independence." In Venezuela, Rómulo Betancourt was to become the father of democratic socialism. And there was

Victor Paz Estenssoro of Bolivia, who during years of exile in Buenos Aires had studied Perón's methods. In 1952, Paz nationalized Bolivia's tin mines, offering as "full compensation" a payment of \$22,000 for properties that the owners valued at \$60 million.

But most influential of all was Peruvian Raúl Haya de la Torre, the founder of the political party Alianza Popular Revolucionaria Americana (APRA), and the intellectual father of a whole generation of Latin American socialist politicians. From APRA's founding in Mexico City in 1927, he exercised immense influence on the emerging social-democratic parties of Latin America (especially Mexico's Institutional Revolutionary Party [PRI] and Venezuela's Acción Democrática), heaping all blame for Latin America's problems on the Yanquis and capitalism.

Under the slogans of "agrarian reform" (based on the concept of communal land ownership) and state control of industry, Haya de la Torre sought to replace the land-owning oligarchies with an idealistic socialist elite. He never exercised direct power in Peru itself, but the military government of General Juan Velasco Alvarado later implemented his policies with disastrous results. By 1972, Alvarado had even managed to destroy Peru's anchovy fishing industry, which had once supplied a quarter of the world's fish flour. Some years later, APRA leader Alan García wrecked what little was left standing, with cumulative inflation from July 1985 to July 1990 reaching 2,200,000%, and the per capita annual income of Peruvians descending to \$720, below the level of 1960. During García's five-year reign, Peru's GDP dropped 20%.

### The Yanqui Scapegoat

In the early 1970s, no one better exemplified the followers of the scapegoat philosophy than Uruguayan writer Eduardo Galeano, who insisted that Latin America's shortcomings were not the result of its own mistakes and counterproductive economic policies, but rather of Yankee imperialism. "The division of labor means that some countries specialize in winning and others in losing," wrote Galeano. "The region's work as a servant continues. It serves outside needs as a source and

reserve of oil and iron, copper and meat, fruit and coffee, raw materials and food for the rich countries, which gain from consuming them much more than Latin America gains from producing them." It was left to the economists Raúl Prebisch of Argentina and Fernando Henrique Cardoso (now president of Brazil) to transform Galeano's lyrical language into a full-bodied interventionist system.

Problems were not slow to appear. After Latin America had expelled United Fruit, Standard Oil, and other multinationals, replacing both their foreign and native-born professional executives with bureaucrats and apparachiks and appointing political cronies to the boards of nationalized companies, impoverishment was swift and dramatic. Cuba, Venezuela, and Uruguay, three of the formerly most prosperous Latin nations, have been virtually destroyed by socialism.

### Turning the Tide

No regime in the 20th century, not even Stalinist Russia or Castro's Cuba, suffered from a worse press than General Augusto Pinochet's Chile between 1973 and December 1989, when Christian Democrat Patricio Aylwin defeated Pinochet in the free election that he had finally called. But Chile's status as an international pariah had its positive side: Chile was saved from International Monetary

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*Mexico even nationalized baseball teams and nightclubs.*

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Fund and U.S. government meddling. Without access to international credit, the Chilean government went ahead and made free market reforms, and Chile prospered as had no other Latin American country in the last half century.

At about the same time, the traditional Latin American way of silencing members of the opposition — inviting them to step up and join the politically powerful on their high platform — had put so much weight on those structures that they started collapsing. Foreign debt had piled up to the point that new "development" loans were being used largely just to service debt on the old

ones. And several generations of expropriation had left little to steal. With public money to buy support in short supply and the success of Chile's reforms increasingly obvious, pressure for free market reforms emerged in other Latin American countries.

In some countries, such as Mexico and Argentina, a start was made on dismantling the unwieldy state apparatus; unfortunately, most of the benefits of privatization went into the hands of economic cliques close to the corridors of power. If a privatization system following the Czech voucher model had been implemented, the common citizen would have benefited, and privatization would have enjoyed greater support and success. Even so, substituting private monopolies for public ones led to some improvements. Assets are handled more responsibly when they belong to someone.

In some cases, where government monopolies had previously provided goods and services at heavily subsidized prices, privatization resulted in price increases, tarnishing the republication of so-called "neo-liberal" policies. Also, virtually everywhere, the IMF's requirement that government deficits be reduced was pursued by increasing taxes or imposing wage freezes rather than by reducing state spending.

What most Latin American politicians have yet to understand about privatization is that its real contribution to economic development has nothing to do with the money obtained by selling state-owned assets, but depends entirely on the radical opening of new sectors to competition. Competition is the only way to ensure that scarce resources are used efficiently to improve the standard of living and create new wealth.

Chile was the first country in Latin America to start along the road of market reforms, and it is further along than the others. The Chilean process has suffered relatively little from corruption, and its main success — the privatization of state pension funds — is being copied all over the continent. And now the entrepreneurial energy of Chile is spreading to its neighbors. Chileans have made direct investments of nearly \$10 billion in other countries, mostly in Argentina, Peru, and Brazil. Enersis S.A., which less than ten years

ago was a comatose, state-owned utility, now owns electric companies in Argentina and Peru, and in November — in a joint venture with Spanish and Portuguese utilities — bought 70% of the Electricity Company of Rio de Janeiro, a state-owned company that lost \$122.3 million in the first nine months of 1996. At about the same time, J.P. Morgan successfully placed \$800 million of Enersis notes.

Unfortunately, the center-left governments of presidents Aylwin and Frei recently stopped privatization

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*It is politically convenient to blame ignorant Mexican peasants for taking advantage of the benefits offered by stupid laws, enacted by smart American college graduates.*

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cold. Frei is now threatening the independence of the Central Bank, supporting union-sponsored legislation, and increasing taxes to finance inefficient state programs in education, health and housing.

In Peru, the success of President Alberto Fujimori's liberal economic policies assured his re-election in 1995 with 64% of the votes, and a 52% majority in the congress. He has already sold state companies valued at over \$5 billion and has promised to double this by 1999. But now it seems that Fujimori has been infected by the old zeal of Latin caudillos to cling indefinitely to power, as if the country would grind to a halt without him. In Peru, there is a growing climate of intimidation and authoritarianism, with the judicial system one of the weakest institutions.

The situation in Colombia is unstable. President Samper came to power after an election campaign that was partially financed by drug money. He is now buying time in office by handing out privileges to whoever supports him, and partially reversing the timid economic reforms begun by his predecessor. Meanwhile, the Colombian drug cartels have joined hands with the leftist guerrillas and have transformed themselves into the hemisphere's most powerful multinational corporations, with rapidly growing

operations and investments in all the countries of the region.

Venezuela is the only country that is in a clear decline, caused by the interventionist measures of its current ruler, demagogic President Rafael Caldera. In his previous administration (1969–1974), Caldera sparked nationalist fever in Venezuela by barring foreign banks from owning more than 20% of the stock of local banks. During the early 1990s, President Pérez tried to open up the Venezuelan economy. He continued to ban foreign participation in banking, however, at the behest of Central Bank president Pedro Tinoco, who wanted his own Banco Latino to dominate the financial sector. But then Tinoco died and Pérez was impeached, and the ensuing banking crisis cost his government over \$10 billion. The Caldera government responded to public demands for relief by guaranteeing bank deposits — even those in offshore Venezuelan banks, whose influential depositors (unlike ordinary citizens) were thereby insulated from the terrible inflation touched off by this huge expenditure.

Last August, the Federation of Chambers of Industry and Commerce of Venezuela published a report showing that inflation in Venezuela during the 28 years from January 1946 to December 1973 was less than during the first half of 1996. As a result of this pattern of corruption, intervention, and mismanagement, the vast majority of Venezuelans now live in poverty; they walk on top of immense mineral wealth owned by the state and mismanaged by corrupt politicians.

## The Washington Problem

During the Cold War, Washington was not much interested in violations

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of private property or the rule of law south of the border, so long as the presidential palace made the appropriate noises against Fidel Castro and denounced Soviet-backed guerrilla movements. Washington made no distinction between old-style caudillos, modern dictators, and the more recent democratic rulers. As long as they identified with the West, even men such as the Dominican Republic's General Trujillo and the CIA's man in Panama, General Noriega, were rewarded generously with economic aid that was

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*Foreign debt had piled up, and several generations of expropriation had left little to steal.*

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shared out among the local nomenklatura — seldom reaching the poor, but always helping the “development” plutocrats to remain in power.

Unfortunately, on the eve of the new millennium, the United States political establishment sees Latin America as merely a troubled source of drugs and illegal immigration. In neither case is the United States the innocent victim that its politicians like to claim. U.S. drug policy has long encouraged the drug trafficking business, just as Prohibition created and enriched criminal mafias. Teddy Roosevelt's “Big Stick” has been revived in the drug warriors' attempt to shift the battle and its casualties from the streets of New York, Washington, and Los Angeles to Mexico, the Caribbean, and South America. This attempt to militarize a problem that has historically been a police matter (or just a person's private business) is especially menacing for Latin America, which has taken almost 200 years since the wars of independence to get the soldiers back into their barracks.

Indeed, no U.S. policy is more damaging than the hypocritical “certification” of countries that “cooperate” in the eradication of drug production and trafficking. Who “certifies” the U.S. is the question in the mind of most Latin Americans today. Doesn't Washington know that demand creates its own supply? If Washington is not willing to send in the Marines to re-conquer the

inner cities from the drug kingpins in D.C., Los Angeles, and Harlem, why should Latin Americans suffer obvious restrictions to their civil liberties by having the army in every neighborhood? Latin Americans see U.S. drug policy as just another case of Washington arrogance, and the certification process practically begs for a new wave of “Yankee go home” sentiment.

The drug war is hardly the first case in which American arrogance has exacerbated Latin American problems. Consider, for example, the Mexican nationalization of the oil industry. General Cárdenas, obviously, is no hero of mine, and in hindsight it's clear that nationalization was a terrible mistake. But Americans forget the circumstances. Mexican oil workers were poorly paid by the multinationals, and President Cárdenas sided with their union, which was and is one of the PRI's chief supporters. Cárdenas called in the oil executives and promised them that if they went along with the salary raise, he would not impose any other additional costs on the industry during his presidency. Then one of the obtuse American executives asked for that in writing. Cárdenas did not reply, and the following day he nationalized the oil industry.

Nowadays Washington also displays much hypocrisy in defending the free flow of capital, goods, and services, but not of labor — as if tomatoes, oil, and cars were more important than people. It is politically convenient to blame ignorant Mexican peasants for taking advantage of the benefits offered by stupid laws, enacted by smart American college graduates. But immigration is not really the problem. The problem is the American welfare state. Rather than deal with the perverse incentives of the welfare system, however, Buchanan, Perot, the unions, blue collar workers, black leaders, and many Republicans find it expedient to blame immigrants from Latin America.

North Americans have a stake in the success of democratic capitalism in the rest of the hemisphere, but President Clinton is the first U.S. president since Truman not to visit Latin America in his first term. As of this writing, Clinton has never been south of the border, even as a tourist. Four more years in which Washington

remains with its back turned to Latin America will lead Mercosur (South America's common market) to draw closer to the statist European Union, and to deepening conflicts on immigration and drug trafficking, not to mention a highly dangerous militarization of inter-American relations.

The fall of the Berlin Wall brought down the political and economic structure of Latin America as well, leaving the Latin left surprised, angry, and befuddled. The welfare state the leftists had erected, the university jobs they had dominated, and the positions of bureaucratic privilege they had monopolized are on their way out or already gone. In desperation, leftists try to blame every evil under the sun on “neoliberalism” — their name for the rather timid economic reforms that have been enacted in the wake of socialism's collapse. It won't work. Today, on the eve of a new millennium, Latin Americans are better off and more optimistic than during “the lost decade” of the 1980s. Those years saw the culminating failure of socialism and nationalism. Now, economic globalization and the cyberspace revolution are liberating us from asphyxiating governments. As brains and skills become

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*Chile's status as an international pariah had its positive side: Chile was saved from International Monetary Fund and U.S. government meddling.*

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Latin America's main resources, politicians will find it increasingly difficult to nationalize and expropriate wealth. Instead, they will be forced to create a competitive and attractive environment, with low taxes, few regulations, personal security, respect for property rights, and the rule of law. For most of the 20th century, the absence of these same institutions choked off individual liberty and free market economics, and set Latin America apart from the industrialized world. With the likely rebirth of our civil society, Latin Americans can at last reach for the united continent of freedom envisioned by Simón Bolívar. □

# Medical Marijuana: Beyond the War on Drugs

by Sandy Shaw

By meddling in state marijuana initiatives, the Feds have opened the door to a lawsuit challenging the very basis of their authority.

In his article "Medics in the War on Drugs" (March 1997), Thomas Szasz correctly characterizes the Arizona and California medical marijuana initiatives as "replacing legal sanctions with medical tutelage." And he rightly observes that too many critics of the War on Drugs "refuse to recognize that their adversaries are priests waging a holy war on Satanic chemicals." But the medical marijuana initiatives are nevertheless a step forward — for if a substance is recognized as helpful to certain desperately ill people, it is likely that many will no longer see it as satanic, thereby increasing the potential for outright legalization. Even more important, by attempting to regulate intrastate use of marijuana, the federal government has opened the door to a wide-ranging lawsuit challenging the very basis of its authority.

## Free Speech, Federalism, and the DEA

Dr. Szasz writes that "[p]hysicians complain of being deprived of their right to free speech. It won't work" — because, he argues, physicians could still be punished by revoking their "prescription privileges" for substances controlled by the DEA. Certainly this is the government's plan; the Department of Justice's current position is that "a practitioner's action of recommending or prescribing Schedule I controlled substances [i.e., drugs that are supposedly addictive and have no medical use] is not

consistent with the 'public interest' . . . and will lead to administrative action by the DEA to revoke the practitioner's registration [the right to prescribe controlled substances]." But for the federal government to punish doctors (or anybody else) for the content of their speech is plainly unconstitutional, as numerous Supreme Court decisions have made clear (the few exceptions include "fighting words" and "obscenity").

Moreover, the First Amendment, as I have previously noted in these pages ("My War with the FDA," January 1997), is on a roll before the U.S. Supreme Court. In the December 1996 *ABA Journal*, Professor Burt Neuborne of the New York University School of Law warned liberals worried by increasing judicial protection of so-called "commercial speech" that the current Supreme Court is "the fiercest defender of the First Amendment in the Court's history." Medical marijuana initiatives thus offer a tremendous opportunity to strike a blow for freedom — freedom that goes far beyond the issue of marijuana as a medicine and far beyond the issue of

freedom of speech.

## Taking It to the Courts

In February, Durk Pearson and I read that a complaint had been filed on January 14, 1997 in the United States District Court for the Northern District of California: *Dr. Marcus Conant, et al. v. Barry E. McCaffrey, Thomas A. Constantine (Administrator, DEA), Janet Reno, Donna Shalala*. The complaint, filed by lawyers for several doctors and by a lawyer for the ACLU, argues that the federal government violated the free speech rights of California and Arizona doctors by threatening them with criminal charges if they recommended medical marijuana to their patients.

Unfortunately, it turned out that Dr. Conant's complaint raises only one constitutional issue: freedom of speech. The complaint quotes the First Amendment ("Congress shall make no law . . . abridging the freedom of speech or of the press") and clearly explains how the federal government violated the free speech rights of doctors. And it shows how patients would be harmed by loss of access to their doctors' knowledge. Even if the

suit leads the courts to reaffirm the freedom of speech of doctors, however, patients using medical marijuana would still be at risk of federal prosecution. Furthermore, the suit didn't even mention important issues such as federalism (the constitutional limits on federal control over intrastate activities), the jurisdictional limits of federal

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*For the federal government to punish doctors (or anybody else) for the content of their speech is plainly unconstitutional.*

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authority under the Interstate Commerce Clause, and the Ninth and Tenth Amendments.

Federalism is important here because state sovereignty is the basis for many limitations on the power of the federal government. Since the 1930s, when a series of U.S. Supreme Court decisions vastly expanded federal power over the states, the courts have consistently favored very loose constructions of the articles of the Constitution that describe federal powers. But in *U.S. v. Lopez* (1995), the U.S. Supreme Court ruled that the Interstate Commerce Clause did not authorize a federal law banning the possession of guns within 900 feet of a school — since such activity was not interstate commerce — and struck down the law.

This was the first time since FDR that the Supreme Court had set any real limit to the feds' authority under the rationale of "regulating interstate commerce"; previously, even activities such as a farmer's growing grain to feed to his own livestock had been defined as "interstate commerce" (*Wickard v. Filburn*, 1942). Moreover,

Justice Clarence Thomas's concurring opinion virtually invites new challenges to federal authority under the Commerce Clause. Even Justice Stephen Breyer, who was in the dissenting minority in *Lopez*, agreed that the federal government does not have a general police power and cannot regulate everything — that there are limits to the reach of the Commerce Clause. (When asked to give an example, however, Breyer couldn't think of one.) Medical marijuana is a perfect issue for challenging federal authority.

Hoping to broaden the scope of the original complaint, Durk Pearson and I had our attorney, Jonathan Emord, ask the plaintiffs' attorneys if we could file a friend-of-the-court brief in support of it. Although they agreed to allow us to do so, they refused to amend the complaint itself to bring up the all-important issue of federalism. Shortly thereafter, the federal government suddenly agreed that doctors would be allowed to discuss (but not recommend) medical marijuana without fear of federal prosecution. Then, on April 11, Northern California District Court Judge Fern M. Smith issued a temporary restraining order enjoining McCaffrey, Reno, and Shalala "from prosecuting doctors or revoking their prescription licenses" for discussing marijuana with their "bona fide" patients or recommending it to them.

These, to be sure, are all positive developments — but they do nothing to challenge federal authority at its root. So we decided not to file a brief in the *Conant* case. Instead, along with Julian Whitaker, M.D., and the Life Extension Foundation (co-plaintiffs who are helping fund the suit with us and a friend who wishes to remain anonymous), we filed suit on March 6 in the U.S. District Court for the District of Columbia, which has jurisdiction over the federal government everywhere in the U.S. (The full text of the complaint is available at [www.netcom.com/~zeno7/durksand.html](http://www.netcom.com/~zeno7/durksand.html).) Unlike the California suit, ours argues on behalf of doctors and patients in four states in which medical marijuana is legal: Virginia, Connecticut,

California, and Arizona. And in contrast to *Conant*, our suit does *not* depend upon establishing the medical efficacy of marijuana. We are challenging the very basis of federal authority to regulate intrastate use of a medicine — which in this case is marijuana, but could be any medicine. Previous decisions provide solid grounds for hope here: for example, in the early 1980s, the U.S. District Court in Texas ruled that the feds could not prevent Dr. Stanislaw Burzynski from using "neoplastons" to treat cancer, so long as he did not ship neoplastons outside of Texas.

However, it is worth noting that doctors generally do not question the efficacy of marijuana as a treatment for certain conditions — most notably for intractable pain and nausea caused by chemotherapy for cancer or AIDS. The widespread acceptance of marijuana for this purpose is reflected, for example, in an article by Jerome P. Kassirer, M.D., that appeared in the *New England Journal of Medicine* (January 30, 1997). Dr. Kassirer, the journal's editor, writes that "what really counts for a therapy with this kind of [high] safety margin is

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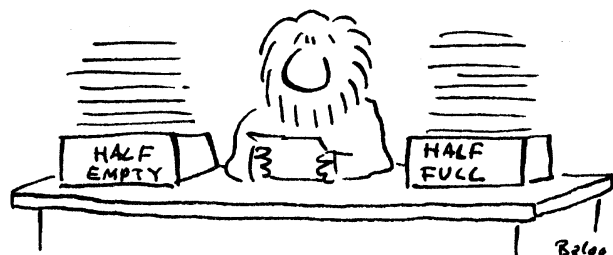
*Medical marijuana is a perfect issue for challenging federal authority.*

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whether a seriously ill patient feels relief as a result of the intervention, not whether a controlled trial 'proves' its efficacy. . . . Thousands of patients . . . report they have obtained . . . relief . . . so striking that some patients and their families have been willing to risk a jail term to obtain or grow marijuana." He further argues that the government should change marijuana's status from Schedule 1 to Schedule 2, which designates a drug "with some accepted medical use." And he notes that "it is hypocritical to forbid physicians to prescribe marijuana while permitting them to use morphine . . . to relieve extreme . . . pain."

A final point. Most patients suffering from chronic nausea cannot afford the \$600 to \$1,200 per day charged for Ondansetron® or the

*continued on page 38*





# Polarities of the Political Class

by Stephen Cox

Positive and negative aren't just two ends of a magnet.

For the past seven decades, ever since Isabel Paterson started attacking the New Deal, which was before the New Deal started, libertarians have been worried about the solidification of a two-class system in America: at the bottom, a productive class, consisting of everyone from the harvest laborer to the computer magnate; at the top, a governing class, existing to dominate and exploit everyone else.

The American constitution, and the individualist and competitive nature of American society, have kept this country free from some of the worst manifestations of the two-class system. We have nothing like the governing classes that have permanently battened on other lands: the public-school and mitered Marxist class of Britain, the administrative-college class of France, the Institutional-Revolutionary class of Mexico, the nomenklaturas that still function in those funny places to the east of Adriatic. But America is not immune. It could certainly develop the kind of governing class that cannot be dislodged, no matter what.

There are two means of detecting the development of such a class.

The first means is a test for *positive* characteristics: Are there people who have power, and cannot be pried away from it, *because of who they are*? The second is a test for *negative* characteristics: Are there people who have power, and cannot be pried away from it, *in spite of who they are*?

The first test turns up countless

people who exert power as if by unchallengeable right and because of who they are: any middle manager of a government bureau; any "consultant" on education, safety, drug addiction, mental health, or the perils of nicotine; anyone who reads the news on television; anyone officially connected with "the ecology"; any recipient of Social Security; anyone who has had something really bad happen to him, or imagines that he has; any descendant of Old Joe Kennedy. I'll call these people the Positives.

The second test is more rigorous. It seeks to identify the hard core of the governing class — the Negatives, those who are given obeisance, like Roman emperors, despite their known and dreadful defects. People aspiring to membership in this power group have usually had a sort of rough time in America. The progress of the Positives has been regular, predictable, and in direct relation to the progress of the welfare state; but until recently, the Negatives were comparatively few, and they seldom appeared at the pinnacles of power.

Their first real breakthrough came with the Kennedy administration. This was actually a crossover move-

ment, from the Positive side to the Negative. Jack Kennedy led a privileged political life because he was rich, "handsome," and Democratic — all Positive characteristics. But he kept his privileged position even after his death, *in spite of* the fact that he was one of the least moral men ever to preside over this puritan country. Of course, his unwholesome features were not widely known until after he was sainted. The media, 99% Democratic and 100% modern-liberal, understood and very probably approved of these features, but proceeded to cover them up. After they became known, however, he continued to be revered — in spite of what was known.

Lyndon Johnson was the next great Negative, and the greatest of them all, if greatness be simply a matter of intrinsic worth. Johnson's worth was entirely Negative. He was a morally worthless human being. In fact, he was worse than worthless. He was an evil man. But again, the effects of Negativity were muted. In the early days of Johnson's reign, most of his sickeningly repellent features were hidden by the media, just as Kennedy's had been. Johnson, after

all, was busy prosecuting his War on Poverty, so more power to him. But the media finally turned on Johnson for prosecuting his War on Communists. His badness was then announced and insisted upon, and he was forced into political exile.

This was a setback for Negativity, and it formed a pattern for two succeeding presidencies. Nixon was hurled from office because he was a sanctimonious liar (and had the media against him, too); Carter was cashiered for being a snivelling little weasel. Under those administrations, the American political class suffered grievous psychic wounds. It grew, of course — it always grows — but it no longer had the hope inspired in it by good (or was it bad?) St. Jack, the hope that one day it would be clothed with power, like the ancient aristocracies of Europe, *because of its moral nakedness.*

And now we come to Clinton. (No, Ford, Reagan, and Bush will not be part of this story. To paraphrase Addison

Dewitt, I leave them and their sins to Louisa May Alcott.) William Jefferson ("Bill") Clinton is a blow-hard and hypocrite whose word on any subject would not be credited, without independent confirmation, and plenty of it, by any person of normal intelligence.

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*Clinton's confederates seem to have stepped directly from Chapter 4 of a Victorian novel about some orphanage out in the fen country.*

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His administration is the most immoral in American history. It's not only immoral, it's immoral in small, mean, cruel, stupid ways, the ways of the Waco massacre and the firing of the Travel Office employees and the phony Health Care Plan. Clinton's confederates — Big Web Hubbell, Jagged Janet

Reno, the Missus, Ghostly Vince, Old Parson Gore, Little Georgie S., that fat kid with the list of names — seem to have stepped directly from Chapter 4 of a Victorian novel about low intrigue in the administrative offices of some orphanage out in the fen country. Clinton himself is best analyzed as an escapee from a satirical novel.

But now has come the kingdom of the Negatives, and their power. The American people know what Clinton is, and he and his administration remain securely in power *despite it.* Why? Perhaps they regard Clinton as a fictional character after all; there's no point in impeaching somebody who's just a bunch of words. Perhaps, after centuries of puritanism, Mr. and Mrs. America are learning how to coast the shady shores of cynicism. Perhaps, God help us, they've come to think that the governing class is just too well-entrenched to challenge. Whatever the explanation, this is a new thing, and it can't be good. □

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## Shaw, "Medical Marijuana," *continued from page 36*

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hundreds of dollars per day cost of Marinol<sup>®</sup>, two synthetic treatments for nausea. Marijuana, by contrast, brings relief for only a few dollars per day. And as Dr. Kassirer notes, it is difficult to correctly adjust the dose of Marinol, which includes synthetic THC (the main active ingredient in marijuana); if you use too much, you are zonked out of your mind, but if you use too little you don't get adequate relief. The federal government is thus in the odd position of advocating use of a drug that is less effective and often far more intoxicating than marijuana.

tion for amounts expended for illegal operations or treatments";

3) The new initiatives will not be allowed to affect the Department of Housing and Urban Development's aggressive eviction policy for users of proscribed drugs, even if used as medicine under protection of state law;

4) The federal government plans to have the Department of Education "develop a model policy to confront

'medical marijuana' use in schools";

5) This is all supposedly justified on the grounds that "marijuana, as a Schedule I drug, has 'high potential for abuse' and has 'no currently accepted medical use in treatment in the United States.'"

Fortunately, the federal government does not have constitutional authority to do any of these things — and the present Supreme Court is, we think, ready to agree. □

## Terra Incognita

### Afghanistan

Political science meets ecology for a round of unintended consequences, as reported by London's *Independent* and relayed in *World Press Review*:

The ruling Taliban Islamists have forbidden citizens from carrying paper bags. The bags, Taliban is concerned, may have had previous lives as pages of the Koran. An unintended side effect of the ban "was an immediate run on toilet paper by customers worried that it, too, might be affected by the edict."

### Sydney, Australia

Advances in standards of artistic evaluation, as reported by the *Milwaukee Journal Sentinel*:

Art historian Robert Smith's disclosure that "aboriginal painter Eddie Burrack" is really an 82-year-old woman of Irish descent has provoked outrage in Australia's arts community. Doreen Mellor, a curator who had exhibited "Burrack's" paintings, commented that "nothing justifies inventing an aboriginal person."

### The Empire Strikes Back

Besides challenging the feds on free speech grounds, our suit questions the rest of their plan as well — of which pulling "prescription privileges" is just the beginning:

1) The feds also claim the authority to "exclude specified individuals or entities from participation in the Medicare and Medicaid programs";

2) They plan to have the Department of the Treasury "recommend that the IRS issue a revenue ruling, to the extent permissible under existing law, that would deny a medical expense deduc-

# I'll Settle for Paper

by Bruce Ramsey

The argument for the gold standard is paper thin.

The gold standard is a matter of faith for many libertarians. It ought to be a question of practical history.

Gold, its proponents say, provides an anchor of value. Let's admit that much. But a system of currency must do more than anchor value. It must grease the gears of commerce. It must be tough, able to withstand external shocks. It must work well in changing circumstances.

The gold standard was the norm in the industrial world for 35 years, 1879–1914, and briefly in the late 1920s. Yet few libertarian writers focus on this experience and ask whether there is anything to be learned from it.

Milton Friedman — the one libertarian who knows more about it than any other — is clearly no believer. His magnum opus, *A Monetary History of the United States, 1867–1960* (1963, written with Anna Schwartz), criticizes the gold standard, and his recent collection, *Money Mischief: Episodes in Monetary History* (1994), compares it unfavorably to bimetallism (gold and silver backing, with a fixed exchange rate). So does a recent scholarly work, Barry Eichengreen's *Golden Fetters: The Gold Standard and the Great Depression, 1919–1939* (1995). Eichengreen is a professor of economics and political science at the University of California at Berkeley. I don't know what his politics are, but his book makes a strong case against the gold standard in practice, especially in the 1920s.

The central problem of the gold standard, according to these scholars, is its rigidity. And the closer the system is to 100% backing, the greater the problem.

Historically, this rigidity has made it difficult for gold-backed currencies to respond to changes in the economy; the supply of gold usually grew slower than the demand. The result was deflation. After the Civil War, for example, U.S. prices fell for 30 years. The first 13 of those years, government policy had focused on squeezing out the Civil War greenbacks so that gold backing at \$20.67 an ounce could be restored. But prices continued to fall even after the gold standard was resumed in 1879. Between 1876 and 1896, the U.S. price level fell at an average of 1.7% a year.

Gold was being supplied to the economy. The money supply, Friedman calculates, increased during those years at an average of 6%. But this was the great period of railroad-building and industrialization, and the demand was for more than that. Prices fell.

A 1.7% deflation may not seem like much; certainly an inflation of 1.7% isn't much. But deflation is harder to live with than inflation. It squeezes borrowers, and by increasing the risk of defaults, threatens lenders. It can result in a severe tight-

ening of loan standards. Major banking panics erupted in 1884, 1890, and 1893, the last followed by a depression.

Gold was an uncomfortable discipline, and a major political movement arose to throw it off. In the mid-1870s, the Greenbackers fought against resumption of gold payments. In the 1890s, the Populists demanded "free silver" — that the U.S. Treasury buy all the silver offered at \$1.29 per ounce and coin it into money. This would have effectively put the United States on a silver standard, devaluing the dollar relative to the gold-backed pound, franc, and mark.<sup>1</sup> Populist pressure led to the coinage of millions of silver dollars — you can see them in any coin shop today — but the coinage was never unlimited. Gold continued as the standard.

The high tide of free silver was 1896, when anti-gold forces captured the Democratic Party. Their nominee, William Jennings Bryan, gave his famous speech demanding that the government not "crucify mankind upon this cross of gold."

Bryan lost. The issue then went away. The reason, Friedman writes, was an upsurge in gold production. In 1887, three Scottish chemists had invented the cyanide process, which by 1896 had led to massive output from new mines in South Africa. Two

years later, gold was discovered in the Yukon. From 1896 to 1914, U.S. prices inflated by 2% per year, rising about 40% in the period as a whole. The result was increased stability: only one major panic, in 1907, and no depression to rival that of 1893.

In Britain and many other European countries, gold coins were taken out of circulation to boost central bank reserves, leading to a sharp drop in the number of gold coins in worldwide circulation — a trend that continued from the beginning of World War I through the 1920s. Central banks had good reason for this: in circulation, a gold sovereign was simply one pound sterling; in the central bank it supported several pounds sterling in bank deposits or paper.

U.S. law was stricter about backing the currency with gold. This, coupled with the strong economy, vacuumed up gold from around the world.

The result was not inflation; the U.S. price level fell at an average of 1% a year from 1923 to 1929. Monetary expansion merely kept the price level from falling further than it would have otherwise. But by ameliorating deflation, and reducing the risk of a liquidity crisis in the short run, it raised the risk in the future. The foundation of the system was still gold.

Gold linked all the currencies together. If currency holders in one country panicked and demanded specie (precious-metal coins), it would flow out of the other countries.

The only way for the system to work was for the countries with strong central banks to support those with weak ones — and for the market to believe they would do so. Such cooperation, Eichengreen writes, was critical in the classic gold period of 1879 to 1914. In the Baring Brothers crisis of 1890, England would have gone off gold except for a loan from the Bank of France. In the Panic of 1907, the rush to gold in the United States — which had no central bank to back up the system — was satisfied by the central banks of France and Germany.

In a world with no major wars requiring huge government expenditures, the system worked for 35 years. But it could not finance World War I. All the belligerent countries suspended gold payments in 1914, all of them suffered from inflation, and most of them

had a hard time restoring gold when the war was over.

Gold required discipline, a consensus that a gold-backed currency is worth occasional bouts of depression. But early in this century, that belief began to change. After the war, Britain suffered seven years of deflation as it struggled to repeg the pound to gold at the prewar rate. The political backlash was even greater than in America after the Civil War: in Britain, the unions called a general strike in 1926, and helped elect the first Labour government.

Germany emerged from World War I with an impossible bill for reparations. Its political parties could not agree on how to pay. The result of political deadlock was printing-press

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### *Why gold should be a key to liberty I can't fathom.*

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money and the destruction of the mark. The German currency was restarted with stabilization loans, completing a circle: Germany pays reparations to France and Britain; France and Britain repay war debts to the United States; the United States makes loans to Germany.

Germany and France restored gold convertibility in 1924 and 1928, respectively, at rates much devalued from 1914. The United States had no problem repegging to gold at \$20.67 an ounce. It ran huge trade surpluses in the 1920s, recycling the funds as loans to Europe and Latin America.

In 1928, worried about stock-market speculation, the Federal Reserve began tightening credit. Foreign loans slowed sharply, and the circle of payments was broken. Borrower countries began frantically tightening credit to meet their gold obligations. Gold flowed to the United States, and the borrower countries slid into recession. In October 1929, Wall Street crashed, and the whole of the gold-standard world was in recession.

Here, say Friedman and Schwartz, was the time for the United States, which had 40% of the world's monetary gold, to loosen up. It refused.

The number two gold power, France, had gone through a paper-

money inflation in the early 1920s, and wanted no more of it. It also refused to reflate. The result was a deflationary crisis, which began in the gold-short countries in 1931. The Kreditanstalt, Austria's largest bank, collapsed, and the country's central bank was unable to bail it out. Austria appealed for help.

Here, says Eichengreen, was the time for the strong central banks to help the weak ones. Yet the response of the Bank of France was to attach political conditions: no loans to Austria until Austria abandoned its plan for a customs union with Germany. Austria imposed exchange controls, defaulting on its gold obligation.

The crisis spread to Germany, another weak-gold country, and the Germans insisted on a moratorium on their war reparations. President Hoover agreed. The French refused even to discuss it. The governor of the Bank of France added the additional demand that Germany stop building pocket battleships.

The Reichsbank went off gold.

Central banks with "paper gold" scrambled for the real thing. The worldwide money supply, which had ballooned with "paper gold," now imploded.

Redemptions of sterling spread the crisis to Britain. A decade before, its leaders had accepted unemployment as the price of a gold pound; in 1931, that price was further cuts in government spending. Labour Prime Minister James Ramsay MacDonald was unwilling to make the cuts. His government fell on August 24, 1931, and was replaced by a Labour-Liberal-Conservative coalition. The Liberals and Conservatives wanted to reduce spending; Labour wanted to raise taxes. They deadlocked.

The Bank of England suspended payments of gold on September 19, 1931. Sweden, Denmark, Norway, and Canada followed.

The United States held firm. To stimulate recovery, its interest rates should have been at rock bottom. But to retain gold — which France was demanding for its paper dollars — the New York Fed raised its discount rate from 1.5% to 3.5% in October 1931. The U.S. money supply plunged from August 1931 to January 1932 at an annual rate of 25%.

In the United States, economic recovery did not begin until newly inaugurated Franklin Roosevelt broke the link to gold on April 19, 1933. The stock market rallied. Though it fell back several times, partly because of Roosevelt's other experiments, the economy never again fell so low.

The gold economies continued to shrink. In 1935, a group of economists calculated that Belgium required another 30-35% drop in wages and prices to become internationally competitive. Belgium devalued by 28% and went off gold.

France, still on gold, hammered prices and wages down so long that in April 1936 voters elected a leftist coalition led by Leon Blum. His policies were incompatible with gold, and France suspended payments in September 1936. Switzerland and the Netherlands immediately followed, and the gold standard was finished.

Writes Eichengreen: "Almost everywhere it was tried, currency depreciation stimulated economic recovery. Prices were stabilized in countries that went off gold. Output, employment, investment and exports rose more

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*Today, with our paper money, we are worlds more comfortable and secure than our great-grandfathers were with their gold money.*

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quickly than in countries that clung to their gold parities."

The gold standard has been dead ever since.

### The Market for Money

Gold bugs may dismiss this history as the failure of too much paper pyramided on a metallic base. But in arguing that the central bankers of the 1920s were not orthodox enough, the gold bug digs himself back into the hole the bankers were trying to escape: deflation.

Friedman and Schwartz calculate that the U.S. money supply increased 157 times from 1867 to 1960. How much could it have increased had it been bound rigidly to gold? How severe would the resulting deflation

have been?<sup>22</sup> Deflation raises all kinds of hell. It means that if you're paid the same in dollars as last year, you've gotten a raise — and that if you want your employee to stay the same as last year, you've got to cut his pay. As a renter, it means you've got to negotiate periodical rent decreases.

People can live with deflation if they think they have to. In the first 17 years of the classic gold era, they lived with it because they believed that the alternative was chaos. In the 1930s, they hung onto gold until the army of unemployed swelled to 25% — because they thought the alternative was chaos. Now they know better. Today, with our paper money, we are worlds more comfortable and secure than our great-grandfathers were with their gold money. When Steve Forbes suggested in his 1996 primary campaign that the dollar be backed by gold, the line fell flat — because, I believe, people are quite happy with Federal Reserve Notes.

Politically, the gold standard is unmarketable merchandise. Not that the world doesn't hanker for an international medium of exchange. It has one — the U.S. dollar, which ties together such far-flung currencies as the Argentine peso and the Thai baht, and provides an entire parallel monetary system in formerly Communist frontiers such as Cambodia and Ukraine.

Doomsayers warn periodically that the dollar will be dethroned. Its dominant position since World War II has been abused by thriftless Americans; had there been a better alternative, the world would have used it.

Gold is certainly available. Gold contracts have been legal in the United States for 20 years and are legal in most other places. Gold producers have pumped out as many Eagles, Maple Leafs, and Krugerrands as the market would bear. These non-monetary coins have been accepted widely as a store of value — but not as a medium of exchange.

Why not? Those who advocate the use of gold as money should answer that question. Why aren't people using it now? Why aren't you using it now?

Some libertarians promote the idea of privately issued currencies, backed by gold. There is no market for such a currency. Why not?

Gold is also promoted as a key to

achieving liberty. Why gold should be a key to liberty I can't fathom. Right now, I am at liberty to move my dollars anywhere and exchange them for any other currency; I can put my wealth into in any number of currencies right here in the United States. There is a bank in St. Louis, the Mark Twain Bank, that does a specialty business in Swiss francs, marks, yen, and such exotic fare as the Malaysian ring-

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*Deflation is harder to live with than inflation. It squeezes borrowers, and by increasing the risk of defaults, threatens lenders.*

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git. Several banks in my home town will set up a deposit in Canadian dollars, marks or yen if I give them \$100,000 or so, though they don't advertise it. Legally, they could promote such accounts to everyone — and would do so, if they thought there was a market. But there isn't.

If I don't like deposits, I can buy bonds — yen bonds, mark bonds, Swiss franc bonds. I can buy futures. I can set up a transaction pegged to foreign currencies, gold, silver, platinum, palladium, pork bellies, or old newspapers. I can bet against my reference currency, the U.S. dollar; against many foreign currencies; or against paper currencies in general. I can use such transactions to eliminate risk or to get paid for accepting risk.

Fifteen years ago, I could have been excused for believing that America needed to return to the gold standard. Inflation was at 14%; gold and silver were surging to improbable highs. The average person had learned never to bet against inflation. The world of stable currency seemed gone, probably forever. Libertarians were piling up Krugerrands, bags of silver quarters, Sam Andy freeze-dried peanut butter, and books predicting — ironically — exactly the sort of crash that had happened under the gold standard.

And all those predictions were wrong. They made money for those who peddled them, but they were dead, flat-out, idiotically wrong. To believe them today is to pronounce

one's lack of common sense. And if one does not believe them, then why believe in gold?

### I'll Take My Bills

I'll take paper. I suppose it's "government fiat money," but when you've got dozens of currencies to choose from, a few of them ought to pass muster. These days, there are several hard paper currencies: yen, marks, Swiss francs, French francs, guilders, Kiwi dollars, Singapore dollars, and yes, even greenbacks.

A hard paper currency doesn't hold its value as well as gold, but it does well enough for mortal concerns, and I get compensated with interest. Like gold, a paper currency requires of central bankers a certain discipline, and of the political elite a certain consensus. But the discipline of paper is an easier one, and in the past 15 years the rich countries of Europe, North America, and East Asia have accepted its necessity.

Best of all, in a paper-money world, I'm much less likely to be thrown out of work by some economic meltdown. I appreciate that. Paper money is flexible. If Alan Greenspan needs to print up \$50 billion to lend to the Mexicans, he can do it. I hope he doesn't do it very often, but at the moment of monetary crisis, it's better to have a currency that stretches out of shape than one that shatters. □

### Notes:

1. Friedman and Schwartz conclude that a silver standard would have been preferable to gold, because so many other countries were on gold that there wasn't enough to go around. It also would have delinked U.S. monetary policy from the gold states. "A striking, more recent example of how much of an advantage it can be is furnished by China's experience from 1929 to 1931," they write. "Because it was on a silver standard, it avoided almost entirely the adverse consequences of the first two years of the worldwide depression..."
2. Suppose the United States had not gone off gold in 1933, and that the \$20.67 per ounce conversion still held. Assuming a 2% deflation since 1933, the pound of hamburger that was 5¢ then (in old newspaper ads) would be a cent and a half now; the first-run Hollywood movie that was 35¢ then would be just a dime today. The government would have had to mint halfpennies and farthings, and probably even mills.

## Counterpoint

# I'll Go for the Gold

*by Robert Higgs*

The case for gold is the case for civilization.  
But do we live in a civilized society?

I am not now, nor have I ever been, a gold bug. The card-carrying bugs I have known seem to view the gold standard as a panacea, or something close to one, whereas I doubt that even the purest of gold standards would solve all economic problems. Still, it seems to me that Bruce Ramsey flogs the classical gold standard too hard and vindicates present-day monetary arrangements too readily.

Ramsey rests his case on history. Some gold bugs will object immediately on the grounds that the historical gold standard, even in its "classical" manifestation, was not the same as the arrangement they support. For example, Murray N. Rothbard, a well-known proponent of the gold standard, insisted that above all the monetary standard must emerge in the free market. "The important thing," he wrote, "is that the standard not be imposed by government decree. If left to itself, the market may establish gold as a single money ('gold standard'), silver as a single money ('silver standard'), or, perhaps most likely, both as moneys with freely-fluctuating exchange rates ('parallel standards')." If the free market had adopted a magnesium standard, Rothbard would have said "amen," but he interpreted history as having shown that gold makes a better money than other commodities, except perhaps for minor transactions.

The gold standard that served the industrial world from 1879 to 1914 was not the product of the free market. It was a government-ordained, government-managed arrangement. Therein lay the seeds of its destruction. Under the system, each participating government committed itself to redeem its national paper currency for gold at a fixed rate — for instance, one ounce of gold for \$20.67 in the United States.

So long as people had confidence that the governments would keep their commitment to redeem paper currency at the set rate, the system worked fine, tying much of the trading world into a network of predictable (because fixed) exchange rates among national currencies — for example, £1=\$4.86.

When public confidence in a government's commitment waned, however, the system tottered. During the silverite agitation in the United States in the mid-1890s, traders speculating in anticipation of the gold standard's abandonment nearly exhausted the U.S. Treasury's gold reserves before J.P. Morgan and other bankers rode in to save the government's day.

When governments themselves had a strong desire to levy the inflation tax, as the major belligerents did in financing their involvement in World War I, they readily broke their promise and abandoned the gold standard. From these events we learn that governments



are not to be trusted — not exactly a news flash.

Notwithstanding its built-in vulnerability and the short-run economic fluctuations that marred its record, the classical gold standard served the world well while it lasted. Examining this historical experience to extract its lessons, we must be careful not to mistake correlation for causation. Ramsey avers that "Today, with our paper money, we are worlds more comfortable and secure than our great-grandfathers were with their gold money." No doubt we are better off in many (not all) respects, but I doubt that we are better off because we live in a world of fiat currencies whose values rest on nothing more substantial than our willingness to believe our rulers when they promise to behave themselves.

Nor, against the backdrop of the entire post-1914 period, would I put much weight on the relatively successful monetary management of the last 15 years or so. Because inflation is one of the most easily imposed taxes, governments — via their creatures, the central banks — are inherently inflationary.

Accepting Barry Eichengreen's interpretation, Ramsey holds the gold standard responsible for the Great Contraction of the early 1930s and credits the abandonment of gold for

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*The best money is one with a predictable purchasing power, and the easiest magnitude to predict is a constant.*

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the recovery after 1933. But we are not entitled to indict Zorro just because a witness to the crime saw a guy with a thin mustache, wearing a black cape and wielding a rapier, running from the scene. A lot of bad policies of various sorts, both here and abroad, converged to create the Great Depression. Besides, Zorro died before the crime was committed.

In the words of Howard S. Ellis, the gold standard had been "dead as a dodo . . . since the guns of August 1914, since which it has only twitched." In a word, the post-World War I gold standard was a fake. Britain

and other European countries would no longer redeem their currencies in gold coins for ordinary citizens, only in large bars suitable only for settling large international transactions (hence the "gold-bullion standard").

The British made everything worse when, despite having hugely inflated their money stock during the war, they stupidly insisted on returning to gold at the old exchange rate of \$4.86 per pound. This greatly overvalued the pound and therefore decreased the demand for British exports, keeping unemployment high and energizing class warfare.

In the 1920s, many countries did not resume redemption of their currencies in gold at all, pegging them instead to the pound or the dollar (hence the "gold-exchange standard"). Leland B. Yeager has aptly described this setup as "like the gold-bullion standard, . . . an attempt — whether conscious or not — to have the trappings or symbols of the gold standard without its full restraint on money issues." Yeager observes that "it contributed to the precariousness of the whole system of the 1920s" by pyramiding more and more paper money atop the world's monetary gold reserves.

With gold or without, the absurd tangle of reparations, war debt payments, and international lending set in motion by the Versailles Treaty virtually guaranteed an international monetary crisis sooner or later. During the 1930s, as one country after another went off gold, the world plunged into an orgy of beggar-thy-neighbor policies that pushed international trade and investment near the vanishing point, further sapping the world's already shrunken standard of living and exacerbating already heightened hostilities among nations.

Eichengreen argues that going off gold put a stop to the contraction and set in motion rapid recovery. I have much doubt. Correlation is not causation, and besides, in the United States many other changes occurred concurrently with the abandonment of the gold standard. But even if Eichengreen is correct in concluding that the abandonment of gold triggered an economic turnaround, it was obviously a weak engine of recovery: on the eve of World War II, the U.S. economy remained mired in depression.

Moving forward into the post-World War II world of little or (since 1971) no monetary link to gold, Ramsey wonders what the gold bugs are fussing about. Although he recognizes that fiat money depreciates relative to gold, he judges that it holds its value "well enough." Sure, the dollar has held up well relative to the Mexican peso, the Brazilian cruzeiro,

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*The gold standard restrained the government from inflating the money stock, and thereby restrained the growth of government far more successfully than public opinion and political competition do in our day.*

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and a lot of other currencies, which explains its widespread acceptance outside the United States. But compared to gold-standard money, the purely fiat dollar has lost value rapidly. Relative to the dollar of 1933, today's dollar is worth about 8¢.

I do not share Ramsey's judgment that deflation creates more severe problems than inflation. Both give rise to problems and losses, the incidence of the losses depending on whether one is a net monetary creditor or a net monetary debtor and on whether one has correctly anticipated the change in the purchasing power of money or not. More generally, the problem is that both deflation and inflation make planning more uncertain and economic calculation more problematic; hence both impair economic efficiency.

The best money is one with a predictable purchasing power, and the easiest magnitude to predict is a constant. Nowadays, of course, the speculation is all one-sided: we must guess only how rapid the inflation will be, as our devoted monetary caretakers have sworn to shield us from deflation at all costs. There's method in their madness, but this is not the place to explore it.

I cannot agree with Ramsey that "had there been a better alternative, the world would have used it." The world is plagued by all sorts of sub-optimal institutions, not to speak of the downright destructive ones. Except by

embracing a tautology, we cannot justify the view that whatever exists or persists is necessarily the best.

Why haven't people who regard the gold standard as superior just adopted it, at least since the government ceased prohibiting gold ownership in the 1970s? Probably because introducing a new standard, whether it be a monetary standard, a measurement standard (e.g. metric), or a design standard (e.g., electrical power outlets and plugs), is extremely difficult when a different standard has already become established and people have adapted their affairs to it. Standards, by their very nature, must be widely shared to be viable.

The fiat dollar was forced on us by the government and, in countless ways,

we have all adapted to using it as a medium of exchange. It is hard to imagine how another standard could peacefully displace the present one,

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*The gold standard is not the only thing that's dead as a dodo. Gone, too, is virtually the entire edifice of bourgeois civilization that once sustained a system of "honest" money.*

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but I hope the fault is only with my powers of imagination.

The gold standard was part of a culture much friendlier to freedom than

our own. That standard restrained the government from inflating the money stock, and thereby restrained the growth of government far more successfully than public opinion and political competition do in our day. But the gold standard is not the only thing that's dead as a dodo. Gone, too, is virtually the entire edifice of bourgeois civilization that once sustained a system of "honest" money. Americans and others who once enjoyed the decencies of bourgeois liberalism have traded them for the delights of the warfare-welfare state. Sad to say, a society that genuinely values private property rights, limited government, and individual responsibility does not lie just around the bend; and because it doesn't, neither does a return to the gold standard. □

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### Reflections, "Monday morning quarterback," continued from page 18

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And people often willingly comply. After all, one reason for holding inventories in the first place is to be able to satisfy a spurt of demand over output, and workers think they might as well seize overtime or job opportunities while they are available, postponing leisure.

The resulting expansion of output — of "economic growth" — might count as irrational if all businesses and workers decided on it collectively. Actually, they decide individually. Each one responds rationally to improved business or job opportunities. These opportunities are genuine even though they hinge on similar responses by other firms and workers.

This expansion, however, cannot last. Inventories are not inexhaustible, nor are workers willing to postpone leisure forever. As resource and inventory limitations show themselves and as costs rise, sales and job opportunities lose their earlier attractiveness. When we come to the end of this stretch, prices must rise.

The Federal Reserve responds as best it can to advance clues about inflation. When it adjusts rates in reaction to labor-market tightness, high rates of industrial capacity utilization, inventory reductions, lengthened delays in filling orders, shortages of office space and boxcars, and other possible signs of demands running ahead of supplies, it presumably does so for a reason. *These*

*are the clues of incipient inflation.* Too much money causes inflation only after a lag; and reversing or even only stopping inflation, once it has become unmistakable, is exceedingly painful. Made wiser by experience, the Federal Reserve tries to forestall the need for painful countermeasures.

Greenspan understands what Kemp, Rohatyn, and others do not: not every spurt of growth is sustainable. His critics seem not to distinguish between inflation-induced growth and growth based on improved productivity and other real factors. In a proper context, Kemp is right in stating that real growth prevents inflation rather than creating it. But such truths provide no basis for month-by-month and week-by-week kvetching about Federal Reserve policy.

Our existing monetary institutions, centered on the Federal Reserve, do indeed invite criticism. Different institutions would work for a stable price level "automatically" and would not require a monetary authority to read tea leaves and take discretionary preemptive action against possible inflation. Apart from his criticisms, Kemp was wise in recommending, if only in vague terms, arrangements aimed solely at a stable price level.

Given our current unsatisfactory institutions, however, and in view of the historical record, the Greenspan Fed has been doing a good job. —LBY

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## Exposé

# Ebonics: Bridge to Illiteracy

by Nicholas Stix

Ebonics is a masterpiece of bad politics and worse linguistics.

"Ebonics" became a *cause célèbre* last December, when Americans were informed that the Oakland Unified School District had resolved to recognize Ebonics as a separate, "African" language (a.k.a. "Pan-African Communication Behaviors"), asserted that Ebonics was "genetically based" and not a dialect of English, and declared its intention to pay teachers bonuses to teach in Ebonics.

The board responded to the ensuing firestorm of protest by calling its critics liars. It now claimed that the resolution had *not* called for children to be taught in Ebonics, but rather for teachers to be taught to understand, recognize, and respect their students' language; that the school district had not been seeking federal money for "bilingual education" in Ebonics; and that the modifier "genetically" had been inexplicably misrepresented as having to do with — genetics. White racist politicians and journalists were simply seeking to discredit a reasonable and scientifically supported new curriculum.

As it turns out, however, mainstream media accounts had, if anything, gone out of their way to conceal the radical nature of the Oakland scheme. In the *New York Times'* first report on the Oakland resolution, for example, Peter Applebome reported that "[u]nlike standard bilingual programs, courses would not be taught in black English" — and this erroneous assertion by our newspaper of record was, inevitably, to have a tremendous influence on the subsequent debate.

A craftier switch was pulled by *Time* magazine columnist Jack E. White, who claimed that the whole controversy stemmed from poor communication; board members had "the right idea after all"; they were merely trying "to help teachers understand that youngsters from underclass neighborhoods speak differently from other Americans." Too bad their "Afrocentric jargon and education-speak" had led people to conclude, mistakenly, that "the board was trying to dumb down the curriculum by teaching bad grammar and syntax." It was all a big misunderstanding.

If there is a misunderstanding here, however, it is one fostered by both Applebome and White. The first resolution clearly states that black American kids speak an "African language," rather than English, and that they should be taught in both. In the resolution, the board "officially recognizes the existence . . . of West and Niger-Congo African Language Systems . . . as the predominantly primary language of African-American students"; Oakland schools are to provide "instruction to African-American students in their primary language." And a spokeswoman for the board,

Sherri Willis, recently confirmed that Oakland schools will be teaching in Ebonics. Willis added that she has received calls from educators across the country who are interested in developing programs similar to Oakland's.

Some observers see the Oakland resolution as just another way to snatch a little more federal pork. After all, the movement for Ebonics — formerly known as "Black English" — was born and raised on the federal dole, which routinely finances nationalistic counter-institutions. But whether you call it "Black English" or "Ebonics," here bureaucracy and government money are clearly in the service of racism — and the movement for Ebonics is just one division of the movement for "bilingual education," in which we see the partnership of the welfare state and racism in making the world safe for illiteracy.

### Gotta Be This Or That

The claim that black Americans speak a different language than white Americans requires denial of easily corroborated facts as well as waffling on linguistic theory. One must deny that black Americans speak many dif-

ferent dialects and often have trouble understanding each another. One must deny the standard definition of a dialect as a "relatively consistent variation or deviation in speech from the norm or standard of a particular country, region, class, or profession." Finally, one must deny that Ebonics activists invariably speak and write in the language they identify as white English — and not just when they are dealing

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*The assertion that whites and blacks speak different languages is not so much an empirical claim as an exhortation to refuse to cooperate with white teachers.*

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with whites — and that they often cannot understand, let alone speak, "Black English." Linguists who support Ebonics must throw their usual standards out the window.

Most linguists seem to be willing to do just this. The January 5, 1997 *Newsday* carried a *Los Angeles Times* wire service dispatch on the Linguistic Society of America's (LSA) Chicago meeting, which began, "The largest U.S. society of linguistics scholars strongly supported Friday the Oakland, Calif., School Board's recognition of Ebonics, as the black speech pattern is becoming known. Geoffrey Ward, a Northwestern University linguist, insisted the 'school board's reasoning is not PC [politically correct]; it's scientific fact.'"

The LSA resolution argued four points:

a. "Ebonics" . . . is systematic and rule-governed like all natural speech varieties. In fact, all human linguistic systems — spoken, signed and written — are fundamentally regular. . . . Characterizations of Ebonics as 'slang,' 'mutant,' 'lazy,' 'defective,' 'ungrammatical,' or 'broken English' are incorrect and demeaning.

b. The distinction between 'languages' and 'dialects' is usually made more on social and political grounds than on purely linguistic ones. For example, different varieties of Chinese are popularly regarded as 'dialects,' though their speakers cannot understand each other, but

speakers of Swedish and Norwegian, which are regarded as separate 'languages,' generally understand each other.

c. [T]here are individual and group benefits to maintaining vernacular speech varieties and there are scientific and human advantages to linguistic diversity. For those living in the United States there are also benefits in acquiring Standard English and resources should be made available to all who aspire to mastery of Standard English.

d. There is evidence from Sweden, the U.S., and other countries that speakers of other varieties can be aided in their learning of the standard variety by pedagogical approaches which recognize the legitimacy of the other varieties of a language. From this perspective, the Oakland School Board's decision to recognize the vernacular of African American students in teaching them Standard English is linguistically and pedagogically sound.

The LSA officially supports the resolution (though a few individual linguists are critical). One professor who backs it unquestioningly is Wayne O'Neill, chairman of MIT's Linguistics Department. In late February, O'Neill told me he also backed both of the Oakland School Board's resolutions: "I compared both resolutions, and they were almost identical." By "genetic," O'Neill added, the board "meant in the sense of languages being genetically [developed], in the sense of being historical." O'Neill explained that "genetic" was a perfectly legitimate term in linguistics.

Linguists may well use the jargon term "genetic" in a non-biological, historical sense. The Oakland Unified School Board, however, is composed not of linguists, but of Afrocentrists who use "genetic" in a biological sense. And O'Neill's inventions notwithstanding, the board never stated it had used the term in a linguistic sense; its spin was confined to the following disclaimer (make of it what you will): "The term *genetically based* is used according to the standard dictionary definition of *has its origins in*. It is not used to refer to human biology."

Professor O'Neill is sure that the Oakland board's intentions are aimed simply at producing more capable youngsters. "Seventy-one percent of

African American kids in the Oakland School district are in special ed," he told me. "It can't be that 71% of African American kids need special ed. They're trying to lay a basis for providing them with a better education." O'Neill mentioned a Black English reading curriculum called the "Bridge" program, which, he said, had shown some promise ten or 15 years earlier.

But O'Neill's grasp of black students' problems may be as deficient as his remedy. The actual statistic is that 71 percent of the children in Oakland special ed are black, a completely different matter. And though the Bridge curriculum has been repeatedly cited by linguists as offering support for teaching in Black English, recent research attempting to replicate pro-Bridge findings actually indicates that Ebonics is a miserable failure in the classroom.

### Bridges to Nowhere

John and Angela Rickford presented the results of their research on the Bridge program in "Dialect Readers Revisited," published in 1995 in the obscure journal *Linguistics and Education*. (John Rickford, a Stanford professor of linguistics and education, is the author of the LSA resolution

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*Ebonics activists invariably speak and write in the language they identify as white English; they often cannot understand, let alone speak, "Black English."*

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cited above.) Although the Rickfords' article argues that using Ebonics helps kids learn English, their own research actually shows that students using stories written in Ebonics ("dialect readers") scored only 46.3% correct on a reading comprehension test, whereas students tested with standard English equivalents scored 90% correct. Even the best result for the Bridge materials showed only 70% comprehension in Ebonics compared to 76% for standard English.

The developers of the Bridge program, Simpkins and Simpkins, had performed one study showing that it

worked well with students in a remedial reading program. The Rickfords were trying to replicate a follow-up "mini-study" performed by some of John Rickford's students at Stanford. This was important, because the only other study supposedly supporting the Bridge curriculum — the Leverton study — appears to have been experimentally flawed.\* The main thing that emerges from all this is that research on Ebonics in the classroom is sketchy at best, and that even the pro-Ebonics Rickfords' recent effort to examine its effectiveness showed negative results.

But whatever the actual results of the Rickfords' study, it is cited repeatedly as evidence for the superiority of Ebonics as a teaching tool — most recently by the director of the Syracuse University writing program, Keith Gilyard, writing in *Insight* magazine. Gilyard, of course, may simply be assuming that John Rickford and the linguists who supported the LSA's resolution are intellectually honest and know what they are talking about. In Rickford's case, however, intellectual honesty seems lacking. In various statements supporting Ebonics in the classroom, for example, he has consistently mixed up experiments that used Ebonics as the language of instruction, *à la* the Bridge curriculum, with other, genuinely effective techniques that use "contrastive analysis" and pattern practice drills. But in contrastive analysis, Black English dialect patterns are explicitly compared to their standard English equivalents, with the goal of teaching the students to use the standard English pattern. This can scarcely be compared with a teacher's using Ebonics to instruct her students in the basics of reading and writing — a procedure that seems likely both to

weaken their grasp of standard English and to aggravate some students' already intense hostility to what they think of as "Oreo" talk.

Rickford's endorsement of the Oakland program also contradicts his own, far more cautious conclusion in the study cited above: "[One] lesson is that we should start small . . . and experiment with dialect readers on a larger scale only if and when we can demonstrate their success on a more modest scale." Apparently, Rickford now considers a school district with

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*The bilingual education movement operates a political patronage machine that churns out illiterates at a cost from ten to forty percent higher than conventional methods.*

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tens of thousands of disadvantaged children an appropriately "modest scale" for experiments.

Walt Wolfram, a professor of linguistics at the University of North Carolina who has devoted over thirty years to the study of black American dialects, commented that "we don't have very good longitudinal data on the effect of dialect readers because it's so controversial that it's always getting shut down." Wolfram is right at least about the controversy — and dialect reader programs are controversial precisely because of the opposition of black parents; as one youth quoted in the Rickfords' study commented, "I don't talk [Black English] 'round my mom, 'cause I get in big trouble, 'cause she thinks that's gang language."

### **Bilingual Education: Estados Unidos or Hispanic Nation?**

The ineffectiveness of Ebonics in the classroom, as exemplified by the Rickfords' study, is part of a larger pattern well-documented in an anthology edited by Jorge Amselle, communications director at the Center for Equal Opportunity. In *The Failure of Bilingual Education* (1996), Amselle reprinted the results of a study conducted from 1990 to 1994 by the pro-bilingual New York City Board of Education. The study compared the effectiveness of the

English as a Second Language (ESL) method to "bilingual education." (ESL immerses students in English, whereas bilingual education tries to build a bridge from the old language to the new one.) The study showed that after three years, "limited English proficiency" children taught via ESL were far more likely to graduate to mainstream classes than those taught by the "bilingual" method — 54% more likely for those who entered in kindergarten, 312.6% for those who entered in grade two, and 473.9% more likely for those who entered in grade six.

But despite this and other evidence for the overwhelming superiority of English as a Second Language, American public schools get enormous amounts of government funds for bilingual instruction: \$160 million (in 1996-1997) from the federal government, and \$12 billion (in 1994-1995) from state and local governments.

### **The Bilingual Machine**

The bilingual education movement operates a political patronage machine that churns out illiterates at a cost from ten to forty percent higher than conventional methods. (And that doesn't count the cost of college ESL and remedial skills classes for bilingual education graduates.) In New York City, all but a few bilingually educated high school graduates exhaust their financial-aid eligibility without earning a college degree.

Bilingual education programs are usually fiefdoms of "Hispanic Nation" separatists who use them to "redistribute income" from "monolinguals" (white non-Hispanics) to "bilinguals" (Hispanics), in the words of an anonymous essay that one professor distributed to City University of New York (CUNY) colleagues. CUNY advocates of bilingual education have tenaciously fought programs aimed at accelerating students' mastery of English. Thus, Professor Sue Dicker, the director of ESL placement at Hostos Community College, writes of the need to defend "language-minority" cultural islands against the encroachment of "language-majority" groups. Despite her job title, Dicker sees ESL programs as an insidious attempt to wipe out students' knowledge of their native tongue.

Not all advocates of bilingual edu-

\* According to the Rickfords' paper, Leverton gave one group of students both the Black English version and the "school talk" — standard English — version of a story, and another group of students only the school talk version. The students who used both did somewhat better, a finding that Leverton seems to view, apparently without justification, as stemming from the advantages of Black English rather than twice as much teaching time. The results of Leverton's promised follow-up study were mysteriously never published.

cation are as radical as Dicker, of course, but all try to conceal its failures — and expensive failures at that. In a memo to New York Schools Chancellor Nathan Cortines, for example, Leonard Hellenbrand reported that in fiscal year 1994, 41.5% more per capita was spent on limited English proficiency high school students than on high school students considered fluent in English. And considering the vastly greater English skills of ESL students, bilingualism is even more expensive than it appears.

Bilingual education is presented to the public as a transitional method, to be used until students can be "mainstreamed" into normal classes. But for most of them, that never happens. As retired Brooklyn assistant principal Edwin Selzer writes in *The Failure of Bilingual Education*:

I attempted many times to withdraw students from the bilingual education program when I thought that they no longer needed to be in all-Spanish classes. . . . I was never once successful at withdrawing a student from a bilingual education program. In my experience, once a child was in a bilingual education program, he remained in such a program and was never mainstreamed into regular English-speaking classes.

School officials consistently ignored requests that students be removed from bilingual education classes, whether those requests were made by Selzer, by parents, or by students themselves. Selzer also attests that "even the Spanish skills of students in bilingual programs were poor — and many students graduating from Eastern District High School were illiterate in both English and Spanish."

### It's Not a Language, It's a Language System

But is Ebonics a language or not? In keeping with the LSA resolution, Wolfram insisted that "we're not talking about a dialect of English but a 'linguistic system.'"

I commented that Afrocentrists have claimed all along that Ebonics is a separate language. Wolfram countered, "Actually, the dialect-language issue is somewhat of a false issue. As it turns out, linguists don't have a clear definition of when a language is a language, and when a dialect is a dialect.

The issue is often political."

In speaking of Ebonics as a "language system," as opposed to a "language," did the LSA really say so much? Wolfram thinks so. "Actually, they said a whole lot, because a lot of people base their pedagogical ideas on false linguistic information. I debate people all the time who say Ebonics is just corrupted English — that it's not a language system. That's equivalent to a physicist saying the Earth is flat."

I pointed out that Afrocentric Ebonics proponents — including the Oakland School Board — have argued all along that Ebonics is a separate lan-

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*"The problem for African American students," Hale claims, "is that there is no place on school tests for rap skills."*

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guage, and not a dialect. The media did not make up this claim, they merely reported it. And whatever justification there is for calling Ebonics a language could be applied equally to American English dialects influenced by European languages. Wolfram conceded the point. "I grew up speaking a Philadelphia dialect influenced by German. It's not a separate language, and I don't think Ebonics is a separate language."

### Everyone Talks Real Good

Recall the first section of the LSA resolution — that "all human linguistic systems — spoken, signed and written — are fundamentally regular." Since it connotes complexity, elegance, and precision, "regularity" is a standard of value. And since all languages — and dialects — are "regular," they are all equal. In this world, there is no work for teachers of English, or for teachers of any other language, or for editors.

So why bother teaching standard English at all? The resolution's third section says there are "certain benefits" to learning standard English. I suppose. But if LSA members can justify, on educational grounds, using "Ebonics" as a teaching tool, then they must accept using any and all other dialects — "linguistic systems" — as

teaching tools: e.g., Appalachian, Cajun, Brooklynese, and the various geographical varieties of Spanglish. And indeed, Wolfram told me that he "would support using those as well."

### Ebonics Nation

In his essay, "If Black English Isn't a Language, Then Tell Me, What Is?" James Baldwin insisted that American blacks were entitled to see their speech patterns as a separate "language" as a reparation for centuries of oppression. He didn't waste the reader's time with tortured logic or inconsistent linguistics. For whatever we may say of Ebonics and Afrocentrism, they most certainly are not "out of Africa."

Nevertheless, linguistic separatism is integral to Afrocentrism. A leading theorist of Afrocentrism, psychiatrist Frances Cress Welsing, maintains that "colored peoples" are pitted in a war of annihilation against biologically, culturally, and morally inferior "white-skinned peoples" ("an albinism or variant"). Welsing, the favorite "scientific" authority of Afrocentric educators, has been quoted approvingly by the president of the National Association of Black Social Workers.

The assertion that whites and blacks speak different languages is not so much an empirical claim as an exhortation to refuse to cooperate with whites. A subculture of black authority figures encourages young blacks to disrespect white teachers and professors, and to refuse to obey white police officers. This subculture is at the root of the increasing frequency of racial hoaxes in which "witnesses" claim that white teachers, police officers, or waiters called black victims "niggers." A white public school teacher in Queens was the target of such a campaign during the 1995-96 school year. (One of the teacher's tormentors, the Reverend Charles Norris, told *Newsday* reporter Merle English that he didn't actually care whether the charge that the teacher had called a student "a fat nigger" was true or not.)

Wayne State University education professor Janice Hale realizes the importance of teaching hate early and often. In the 1986 edition of her book, *Black Children: Their Roots, Culture, and Learning Styles*, Hale (then Hale-Benson) maintains that the number one component "for a curriculum for



Black children" is "political/cultural (ideology)."

Education for struggle has a consciousness-raising function for Black people, instructing them concerning the following realities:

- who they are
- who the enemy is
- what the enemy is doing to them
- what to struggle for
- what form the struggle must take.

Hale's proposals were for educating pre-schoolers.

Lest the reader conclude that I am deliberately using examples from the lunatic fringe, I should add that Hale's books have been published by Johns Hopkins University Press, and she is a tenured professor at one of Michigan's largest public universities. From 1985 to 1992, the Cleveland Foundation funded a demonstration school implementing her ideas.

Hale insists that black American children are "African," and are being miseducated by schools that refuse to recognize their African roots and uniquely African-American culture. Laying much of the blame for black educational failure at the feet of white teachers, she argues both for separa-

tism and for a radical egalitarianism. In her book *Unbank the Fire*, she argues that "[w]hen we study ways of closing the achievement gap between African American and white children, we must focus on devising curriculum and instructional strategies that will produce equal educational outcomes for all children." Apparently this is to be achieved not so much by improving, say, math education, as by adding curriculum in *lumpen* black culture. Thus, some of Hale's expressions of support for black children sound like something a white racist might say, with a snicker: "The problem for African American students is that there is no place on school tests for rap skills."

Echoing another oft-repeated but unsupported myth — that educational testing is culturally biased against black children — Hale insists that education be changed to reflect the culture that black children bring to school. Focusing on the contrast between middle class white children and poor black kids, she ignores formal education's fundamental opposition to the culture most poor children bring to school — whatever their color. Poor students typically start school with substandard

English skills; a competent teacher will correct them, correct them, and then correct them some more. With any luck, they will eventually be able to correct themselves. Ebonics activists seem to see such corrections as shows of disrespect. But a conscientious teacher must explicitly criticize students' language. In the classroom, either Ebonics is right, or standard English is right. And even if a teacher who lavishly praises her students regardless of performance does temporarily build up their self-esteem, it will be at the expense of their cognitive development.

## The Real Deal

Reading great black scholars of the past, one finds no arguments for African cultural continuity; these were asserted only after Africa had faded into the distant past. Indeed, in his 1933 work, *The Miseducation of the Negro*, black nationalist scholar Carter G. Woodson (1875–1950) attributed the shortcomings of black religion and morality to their basis in white southern culture; the native culture of black slaves had been destroyed by their overlords, and there was no getting it back.

## "Dialect Readers": Judge for Yourself

*The two passages that follow are drawn from the readers used in the Rickfords' experiment referred to above. For extra credit, guess the grade level of the students. (Answer appears below.)*

This here little Sister name Mae was most definitely untogether. I mean, like she didn't act together. She didn't look together. She was just an untogether Sister.

Her teacher was always sounding on her 'bout day dreaming in class. I mean, like, just 'bout every day the teacher would be getting on her case. But it didn't seem to bother her none. She just kept on keeping on. Like, I guess daydreaming was her groove. And you know what they say: "don't knock your Sister's groove." But a whole lotta people did knock it. But like I say, she just kept on keeping on.

One day Mae was taking [sic] to herself in the lunch room. She was having this righteous old conversation with herself. She say, "I wanna be a princess with long golden hair." Now can you get ready for that? Long golden hair!

Well, anyway, Mae say, "If I can't be a princess I'll settle for some long golden hair. If I could just have me some long golden hair, everything would be all right with me. Lord, if I could just have me some long golden hair."

"What is the capital of California, Mae?" asked Miss Carter.

Mae shook her head, trying to wake up. She was off in another world. She shook her head again and said, "I don't know."

"Dreaming again, Mae?" asked Miss Carter.

"Yes, I . . ." But before she could finish what she was saying, she was dreaming again. She dreamed that she was a beautiful princess with golden hair. Men came from miles around to admire her beauty.

Ring! It was time for recess. The boys and girls ran outside to eat their snacks and talk and play ball. Mae began unwrapping her peanut butter sandwich. It was the fourth time she'd had peanut butter this week. She took one bite and dropped the rest into the garbage can. "I don't need it anyway. I've got my dreams."

Two girls ran by chanting, "Dreamy Mae! Dreamy Mae!" Mae didn't hear them. She was dreaming that she was a princess with beautiful golden hair.

*Answer to grade level question above: The students were in the sixth grade, although the "Bridge" materials were "designed for the seventh grade."*

In seeking to give Ebonics a scientific patina, however, some of its supporters have claimed that black American speech patterns have roots in West African languages. But advocates of Ebonics have never managed to go beyond vague generalities here — they have merely offered a pseudo-linguistics that invokes vague resemblances between arbitrarily chosen

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*Afrocentric psychiatrist Frances Cress Welsing maintains that "colored peoples" are pitted in a war of annihilation against biologically, culturally, and morally inferior "white-skinned peoples"*

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aspects of black English and certain African languages. This reflects the general thrust of Afrocentrism, whereby a vague, "African" culture and religion is conjured up to bind black Americans to the homeland.

In the 1991 edition of his distinctly unmusical *The Spirituals and the Blues*, for example, James H. Cone attempts to place "rap" in an unbroken succession of black music. He fails. But he does succeed in underscoring the decline of black culture. Thirty years ago, black adults where I grew up spoke an English that ranged from the utilitarian to the beautiful. Though some of them couldn't read or write, theirs was a grand oral tradition fusing the poetry of the King James Bible, southern dialects they had shared with whites, black slang, the music of gospel, the blues and jazz, and the results of the cultural collision that occurred when southern blacks undertaking "the Great Migration" struggled to communicate with black and white Northerners. Now black folk culture is dying with its bearers, swept away by urbanism, TV and videotape, government welfare programs, integration, affirmative action, self-esteem pedagogy, and the telephone. Since the 1970s, parallel coitage industries have celebrated obsolete black idioms and Yiddish. Just as Jewish arrivistes wistfully recall, from the comfort of padded Broadway seats, the hardscrabble

*shtetl* (or increasingly, the Lower East Side or Brooklyn) that their forebears left without looking back, black arrivistes down the street at an August Wilson show celebrate an oppressive culture that their grandparents had prayed to escape.

The difference is that Afrocentrists militantly resist the passing of the world they celebrate, but neither share nor understand. In *Talkin and Testifyin*, for example, classically trained Michigan State University English professor Geneva Smitherman revels in quaint archaisms like "It bees dat way sometime," but gives incorrect interpretations of phrases such as "gittin ovuh" (translated by her as "surviving"), whose meaning in New York at the time of the 1986 edition of her book was — as it is now — "conning people."

### **The Conspiracy to Destroy Black Children**

Since 1967, the New York City school system has been in the stranglehold of "community control" activists, who oppose allowing whites to teach black children (though they show more tolerance for black teachers of white children). And without school choice, poor black children have become virtual prisoners in failing schools. Some of New York's most vicious racists — e.g., convicted kidnapper Robert "Sonny" Carson and former Ocean Hill-Brownsville school administrator Rhody McCoy — have used community control as a pretext to run white educators out of schools. Ignoring due process, McCoy in 1968 fired 18 experienced white teachers and administrators and one black teacher. (McCoy later rescinded the black teacher's dismissal.) This mass dismissal eventually ignited the longest teachers' strike in New York City history. Prior to the strike, Sonny Carson and his street soldiers helped McCoy by harassing white teachers, most of whom eventually left.

In the classrooms of the "culturally sensitive" illiterates who replaced them, bullies have been known to get away with harassing well-spoken black (and increasingly, Hispanic) children for "talkin' white." (A mixed-race high school senior I spoke to denied that students get beaten, as opposed to "criticized," for speaking proper English — "except when they try to be

somethin' they're not.") Brooklyn teacher (now principal) Michael Johnson saw such abuse first hand. He had developed an innovative science program that met before school began in the morning. In *The Closest of Strangers*, Johnson told Jim Sleeper of having to defend his students from assault by those who resented their getting an education.

In the 1980s I was a case worker for abused and neglected children. Once, in 1989, while accompanying eight-year-old Latoya back to her foster home in East New York, she spied her third-grade teacher in the same subway car. The charming, clever child tried to introduce us, but the woman would only glare at me with hate-filled eyes. A few weeks later I found an old spelling bee, in which the teacher had given Latoya an "A" for spelling nineteen out of twenty words correctly. Unfortunately, the child had spelled only thirteen words correctly, which should have earned her a "D."

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*Great black scholars of the past made no arguments for African cultural continuity; these were asserted only after Africa had faded into the distant past.*

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In telling Latoya everything was copacetic, the teacher had robbed the child of the chance to learn from her mistakes, and fulfill her potential.

In 1995, I recounted Latoya's story to a CUNY professor who had spent twenty years in the New York City Board of Education's testing and evaluation branch. Had the teacher let students grade each other's papers without double-checking their spelling, or ignored students' errors in the misguided belief that she was building up their self-esteem — or was she herself illiterate? "Anything's possible," she replied.

If Latoya fails college or employment tests, Ebonics proponents will tell her that she is a victim of white racism. How can I explain to her that she was a subject in a trillion-dollar experiment in "self-definition" and nation-building? □

# Inalienable Rights?

by George H. Smith

In our previous issue, John Goodman and Timothy Virkkala criticized George Smith's argument against capital punishment. Smith replies.

Over the years, in various debates on natural rights, I have encountered libertarians who love to quote Jeremy Bentham's caustic remark that the theory of inalienable rights is "nonsense upon stilts." One of my respondents, Timothy Virkkala, apparently agrees with Bentham: he dismisses inalienable rights (and presumably all rights) as "fictions" (another Benthamite term).

Before embarking on my defense of fictions, I would like to say a few things about Bentham's comment, because it raises issues that are directly relevant to my critique of Virkkala. (John Goodman's article is in a different category altogether; it is a serious effort to analyze rights theory, rather than a facile dismissal of it.)

"Nonsense upon stilts" — significantly, this phrase appears in an early article by Bentham, *"Anarchical Fallacies,"* in which he attacks the principles of the French Revolution. (Bentham also opposed the American Revolution.) Like many critics of natural rights, Bentham opposed them because they justified resistance and revolution against established governments. This argument — that natural and inalienable rights will lead to the "anarchy" of disobedience and rebellion — has a long and distinguished pedigree, reaching back to the early seventeenth century. According to the critics of natural rights and social contract, an orderly society cannot exist if each person

decides for himself which laws are just and should be obeyed. As one critic (Josiah Tucker) put it, natural rights and social contract "are the universal demolisher of all governments, but not the builder of any." Bentham agreed that no government could be based on consent, so he dismissed the theory of inalienable rights as an "anarchical fallacy," and as "nonsense upon stilts."

I assume that Virkkala considers himself a libertarian and that, while endorsing Bentham's "nonsense upon stilts" position, he would not follow Bentham into his anti-libertarian conclusions. In other words, if Virkkala rejects all rights as fictions, then what, in his view, is the foundation of libertarianism? It is not as if I, as a defender of inalienable rights, must assume the full burden of proof in this controversy. Since my article was obviously addressed to fellow libertarians, and since Virkkala appears to be a libertarian, then we share equally the burden of proof to justify the nonaggression axiom of libertarian theory.

Of course, given the limited space for this debate, it would be

unreasonable to demand a detailed defense of libertarian theory from Virkkala — just as it would be unreasonable to demand it from me. (To respond to some of his sweeping generalizations, however, would require precisely this kind of extended treatment.) Nonetheless, I would like to have seen more awareness of this problem from Virkkala, who seems to think that libertarianism rests on nothing but fictions. If this is so, then why does Virkkala embrace libertarianism? Perhaps he will say that some fictions are more useful than others. But useful to whom and for what? And how can something be "useful" unless it has some connection to facts and to the nature of things?

The doctrine of inalienable rights has long been the centerpiece of libertarian philosophy. For centuries it played a crucial role in the struggle for religious freedom, and it eventually evolved into the notion of "property in one's person," or "self-proprietorship." It was the foundation for the anti-slavery movement and became the basis for the modern movement through the writings of Ayn Rand, Murray

Rothbard, and others.

I am not using an argument from authority. I am not suggesting that we should accept inalienable rights merely because our predecessors did. But I am suggesting that we should pay more attention to the origins and evolution of our ideology and to the historical conditions that made that ideology possible.

I am also suggesting that our founding fathers (and mothers) were not complete dunderheads; indeed, libertarians from previous centuries

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*I assume that Virkkala considers himself a libertarian and that, while endorsing Bentham's "nonsense upon stilts" position, he would not follow Bentham into his anti-libertarian conclusions.*

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explored the subject of rights in far more detail than have the vast majority of modern libertarians. If we wish to dismiss this considerable body of theory and arguments with a few contemptuous remarks, then so be it, but we do so at our own peril. If we reject the theory that established religious liberty in the West, abolished slavery, and brought about the pro-freedom revolutions of the seventeenth and eighteenth centuries, then we had better come up with a better theory — and fast. We should not treat inalienable rights like a cab, dismissing it after we have reached our destination.

Before discussing Virkkala's objections, a few general remarks may help to clarify my approach to inalienable rights. It is based on what libertarians call the "title-transfer" theory of property rights. (This has been discussed extensively by Murray Rothbard, Randy Barnett, Bill Evers and other contemporary theorists.) A distinctive characteristic of this approach is its translation of rights into property titles. A title is a specification of ownership, an enforceable moral claim that accompanies an object of property. To own something is to have title to it.

To say that I own my car is to say that I have a legitimate title to it. This means that others have a juridical duty not to interfere with how I use my car, so long as I do not violate their rights. My title is legally enforceable; I can use coercion to protect it, either through the legal system or personally through defensive violence.

Given its physical nature, my car can be transferred to another person, so I can alienate my right (i.e., my title) to it. I can sell it, give it away, or abandon it. This is not true, however, of my self-sovereignty, or "right to life." Why? Because the property to which this right is attached is metaphysically incapable of being transferred, abandoned or forfeited. For reasons explained in my earlier article, one person's moral agency cannot be transferred to another person. And if that faculty cannot be so transferred, then neither can the title (i.e., the claim of ownership) to that faculty. This is why "self-ownership" was defended by Auberon Herbert, Murray Rothbard and others as the primary inalienable right. Even Ayn Rand, who normally refers to the "right to life," at one point uses the phrase, "a sovereign individual who owns his person."

Virkkala rejects all such statements as referring to "fictions." Rights, he says, are merely "articulations of threats," or "signals" of one's intention to use retaliatory violence. Now, it is true that rights, as enforceable moral claims, may imply the intention to use force against violators, but this is not always or necessarily true. This intention may be absent in some people, depending on their values and the circumstances of the crime. A child who steals an apple from a cart thereby violates the property right of the merchant, but the merchant may have no intention of using violence to stop the thief or of seeking restitution through the force of law. A right creates a legitimate moral option to use force in self-defense or to restore one's property, but that option need not be exercised, nor need it be seriously contemplated by the victim.

The essential meaning of "a right" (in a libertarian context) is, first, that every person has a moral status equal to that of every other person; and, second, that we have the duty to

respect the moral autonomy of others. This, at least, is the kind of thing that philosophers have meant by "a right" for several hundred years. Virkkala, of course, may possess a superior wisdom that enables him to see through the fictional veneer of such claims. Like Freud, he may have plumbed the subconscious depths of those philosophers who talk about rights, telling us what they are truly saying, quite apart from what they intend to say. Or, like Marx, he may have detected the false consciousness of rights-philosophers, exposing their verbal rationalizations as the ideological superstructure of covert interests.

I'm afraid that my interpretative method is far more pedestrian than that evidently employed by Virkkala. I normally assume, unless there is clear evidence to the contrary, that philosophers mean what they say they mean. When they claim, for example, that rights are a type of moral obligation, I try to figure out what they mean by "obligation," rather than dismissing their claims as fictional. When I read Locke or Kant or Spencer or Rand on the subject of rights, I assume, as a working principle, that they may be making sense, that their life's work was not vitiated by elementary errors of logic, that they were aware of the distinction between values and facts, between descriptive

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*Rights, Virkkala says, are merely "articulations of threats," or "signals" of one's intention to use retaliatory violence.*

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and prescriptive "laws," and other such obvious points.

Of course, my working assumptions may be mistaken. Perhaps Virkkala is on target. Perhaps rights originated as "anti-fiction fictions" because they proved useful to combat state power. Perhaps rights philosophers were so incredibly dense that this never occurred to them until Bentham, and later Virkkala, exposed their theories as fictional.

All this is logically possible, of course, but not likely. Virkkala has

taken the short and easy way to dispose of rights theory, dismissing it as fictional (while admitting that it may have meaning nonetheless). Values and norms, he says, exist "in our heads." True, but so do all ideas and theories, including those pertaining to physics, mathematics, economics, and the like. So this cannot be what distinguishes fictional values from Virkkala's beloved "facts," which ultimately can be identified as such only with the aid of theories "in our heads."

Indeed, operating with Virkkala's method, why shouldn't we label all theories as mere "fictions," since, in addition to existing merely in our heads, theories originate as a response to perceived problems.

Early libertarians confronted the problem of state power, so, according to Virkkala, they concocted the fiction of inalienable rights. But we can also say that Kepler, working from a mystical and mistaken view of the solar system, concocted his three laws of planetary motion in response to perceived problems. Or that Newton, while he was not pondering biblical prophecies, arrived at his law of gravitation — a mysterious invisible force that operates at a distance — because he, too, was trying to solve problems.

So what? What has motive to do with the truth value of a theory? We should always keep in mind the crucial difference between the process of discovery (how knowledge is originally acquired) and the logic of justification (the reasons for accepting that knowledge). The former is a causal process that occurs in time and space, whereas the latter refers to the abstract relationship between ideas.

I concede that a theory of rights deals with abstract relationships, not with concrete things, but the same is true of all theories. And if this is the flaw that demotes rights to the level of fiction, then all theories, including those in the "hard sciences," are likewise mere fictions.

But surely there are differences between descriptive and normative enterprises, between describing what is and prescribing what ought to be? Yes, of course there are, but this simply means that a cognitive discipline, such as ethics, must adapt its method to fit

its subject matter, *viz.*, human beings who are capable of making reasoned choices.

We should also remember that there are many normative sciences other than ethics and political theory, such as medicine (which prescribes what one ought to do if one desires health) and architecture (which prescribes what one ought to do if one desires a good building). Similarly, political theory prescribes what one ought to do if one desires a good society. Why this kind of prescriptive

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*Goodman argues that my case against capital punishment militates against all forms of punishment. I freely concede that this is a major problem for the libertarian theory of restitution.*

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endeavor, which is based on observations about human nature and social interaction, should be more "fictional" than any other normative science, is something I do not understand. Human beings, after all, are not indefinitely malleable. We may reasonably speak of "human nature" and formulate principles based on our common attributes, just as we may reasonably speak of the nature of molecules, rocks, plants and animals.

With these points in mind, let's briefly consider some objections raised by Virkkala.

(1) According to Virkkala, "if a faculty cannot be alienated, then there is no point in having a right to it." Rights are used to defend us against "harm," and if we can be harmed in regard to a given faculty, then that faculty must be alienable.

I don't see the logic of this argument. If I am the victim of an assault, have I somehow given up or forfeited my right not to be assaulted? If I am burned at the stake for my religious beliefs (or lack of them), have I also alienated my right to liberty of conscience?

The doctrine of inalienable rights clearly does not require invulnerability to injury in the sphere of action that is protected by those rights. A right can

be violated without being alienated. The point of inalienable rights is that such violations can never be justified.

For example, suppose I accuse Murphy of stealing my car. In response, Murphy claims that he bought my car, or that I gave it to him. Here we are dealing with an alienable right in the form of a property title to a car. Since my right to the car is alienable — i.e., a title transfer is possible in principle — Murphy's defense cannot be dismissed out of hand. We need to examine the evidence for both claims.

Now, suppose that I am severely thrashing Murphy, and I justify my actions by producing a contract in which he expressly agrees to become my property, obey my every wish, and submit to severe punishment when disobedient. This supposed contract, according to the theory of inalienable rights, is no contract at all, because nothing has been transferred. The slavery contract makes no more sense than if Murphy had agreed to give me an absolute property right in his subjective beliefs and values. Regardless of whether he "consented" or not, a right cannot be alienated

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unless the object of that right is capable, in principle, of being transferred from one person to another. And, as I argued in my essay, moral agency cannot be transferred, abandoned, or forfeited. Moral agency is inalienable, and so must be the right to exercise that agency.

This does not mean, however, that moral agency cannot be extinguished, which brings us to another kind of slavery contract. Suppose that Murphy agrees to have a computer chip implanted in his brain, which will enable me to control him with a joystick, moving him around like a robot. (Perhaps in exchange for this dubious privilege, I have agreed to pay one million dollars to his destitute family.) Here, Murphy has voluntarily extinguished his moral agency, not transferred it to me. What he has transferred is physical control over his body, which becomes my property after he has taken leave of it. Therefore, since the body, like all physical objects, is transferable, I regard this kind of slavery contract as possible and valid.

These two examples highlight important features of moral agency and inalienable rights. In the first case, words have been written on a piece of paper, but no exchange has occurred. This slavery contract is invalid not because it is morally reprehensible, but because it is physically impossible. The "terms" of the contract correspond to nothing in the real world. In the second case, Murphy agrees to give me ownership of his body after he has voluntarily extinguished his moral agency. In principle, this is no different than if Murphy had agreed to donate his body for medical research after committing suicide.

My previous discussion of slave liability is relevant here. In the first case, Murphy, *qua* slave, remains a moral agent with the moral duty to respect the rights of other people. Suppose Murphy kills someone and the police come to arrest him. "Don't blame me," he tells the cops, "blame my owner, George Smith. I am his property, a mere instrument of his will, so he is responsible for the murder, not me."

Few people are likely to accept this reasoning, but why not? Is Murphy my property or isn't he? Since when does property have moral obligations? A

philosophically astute cop (this is a hypothetical, remember) might reply to Murphy as follows: "Regardless of what you call yourself — property, a slave, or whatever — and regardless of what piece of paper you signed, you cannot abdicate your moral responsibilities. You still have the powers of reason and choice, so you still have the obligation to respect the rights of others."

This is the correct response to Murphy. And I would argue further,

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*If a theory of rights leaves room for a middle ground between coercive and voluntary interaction, then the theory is flawed and needs to be revised.*

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as I did in my original article, that Murphy's moral agency, which endows him with moral duties, must also endow him with moral rights. A person cannot have one without the other. And if those duties cannot be transferred, abandoned or forfeited, owing to the inalienability of moral agency, then neither can the corresponding rights. I find it curious that most critics of inalienable rights have no trouble accepting the idea of inalienable duties. Yet these are merely two sides of the same coin. To argue that all rights can be voluntarily alienated is to maintain that a human being can, by nothing more than an act of will, cease to think and choose — and therefore cease to act in any sense that is recognizably human.

(2) I described the classical social contract as an "imaginary construction." Virkkala takes this to mean that the social contract was a "fiction," since it never actually occurred in the real world.

I don't particularly object to this, provided that we apply the term "fiction" consistently. I took the term "imaginary construction" from Mises's *Human Action*, where it denotes a theoretical model that is used in economics to conduct hypothetical (or mental) experiments. (Max Weber and other sociologists often refer to this as an "ideal type," but Mises restricts

ideal types to historical investigation, while offering the imaginary construction as the distinctive method of economics and other praxeological disciplines.)

We can indeed call the imaginary construction a fiction, since it is an abstract model in which certain aspects of reality have been deliberately omitted. But the social contract of political theory is no more or less fictional than the "perfect equilibrium" and "Pareto optimality" of economics, or the profit-maximizer in rational choice theory, or the institutional "roles" and "functions" in sociology, or the perfect forms of geometry, or the frictionless surfaces of physics. All theorizing involves selective abstraction, and political theory is no different in this respect from other cognitive enterprises.

Virkkala correctly maintains that we should not reify abstractions — a caution that applies to many disciplines other than ethics. But this common warning usually means that we should not treat abstract concepts as if they were concrete things. I presume it is this fear of reification that leads Virkkala to christen rights as fictions. Does this mean that every abstract principle is a mere fiction, even when it is not mistaken for a concrete object? I don't see what this arbitrary relabeling is supposed to accomplish, if it does nothing more than substitute "fictional" for "abstract." Do libertarian philosophers mistakenly regard rights as concrete objects? Not any that I have encountered, either in person or in print.

(3) Where did the individualist find his notion of inalienable rights? According to Virkkala, he "made it up" or, more colorfully, "he pulled it out of his ass." Inalienable rights "had little play in human discourse" before the modern emergence of social contract theory, though we can construct their "prehistory" if we wish. The idea of inalienable rights didn't emerge until the unsavory implications of (some) social contract theories made it necessary to manufacture a fictional response.

Virkkala apparently found his ideas about intellectual history in the same spot that individualists found their inalienable rights. His theory is



nothing if not simple, and his reasoning is nothing if not simplistic. (I am reminded of a line from Monty Python: "You're making this up as you go along!")

How and why did the doctrine of inalienable rights emerge in modern political thought? According to Virkkala, individualists "made it up" in response to an equally fictitious theory of absolutism. The problem is that this theory explains nothing because it explains everything. Every theory, as I indicated previously, is "made up" in response to a perceived problem. This is as true in the natural sciences as it is in philosophy.

This brings me, finally, to John Goodman's stimulating article. I won't say much about it here, even though it stands head and shoulders above Virkkala's. I won't say much because I haven't had sufficient time to consider it carefully, and at this stage I honestly don't know what I think about some of its more technical points. I will, however, mention two things.

Goodman argues that my case against capital punishment, if consistently applied, would militate against all forms of punishment, such as fines and imprisonment. I freely concede that this is a major problem for the libertarian theory of restitution. Restitution is easy enough to justify with a title-transfer theory of rights — theft, for example, involves the forcible transfer of property without a corresponding transfer of title, so the victim, in seeking restitution, is merely attempting to regain control over that which rightfully belongs to him. Given this, what limits, if any, can be placed on the quest for restitution? Can we imprison someone and compel him to work off his debt? Can we torture a thief until he tells us where he hid the loot? If an assailant stabs his victim in the liver, can we force the criminal to become an organ donor for his victim?

These and similar questions have not been adequately examined, much less answered, by libertarians, and I remain uncertain about how to deal with them. Whatever solutions we may ultimately adopt, however, it is crucial to base them on a general theory of justice and punishment that is as systematic and consistent as we can possibly make it. It is precisely in troublesome areas like this that we

need a well-developed theory to guide us. Otherwise, we will be morally impotent when confronted with legal perversions, such as recent efforts to keep "sexual offenders" locked up indefinitely in psychiatric prisons after their sentences have expired.

Lastly, I do not agree with Goodman that a theory of rights cannot be rendered internally consistent and "compossible." A rights theory is a formalistic construction by which we organize and classify particular actions. If such a theory leaves room for a middle ground between coercive and voluntary interaction, then the theory is flawed and needs to be revised.

This is not to say that every action will neatly fit into one category or the other. Some actions will appear gray, regardless of how black and white our categories may be. It is precisely these "gray" actions that generate the need for a judicial system that does more than render simple judgments of guilt or innocence. (Historically, in the common law tradition, Courts of Equity evolved to handle this kind of problem.)

Goodman presents some interesting examples, but, for the most part, I don't think they support his basic argument. For instance, he raises the classic life-boat situation, while claiming that this creates a conflict between the right of self-preservation and the duty to respect the rights of others. (Incidentally, I think Ayn Rand deals with this fairly well in "The Ethics of Emergencies" and "The Conflict of Men's Interests.")

Such emergency cases posit a situation where the life of one person necessitates the death of another. If this inescapable conflict were a general condition of human existence, then rights theory as we know it could not be justified, since it would morally require the near-extinction of the human species. (Yes, natural rights theory has a "utilitarian" aspect to it. Every major rights-theorist, with the possible exception of Immanuel Kant, agreed that the long-term consequences of rights play a role in their justification. Consequences were regarded as a necessary — but not sufficient — consideration.)

Though the life-boat case and other emergencies are an exception to the

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normal conditions of social life, I don't think they pose an especially difficult problem for rights theory per se. Rights are still operative in these circumstances. It would be unjust, for example, for me to kill my fellow passenger in order to save myself, and I would be legally answerable for my actions — though the special circumstances might be taken into account when deciding on what punishment is appropriate.

Most importantly, the problems posed by the life-boat case are not peculiar to a theory of rights. Suppose that the raft is inhabited, not by two libertarians, but by two altruists. What will these altruists do when one of them must die? Will each of them try to jump overboard himself, while restraining the other from doing likewise? Suppose we have two rational utilitarians who believe in maximizing social utility. Both of them

will die before they complete their complex calculations.

The life-boat creates a dilemma for any ethical system, because it radically changes the context and premises from which those theories are derived. In the final analysis, the libertarian is, so to speak, in the same boat as everyone else with moral convictions. The individual must ultimately decide for himself whether to hold fast to his principles — even if it costs him his life — or whether to abandon those principles. This is an extreme case, but the same dilemma confronts all of us, if to a lesser degree, at various times in our lives. Here we must listen to the voice of conscience — that "little man within," as Adam Smith called it.

In conclusion, if my article on capital punishment caused some libertarians to think more carefully about what rights are and what they imply, then it achieved its purpose. □

engage in right theory. I just don't find "natural rights" to be very good theory — though I will admit that the language of natural rights has its place as "idiomatic speech."

• Though I consider inalienable rights and natural rights to be extremely peculiar notions, I don't think Bentham's phrase "nonsense on stilts" (which I did not use) is a reason-

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*Having asserted that I am a Benthamite, Smith proceeds to attack Bentham, and concludes by suggesting that I am not a libertarian.*

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able characterization of natural rights theory. Call it rather "sense on stilts." When rights are taken out of their social context and raised into the metaphysical realm, they become nonsensical. If we knock them off their metaphysical stilts by demystifying morality and law, then the concepts that remain gain meaning and power simply because they gain a great deal of clarity.

• Rights are not "merely" articulations of threats. I do not consider their status as an instrument in a threat system "mere"; I consider it basic and defining (though rewards have their place in the system as well). The insertion of the word "merely" reveals more about Smith's expectations than it does about my theory.

• I am a libertarian, whether Smith likes it or not. I want to maximize individual liberty to the fullest extent possible. I believe that nonaggression is the defining characteristic of individual liberty, but, unlike Smith, I do not believe nonaggression is an "axiom." Indeed, treating non-aggression as an axiom is nonsense; it provides bad reasons for believing what one believes already. It is a sophisticated way of evading the question of whether (and why) people should be free.

All this in no way helps us to come to grips with the death penalty. Instead of addressing the issue, Smith plays three-card monte, distracting us from substantive matters with phantasmagoria about natural rights, and, sillier still, with hallucinations about my own thinking. □

## Comment

# The Stilted Logic of Natural Rights

*by Timothy Virkkala*

The only thing wrong with Smith's argument is everything. That is to say, he is wrong on virtually every point, relevant or irrelevant. Let's start with the latter.

Smith begins his response by observing that I "apparently agree" with Jeremy Bentham on various aspects of the issue of rights. To support this claim, he cites only one piece of evidence: that I dismiss inalienable rights as "fictions," a term that Bentham also used to characterize such rights. Having asserted that I am a Benthamite, Smith proceeds to attack Bentham, and concludes by suggesting that I am not a libertarian. Here he breaks new grounds in the art of fallacy — *ad hominem* directed at a straw man.

(Though I am not much offended by being tarred with the brush of Bentham — even when Bentham is grossly wrong, I find him charming.)

Now to Smith's relevant points.

• Smith accuses me of dismissing "inalienable rights (and presumably all rights) as 'fictions.'" What I wrote was that *inalienable* rights are fictions. Of other rights and moral arguments, I merely suggested that they possessed a "fictional" element: "around many of our imaginings, utopias, plans, and stratagems the flight of 'fancy' seems a more justly placed category." I did not make the bolder claim that *all* ethical ideas — including libertarianism — rested "on nothing but fictions."

• I do not dismiss "rights theory"; I

# Reviews

*Smoke and Mirrors: The War on Drugs and the Politics of Failure*, by Dan Baum. Little, Brown & Co., 1997, 416 pp., \$24.95 (hc), \$13.95 (sc).

## The Politics of Hysteria

R.W. Bradford

Whoever wants to understand American public life had better understand mass hysteria, for the history of American politics is the history of mass hysteria. At various times in the present century, Americans have hysterically discovered threats to our way of life from gambling, rich capitalists, the kidnapping of young women for immoral purposes ("White Slavery"), child labor, tobacco smoking, satanic ritual abuse of children, Nazi sabotage of American industry, tobacco chewing, the German Empire, consumption of alcoholic beverages, socialism, Chinese laborers, the ignorance of poor people, impure food . . . the list goes on and on.

Today, public life is dominated by hysteria about the environment, child abusers, and drugs. Especially drugs. But not all drugs. Opiates, cocaine, marijuana and various artificial "mind-altering" drugs are all so evil that those accused merely of possessing them are subject to immediate confiscation of virtually all their worldly goods, and those actually found guilty of possession are subject to lengthy prison terms. But some mind-altering drugs — alcohol, nicotine, caffeine, and various prescription drugs — are perfectly legal, and are major sources of government revenue.

Anti-drug hysteria is relatively new. Twenty years ago, there was a consensus that the use of at least some of these

drugs would soon be decriminalized, and ordinary Americans indulged in occasional (and sometimes regular) use of them more or less with impunity. President Jimmy Carter had been elected after telling voters that jailing marijuana smokers was "counterproductive." Richard Nixon's former drug czar came out for legalization, as did the editors of the *Washington Post*. In most places in the U.S., possession of small amounts of marijuana was hardly more likely to invoke prosecution than jaywalking.

Today, police confiscate the homes of people because a visiting grandchild possesses a small amount of marijuana, judges release violent criminals from prison to make room for users of illegal drugs, and customs officials search the insides of the bodies of people entering the United States. Meanwhile, drugs have become more available than ever — a tribute, of sorts, to the violent efficiency of the underworld.

What has happened since the late 1970s to change things so radically? That's the question that Dan Baum attempts to answer in *Smoke and Mirrors: The War on Drugs and the Politics of Failure*. Baum, a former *Wall Street Journal* reporter, provides an almost blow-by-blow account of the War on Drugs, from its inception in a campaign promise by Richard Nixon through its decline in the late 1970s and its massive escalation in the 1980s, all the way to the present day. *Smoke and*

*Mirrors* is compelling reading, in a macabre sort of way. If one could ignore the human tragedies — the people killed, the property stolen and destroyed, the lives ruined, the American liberties trashed — the story of the idiocies of the drug warriors would be comic. But how can one overlook those tragedies? Reading *Smoke and Mirrors*, one doesn't know whether to laugh or cry.

A generation ago, comedian Lenny Bruce predicted drugs would be legalized because all the law students he knew smoked dope. Well, Bill Clinton, Al Gore, and Newt Gingrich have all acknowledged that they smoked dope (though one of them denied inhaling), and all have been responsible for escalating the Drug War to a point where today there are more people in jail for simple possession of marijuana than ever before. Obviously, Clinton, Gore, and Gingrich *know* that the tales of marijuana destroying the lives of all who

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*By the end of the Reagan years, one in four young black men and one in sixteen young white men in America were in prison, on parole, or on probation — most for violating drug laws.*

---

smoke it are false. But Clinton, Gore, Gingrich, and other politicians — whether liberal or conservative, whether Democrat or Republican — face incentives to enact ever more draconian anti-drug measures.

Conservative Republicans long ago learned that there is no reputable and politically consequential constituency for drugs, unlike the other targets of their agenda, and that centrists and liberals can be portrayed to voters as "soft on crime" or "soft on drugs" if they resist anti-drug measures of any sort.

Liberals and centrists at first responded to such charges by quietly acquiescing in virtually every measure proposed — even the most draconian. Eventually, they did the right one better: in an attempt to inoculate themselves against the charge of being “soft on drugs,” they routinely proposed and supported even the craziest anti-drug measures of the conservatives. Thus Bill Clinton’s administration prosecutes drug offenders even more zealously than Reagan’s or Bush’s administration ever did. Even so, in the 1996 presidential campaign, Bob Dole charged that Clinton was soft on drugs, citing evidence that marijuana is as widely available as ever, and statistics that show that more teenagers are smoking dope than ever before.

Baum illustrates how the ascendancy of the right wing, perverse political incentives, and anti-serendipity resulted in massive escalation of the anti-drug crusade.

### The Archduke Ferdinand of the War on Drugs

Offhand, Len Bias seemed to have little similarity to Archduke Ferdinand, the Austrian prince whose assassina-

tion triggered the Great War. Bias was a giant black basketball player who had a spectacular career at the University of Maryland, and, in 1986, was drafted by the NBA champion Boston Celtics. After signing with the Celtics, he returned home and partied with his friends. On June 18, late at night, he told his friends he didn’t feel well and lay down. He never got up. The

*Baum’s chronological approach is very readable, but at times it seems almost anecdotal. More comprehensive data put into a broader context would have made Smoke and Mirrors more convincing.*

medical examiner ruled that he had died from the effects of cocaine.

People were shocked by his death. Bias had always been portrayed as a morally exemplary young man — certainly not one who used drugs. A gifted young athlete in superb physical

condition, he was the antithesis of America’s stereotype of drug addicts: skinny, dirty, friendless desperados who have turned to drugs out of personal weakness or moral depravity.

What could have killed such a healthy and clean-living young man? As it happened, a new way of ingesting cocaine was just becoming popular. A crystalline form that is smoked rather than inhaled as powder, “crack” cocaine is similar to “freebase” cocaine, which had been around for years; but it is easier, safer, and cheaper to manufacture. Speculation that Bias had been killed by a single encounter with crack became common knowledge, and evidence that he had had considerable experience with cocaine prior to his death was ignored — thanks in part to the public relations efforts of the University of Maryland’s basketball program and the Celtics (who had always prided themselves on thoroughly investigating prospective players and avoiding players with personal problems).

That common knowledge quickly metastasized into hysteria, centered in two cities: Washington and Boston. The University of Maryland was the hometown team of the nation’s capital, and in Boston, basketball fans had believed that signing Bias would ensure a long string of championships for their Celtics.

Speaker of the House Tip O’Neill lived in Washington and represented Boston. People in both cities were obsessed with Bias’s death. Couldn’t something be done? Well, something could be done, and Tip O’Neill was just the man to do it. Bias’s untimely demise gave O’Neill an opportunity to please his constituents in both cities and forever squelch the notion that his party was soft on drugs:

Immediately upon returning from the July 4 recess, Tip O’Neill called an emergency meeting of the crime-related committee chairmen. Write me some goddamn legislation, he thundered. All anybody up in Boston is talking about is Len Bias. The papers are screaming for blood. We need to get out in front on this now. This week. Today. The Republicans beat us in 1984 and I don’t want that to happen again. I want dramatic new initiatives for dealing crack and other drugs. If we can do this fast



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by Titus Stauffer

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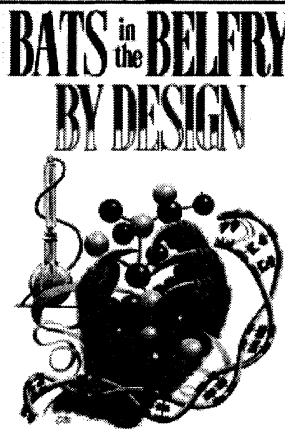
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enough, he said to the Democratic leadership arrayed around him, we can take the issue away from the White House (225).

It turned out that O'Neill was wrong. Before the year ended, President Reagan had again triumphed as the nation's leading drug warrior, and Congress had enacted the toughest anti-drug legislation yet — without even holding hearings — and appropriated an incredible \$4 billion to fight the War on Drugs. If Bias had been a basketball player at the University of Montana and a draft pick of the Portland Trailblazers, none of this would have happened.

### Cost of War: Up; Cost of Drugs: Unchanged

Of course, perverse political incentives are not the only factor escalating the war. Baum returns again and again to another: the ability of police to confiscate the property of individuals who are suspected of possessing drugs. This

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*Conservative Republicans long ago learned that there is no reputable and politically consequential constituency for drugs, unlike the other targets of their agenda.*

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not only rewards police for escalating anti-drug activity, thereby providing them an incentive to inundate the public with anti-drug propaganda; it also finances their activities, insulating them from criticism for wasting taxpayer money. These incentives have broadened the drug war to attack people who never would have been brought to court under the old regime, including many innocent people. Fully 80% of the people whose property is forfeited in drug cases are never charged with any violation of the law.

Of course, the actual costs of the drug war go far beyond dollars spent by law enforcement agencies. By the end of the Reagan years, one in four young black men and one in sixteen young white men in America were in prison, on parole, or on probation — most for violating drug laws, all at a huge cost to the taxpayer.

Other costs are hidden in the military budget. In a recent letter to *The Wall Street Journal*, Janet Crist, Chief of Staff of the President's Office of National Drug Control Policy, describes the military action of the Southern Command:

Southern Command coordinated multiple counterdrug operations involving all 19 Latin American countries in its area of operations. Two in particular — Operation Green Clover and Laser Strike — merit mention. Designed to intercept narco-trafficker aircraft carrying cocaine between Peru and Colombia, they reduced drug flights over the Andes from 35 a month in 1994 to five a month now.

Other important results include the arrest of virtually the entire Cali drug cartel leadership, the disruption of the Andean air bridge, and the hemispheric drug interdiction effort that has captured about a third of the cocaine produced in South America each year.

The Chief of Staff did not say what all these efforts cost or the number of military personnel involved. She did, however, add that these splendid little wars have had "no direct effect on either the price or availability of cocaine on our streets."

Baum concludes most chapters with a few carefully selected statistics, rather in the style of the *Harper's Index*.

- Number of Americans arrested in 1990: 1.1 million.
- Number arrested for marijuana possession: 264,000.
- Percentage of high school seniors who said cocaine is "easy or very easy" to get in 1980: 48.
- Percentage who said the same thing in 1990: 59.
- Percentage change, from 1989 to 1990, in states' spending on primary and secondary education: +7.3.
- On corrections: +29.
- Percentage change, from 1989 to 1990, in states' capital expenditures for colleges and universities: +46.
- For prisons: +150.6.

Such statistics are interesting, but I wish Baum had included an appendix listing more comprehensive data on the direct cost to taxpayers of the anti-drug crusade, the number of its victims

(including both people whose property is confiscated and those imprisoned for possession of drugs), the amount of property confiscated, the number of arrests, and other hard figures. Baum's chronological approach is very readable, but at times it seems almost anecdotal. More comprehensive data put into a broader context would have made his book more convincing. But here I quibble. *Smoke and Mirrors* is a brilliant account of the tragedy of the War on Drugs.

In a guardedly optimistic afterword appended to the new paperback edition, Baum reports the legalization of medical

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*Eighty percent of the people whose property is forfeited in drug cases are never charged with any violation of the law.*

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marijuana by the voters of California and Arizona. And these are not the only straws in the wind. In a conservative congressional district in Texas, Dr. Ron Paul, a long-time advocate of legalization, was elected to Congress despite vicious attempts to portray him as a drug advocate by both the Republican incumbent he upset in his primary and the Democrat he faced in the general election. And in Trego County, Kansas, the local prosecuting attorney, Bernie Giefer, had prosecuted drug cases so enthusiastically that police from other areas contrived to make arrests in Giefer's jurisdiction. With 1.5% of Kansas's population, Trego County brought in 30% of the marijuana seized in the state. Trego County is GOP territory, and Giefer's opponent was Thomas Drees, a Democrat from a neighboring county who proposed to serve as prosecutor for both counties. Drees criticized Giefer for "disrupting the unity of the community" with his anti-drug activities. As usual, Trego County voted Republican, with Dole swamping Clinton by a margin of more than 2 to 1. But Bernie Giefer was turned out of office, carrying only three of the county's eleven precincts.

So who knows? Maybe the War on Drugs will one day be only a rather comic memory, as Prohibition is today. □

***Life is Not a Rehearsal: A Memoir*, by David Brudnoy. Doubleday, 1997, 298 pp., \$22.95 (hc).**

# Coming Out on the Air

Michael Grossberg

David Brudnoy is a seemingly contradictory hybrid: a Jewish liberal who became a libertarian-leaning conservative, a precocious student of East Asian and American civilization who forsook a serious academic career to host a popular Boston radio talk-show, a self-styled rational skeptic whose life was full of evasion, and an outspoken journalist who revealed his homosexuality only late in life, and partly to avoid being outed. Besides writing for the *American Spectator* and *Reason* during the '70s and '80s, Brudnoy flourished as a TV-radio commentator — including a brief stint on the CBS Morning News.

Brudnoy's AIDS-inspired memoir also is an unusual hybrid. His is a cautionary coming-of-age story, dismaying in its depiction of so much early insecurity and self-deception, but brave and unflinching in its retrospective honesty. It is also an older man's belated coming-out story, suffused with bittersweet regret but palpable relief.

Like many homosexuals who grew up in the 1940s and '50s, Brudnoy led a double life — at first hiding his sexuality even from himself; and until very recently hiding it from family, co-workers, and all but a few friends. Ironically, it was the irresistible fact of AIDS and its devastating impact on his life that forced Brudnoy to embrace honesty and a more integrated public and private life. Conscious of writing in the ritualistic genre of autobiography, Brudnoy bows to his predecessors by invoking the spirit of Paul Monette, whose AIDS memoirs and other autobiographical books are the best-written in the field, and by naming an early chap-

ter after *The Best Little Boy in the World*, John Reid's hilarious coming-out classic. Brudnoy's account of his early-adult years brim with the naked ambition of a good little Jewish boy out to become the best, *à la* *Making It*, Norman Podhoretz's brash 1967 memoir of his life as an ambitious New York intellectual.

Brudnoy prefers to view his own life as a comedy rather than a tragedy; he's often funny, although his humor is dry, ironic, allusive, and studded with film references. For instance, Brudnoy names a later chapter about the temporary loss of his legs after Ronald Reagan's *Where's the Rest of Me?* — although Reagan "lost" his legs only while playing a screen role.

Perhaps an innately conservative temperament — in tune with Brudnoy's family tradition, his own strong desire for privacy, and what he calls the "customary reticence" of the pre-gay-rights era — explains why Brudnoy, an active homosexual since the 1960s, kept his sexuality secret for so many years. Yet self-evasion may have played at least as important a role, and is probably the key to other aspects of his story. Even after serious symptoms had appeared, for example, Brudnoy refused to undergo medical exams. By October 1994 he was on the verge of collapse, and was saved only through the intervention of friends who saw what Brudnoy refused to see or even to acknowledge to himself, and who saved him when he fell into a coma. If not for this devoted "Gang of Five," whom he praises repeatedly for seeing through his denials, Brudnoy wouldn't be here today. His Hollywood fantasy of macho self-reliance fell apart when he had to go off the air to check into the hospital, where

for ten weeks they helped him survive pneumonia, neuropathy, shingles, and other agonies and indignities. Ultimately, Brudnoy felt the truth of John Donne's line: no man — not even an individualist — is an island.

His absence from the air provoked an outpouring of sympathy throughout New England, but also a gathering storm of media speculation. To try to maintain control over his public image when news leaks threatened to expose the real cause of his collapse, but also, on a deeper level, to "zip up the two strands of [his] life into one: united, forthright, unprettified," Brudnoy decided to tell all — first in a *Boston Globe* exclusive, then at a packed hospital press conference. When he finally returned to the air, he began with an excruciatingly personal hour-long monologue, unprecedented on talk radio. Among his opening words: "I am a 54-year-old homosexual . . . I was suffering the first attack of HIV — the AIDS virus." That solemn self-disclosure led to national media appearances and major magazine profiles. Brudnoy wrote *National Review's* first autobiographical feature about AIDS. William

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*Brudnoy's memoir is saddest when he confronts a lifelong pattern of self-destructive behavior.*

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Buckley and some other *National Review* editors, not famous for their gay sympathies, responded with an outpouring of support for one of their own veteran writers. Brudnoy reports the inevitable hate mail from a very small minority of his radio audience, but makes no mention of negative reactions from any leading conservatives. A question arises: if they didn't react negatively, then why haven't Brudnoy's conservative friends extended their personal sympathy for a friend into a more humane support of individual rights for all — including gays?

Brudnoy doesn't raise that important question himself. Rather than confront his long-time political bedfellows for their inconsistencies, he prefers to point out the unkindness of some left-wing gay activists, who, after his highly



publicized collapse, attacked Brudnoy for failing to toe the left-liberal line.

Brudnoy writes with breezy intelligence and witty self-deprecation, but also in the rambling, conversational style of a radio/TV ham, about a mostly unremarkable life. "In my youth I dreamed of an academic career, quiet, untroubled by controversy, unsullied by media notoriety. We don't often get what we want, as philosopher Mick Jagger put it in his classic song, and sure enough, precisely what I didn't think I wanted is what I most certainly got."

While working on the book, Brudnoy grew more willing to share personal memories, "less diffident about what only a couple of years ago I would never have expected to reveal in the public sphere." Hence, his book title:

None of us is guaranteed anything on earth except to inhabit it for some span of time . . . we are better off living each day as if it might be our last. After all, life is *NOT* a rehearsal; it's the real thing. . . . Once circumstances stripped me on my anonymity. . . I realized that wedding my public and personal life, the politics with the person, could only enlarge an understanding of both.

Only occasionally does Brudnoy pause for chiding social commentary—and then only when it relates to his story.

It is a common assumption that conservatives are rarely homosexual and even more rarely contract AIDS. Of course that is ridiculous, but I say "ridiculous" because I am all three and I know many other conservatives and libertarians who, sad to say, have died from AIDS and many who struggle with it. But the story, as pitched to some Hollywood producer, amounted to this: "conservative celebrity is gay and has AIDS." This image reduced me to a bizarre cliché, and in part I have written this book to liberate myself, and those readers who come to it with that stereotype, from a reductionism that clouds our minds to understanding and perpetuates myths about sexual orientation, about the perceived connections between sexuality and politics, and, not insignificantly, about how one lives with a fatal disease syndrome and makes the best of it.

Brudnoy grew up as the only child

of a Minneapolis Jewish family in the 1940s. He dated girls and acted macho in high school, only slowly waking up to his gay identity in the conformist '50s with a furtive touch as a foreign exchange student in Japan.

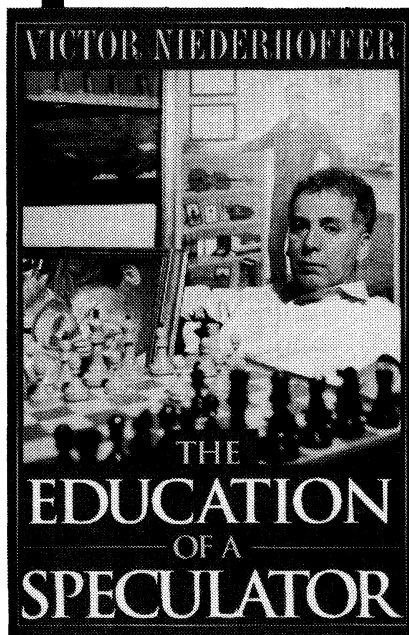
I returned with another new and fleeting experience under my belt as well, one that I couldn't tell anyone. For the first time in my life, I had actually reached out to touch another boy, not in the split-second way a

hand brushes over a pal's thigh while wrestling . . . or just a prolonged gaze that holds someone a moment longer than expected, longer than a justifiable, inadvertent brush. This was different; this was intentional, and I knew it.

The moment happened in a packed municipal pool, when the teen-aged Brudnoy maneuvered his way into the path of "a stunningly handsome boy of [his] own age" and touched his hand to

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the waistband of the boy's trunks as he passed by. "The touch made me tremble. I was so excited by the one or two seconds of this new experience, I had to get out of the pool to calm down. I was literally shaking, and my friends asked me if I was sick. Yes, I was sick — with desire." Out of such vivid, fleeting, innocent beginnings, Brudnoy developed into a man who enjoyed three gay romances and countless one-night stands during the 1960s and 1970s, when he studied at Yale, Harvard, and Brandeis.

Brudnoy's memoir is saddest when he confronts a lifelong pattern of self-

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*Brudnoy faults libertarians for lacking compassion and for their "bloodless, icy" rationalism.*

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destructive behavior. He "tripped on acid" while writing articles and speaking to classes at Northeastern University — seemingly reckless acts for a man who champions reason and objectivity, and presumably values a clear mind — and later struggled with alcoholism. "I've often shuddered thinking back to the 1970s, wondering how I actually survived," Brudnoy writes. "I had no recognition of the effect my alcohol intake was having on me until one night on radio we did a program specifically designed to find out." As part of a highway safety program, Brudnoy agreed to drink ounce after ounce of gin. "By the time I was taken off the air and left to whimper in the corner while the police officer took over the show, I had tested at .29 on the Breathalyzer; .30 is comatose. A close miss, but not sufficient to get me to put my drinking excesses in check."

Give Brudnoy credit for sexual frankness. He lets it all hang out in his R-rated confessional, which devotes almost as much space to his risky one-night stands — including an experiment with sadomasochism — as to his intellectual and political development.

To many of his radio listeners in 38 states, Brudnoy remains an entertaining paradox — a conservative on some issues, liberal or libertarian on others. In his memoir, Brudnoy describes his

approach as an unusual fusion. "I felt comfortable nesting with conservatives on economic matters and in their opposition to communism; I felt more comfortable with liberals on social matters — at least then I did, before much of liberalism simply flung itself into the oncoming path of the New Left."

Brudnoy's early enthusiasm for Ayn Rand was quenched when he heard her speak at a Boston forum. Rand was

viciously unsparing of anybody who criticized her, as she saw it from ignorance. We encountered for the first time her disciple Nathaniel Branden, then as blisteringly unsympathetic as Rand was herself . . . I felt embarrassed watching this brilliant woman and her young acolyte sneering at those who hadn't yet received the full Randian gospel, and I felt that embarrassment particularly because I recalled how evangelical I had been at Yale, trying to shame my classmates into joining the NAACP, trying to inflict my superior wisdom on the deficient, puny intellects of those who had dwelled in darkness and hadn't yet seen the great light that I did.

More influential on his thinking was Theodore Schroeder, the subject of his doctoral dissertation. Brudnoy describes Schroeder as a "quirky libertarian" whose early 20th century work helped inspire the creation of the American Civil Liberties Union, but again he fails to explain what he means or explore in depth his intellectual coming-of-age. Without going into detail, Brudnoy also faults some libertarians for lacking compassion and for their "bloodless, icy" rationalism.

It's Brudnoy's life, and he certainly has a right to live and tell it as he chooses. Still, one wishes for more detail on his crusading journalism, which began with a splashy 1968 *National Review* cover story critiquing black-power politics. Ironically, considering Brudnoy's early liberalism and life-long commitment to equal liberty for blacks, his greatest regret is his insensitivity to blacks, evidenced in recent years by two slips of the talk-show tongue that raised a ruckus in Boston. Ironical indeed, since, flush with the idealism of the civil-rights movement, he had abandoned Harvard's graduate program in East Asian studies to teach at all-black Texas Southern

University in Houston in the early '60s. There, however, Brudnoy committed what he considers his greatest sin: as head of the honors program, his first act was to dump arbitrarily many students for insufficient grades — without even interviewing them to find out their family, job, or academic circumstances. Only years later did he think about the young lives and future careers he may have harmed. Obviously Brudnoy is no racist — whatever the opportunistic charges of his political enemies in New England — but an individualist with a disconcerting and contradictory blend of compassion and insensitivity.

It is ironic that Brudnoy seems more concerned with unkindness or insensitivity to blacks or former students than he is with his own swipes at other gays. During his heyday as a commentator with several national media outlets, Brudnoy once described homosexuality as "the love that once dared not speak its name and now won't shut up." He repeats that admittedly humorous (albeit mildly homophobic) update of Oscar Wilde's famous phrase in his preface, an awk-

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*Why haven't Brudnoy's conservative friends extended their personal sympathy for a friend into a more humane support of individual rights for all — including gays?*

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ward attempt to convey his continued discomfort with telling all — and especially with gay leftists who insist upon making everyone's sexuality a matter for public discussion.

For libertarians, this memoir may seem like a missed opportunity. Despite its increasing influence worldwide, libertarianism remains a political philosophy in desperate need of deeper explanation for a popular audience. Brudnoy's book might have doubled as a persuasive autobiography of ideas, in the mold of Albert Jay Nock's *Memoirs of a Superfluous Man*. (Of course, if it had chronicled a more substantially libertarian coming of age, *Rehearsal* likely wouldn't have received the book-

jacket endorsements of both libertarian fellow-traveler P.J. O'Rourke and ultra-liberal Sen. Edward Kennedy.)

Brudnoy also neglects to outline a libertarian view of gay rights, although he can't resist a jibe at the contradictions of today's predominant attitude:

No wonder a society that disdains nonheterosexual behavior, that stigmatizes promiscuity in theory (though not necessarily in practice as long as it's heterosexual), has erected a Catch-22 for gay people: you're despicable because you're promiscuous, but we certainly won't let you marry and have some social reinforcement for abandoning promiscuity.

Sadly, that is the book's only serious comment about gay rights. Talk about a missed opportunity!

An avowed agnostic, Brudnoy nevertheless found himself listening to a psychic healer who intuited a connection between his failing health and split persona. One need not believe in supernaturalism to see the validity in Brudnoy's dawning realization:

Perhaps part of what helped me survive a medical condition that had doctors about to give up on me entirely involved that uniting of my public and private lives . . . as soon as my entire life was public knowledge and I had nothing to hide and no desire to do so, I began to recover.

CBS, ABC, NBC, *People*, *Time* and *USA Today* were attracted to the "bizarre cliché" of a conservative celebrity who is gay and has AIDS. But Brudnoy's bracing tale shatters stereotypes that prevent too many people from thinking clearly and seeing others freshly. As a gay libertarian journalist, I couldn't help identifying with him. Others who don't share his occupation, sexuality, or politics may find *Life Is Not a Rehearsal* alternately frustrating and enlightening in the subtle and sometimes evasive ways it touches upon the links between personal freedom, personal liberation, psychological well-being, and physical health. Individually and collectively, we pay a more painful price than many of us suspect for political or psychological repression. Conversely, when we find the courage to live freely and honestly, we release powerfully integrative energies. Freedom heals. So does the truth — however belated. □

***Blood and Belonging: Journeys into the New Nationalism*, by Michael Ignatieff. Noonday Press, 1995, 201 pp., \$11.00 (sc).**

# Nationalism: Good, Bad, and Invented

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Martin Tyrrell

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Forget Francis Fukuyama. Since the Cold War thawed, history is back in business. So, at any rate, claims Michael Ignatieff, who here surveys its first five years by travelogue. Germany, the Ukraine, Northern Ireland and the former Yugoslavia are among his stopovers in a book which readily gives itself away as the series of soundbites that accompanied the author's eponymous BBC television series. Here are words first spun over photogenic images of, *inter alia*, tank battles, riots, and neo-Nazi skinheads on the march. Frequently, therefore, that fine line between eloquence and blarney gets crossed, while the liberal sprinkling of names and theories — Ernest Gellner, Theodor Adorno, Benedict Anderson — is ultimately more swank than scholarship.

Insight is sparse. Ignatieff, snooty enough when it comes to the glibly satisfying fable histories of nationalist ideology, has a fable of his own. It goes like this: the twenty-first century has already begun. It has been underway since 1989's brief and farcical "Autumn of Love." But lately things have gone wrong. The script said "liberal democracy." Instead, we got a New World Order that is increasingly proving neither orderly nor new. Nationalism is its mode. With the Soviet Bloc gone the way of those other great multinationals, the Habsburg and Ottoman empires, scores deferred for generations can now be settled.

Worse still, another kind of internationalism itself, one closer to home, is

also threatened. Ignatieff confesses that until recently, he and his peers could imagine themselves uninvolved, cosmopolitan, and upwardly mobile — certainly above nationality. Now he is not so sure. *Blood and Belonging* is, in part, his coming to terms with changed circumstances. Look forward, this cheerless author recommends, to "paramilitaries drunk on plum brandy and ethnic paranoia, trading shots with each other across a wasteland."

Yet there is hope, in what Ignatieff calls "civic" nationalism: "the only guarantee that ethnic groups will live side by side in peace is shared loyalty to a state, strong enough, fair enough, equitable enough to command their obedience" (185). In sharp contrast to this "civic nationalism" — the nationalism of Britain, France and the United States — is the "ethnic" nationalism of Germany and of states (e.g. Serbia) which have fallen under the wicked German spell. Ethnic nations are defined "racially" and are all about exclusion. Civic nations are different; more inclusive. Ignatieff has them color and culture blind, not to mention language and dialect deaf. And whereas ethnic nations like Germany are fragile, reliant upon some "defining Other," civic nations are healthier, more confident. In *Blood and Belonging*, the civic nation is almost a kind of club, membership of which can be had by voluntary subscription. And for a lapsed cosmopolitan like Ignatieff, it is the new ideal.

It is also wishful thinking. There are no nation-states like the civic nation-states Ignatieff has in mind. Certainly none of his principal contenders meet the criteria. The nationalisms of Great Britain, the United States, or France are

ultimately no more inclusive, no less ethnic, and no less dependent upon the "defining Other" than that of Germany. Where, for example, was civic nationalism in the United Kingdom during the eighteenth, nineteenth, or even early twentieth century? Britain excluded Roman Catholics in particular from political and public life until well into the 1800s. No surprise there. As Linda Colley reminds us in *Britons: Forging the Nation, 1707-1837* (1992), evangelical Protestantism was perhaps the most important strand of national ideology during the formative years of the British state. Britain was the new Israel, righteous among blasphemers and infidels; defining Others — Catholics, France, Jacobites — all were grist for its ethno-sectarian mill. And in the hundred years or so it took the British state to become recognizably national (roughly the period from 1690 to 1800), Britain fought at least half a dozen major wars with the French and suppressed three Jacobite rebellions.

Similar things can be said of any other "civic" nation. The original French Republic, for example, was the first to try and impose linguistic homogeneity, and in its expansionist phase mobilized citizens on the basis of this and other ethnic criteria. (It was principally in defensive imitation of the virulently expansive, revolutionary French state that German nationalism developed in the early 1800s.) As for the United States, white Protestants (mainly of British descent) dominated the nation's politics until the 1900s, with Native Americans, Catholics, blacks, Hispanics, and Asians relegated to lower grades of citizenship or to no citizenship at all.

In erroneously attributing racial nationalism primarily to the Germans, Ignatieff follows Elie Kedourie, whose *Nationalism* (1960) tendentiously equates the linguistic nationalism of Johann Gottfried Herder with twentieth century German fascism. "The Nazis," Kedourie writes, "only simplified and debased the ideas implicit in the writings of Herder" (66). But Kedourie himself then goes on to name Charles Maurras and the Comte de Gobineau (both Frenchmen) as the pioneers of racial nationalism. In fact, until very recent times, race and nationality were almost synonymous. Contrary to what Ignatieff alleges, there is no non-

racial, civic nationalist tradition. And when, from the late nineteenth century through to the 1940s, a wave of nationalistic Social Darwinism swept most of the great powers and science supplanted religion as the new rationale for excluding others, Ignatieff's "civic" nation-states were not immune. The writings of William McDougall, most notably *The Group Mind* (1920), offer a sample of this kind of thinking. To McDougall, Irishmen constituted an inferior, under-assimilated sub-race of the British, and black Americans represented "a menace to the national life" of the United States. Britain, France, and America were "nations of the higher type" at risk of being over-

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*Nationalism is by definition  
a form of exclusion. If there is  
no "them," there is no "us."*

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whelmed by both racial minorities and by their own lower classes, who were breeding much faster than their more prosperous "superiors." McDougall's unambiguously racist nationalism remained respectable in the English-speaking "civic" nations until after the Second World War — when in the flush of Allied military success and shame over racism's genocidal consequences, such views came to be attributed to Germany alone.

When Ignatieff talks up or down the chauvinism in any particular nationalism, then, he is simply cherry picking. And that is itself reflective of a kind of chauvinism. The truth is that nationalism is almost by definition a form of exclusion. If there is no "them," there is no "us." The largesse of civic welfare states, for example, is strictly limited to the territorial in-group, and many policies enacted for the supposed good of "our" nation (import controls, immigration quotas, war) are positively disadvantageous to most others. In theory if not practice, German nationalism is, on balance, morally indistinguishable from the nationalism of most allegedly "civic" nations, as will become clearer when victor propaganda from the First and Second World Wars ceases to be a living memory.

Nationalism, then, is always and

everywhere ethnic; "civic" order more properly describes a state that is ceasing to be nationalist — less reliant on real or imagined homogeneity. Japan aside, such states are now the norm among industrialized nations. Immigration, multinational business organizations, supranational, regional and "identity" politics, and the rise of information technology: all these characterize modernity — and all, as Matthew Horsman and Andrew Marshall note in *After the Nation-State* (1994), operate against nationalism. Nationalism is in long-term decline, and *Blood and Belonging* overstates its modest and wholly relative revival.

Ignatieff is overly fond of the psychoanalysts' "narcissism of minor differences" (broadly, the notion that there is often little of substance to inter-group rivalries, just trivialities made large by ideology). He is particularly keen to use it when faced with people who are not to his taste: the Serbs, for example, or the Protestants in Northern Ireland. These, he suggests, are communities fighting over nothing, against neighbors with whom they have almost everything in common.

But in this respect at least, Serbia and Northern Ireland are nothing special. Some of the world's oldest borders divide peoples who display minimal ethnic differences. Think of the rivalries between England and Scotland; Canada and the United States; Poland and Russia. It is these cases, where the underlying ethnic differences are too small to bother with, that are most worth investigating in detail.

Detail, however, merely irritates Ignatieff, who grows impatient every time the Serbs retell the history of their conflict: "the invective sweeps up the anti-Serbian crimes of Churchill, Roosevelt, Stalin and Tito into a rhetorical flow as muddy as a spring torrent" (35). Yet how are civic nation-states to distinguish themselves from one another, if not by some sort of ethnic or quasi-ethnic differentiation? Ignatieff is surely not proposing a world of interchangeable states called "A," "B," "C," and so on. And he is set against any kind of ethnic or cultural exclusivity. But whether Ignatieff likes it or not, civic nation-states will continue to distinguish themselves through precisely the kind of narcissistic small differences he especially disdains.

In the end, then, Ignatieff's civic nationalism is quite simply too good to be true. Too inclusivist and open a civic nation-state will be scarcely national at all. But if it attempts to work up any kind of national identity within its territory, it will quickly move in the direction of exclusivity, of us and them, of a fragile ethnicity based on the smallest of politicized distinctions. Finally, therefore, I think that what Ignatieff calls "civic nationalism" is just the nation-state without the nation, the nation-state in gradual eclipse, an eclipse for which we liberals (whether classical or Clintonite) have our liberalism to thank — or blame. On the one hand, international free(ish) trade has undermined national autarchy; on the other, individualism has greatly reduced the power of the state to exclude and to foster the

sort of homogeneity that produces a national interest and a sense of national duty. Nationalism has costs — war, economic inefficiency — and as people become politically and economically empowered, they grow less willing to pay them. None of which is to say that ethnic (or similar) distinctions — in-groups or out-groups — are about to disappear. On the contrary, in the absence of nationalism — of nationstatism — we might even find that collectivism continues in the form of smaller and, occasionally, more fanatical collectives. The present politics of big and bigger government gives them spoils over which to fight. The question for our time is whether the group identity so many people seem to need can be enjoyed — and paid for — without the state. □

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*The Future of Capitalism*, by Lester Thurow. Morrow, 1996, 327 pp., \$25.00 (hc); Penguin, 1997, \$13.95 (sc).

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# The Resurrection of Richard Nixon

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Oliver Becker

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One thousand years ago, Europeans from the lowest serf to the mightiest king were feeling a deep angst. The new millennium, many believed, would mean the end of the world, or at least a profound change in their everyday lives. Not surprisingly, fortune-tellers did good business reading crystal balls and the intestines of farm animals.

As the current millennium draws to a close, fortune-tellers are again doing land-office business. Their methods this time are different, but not necessarily more sophisticated. Today's prophets do not gaze into entrails and glass orbs, but rather at economic data,

technological developments, and political trends. And in a flood of books they tell us, in highly simplified ways, the future of war, international politics, and, most important, the international economy — and thereby of our personal fortunes in the next century.

One of the most successful of the recent crop of economic fortune-tellers is Lester Thurow, whose *The Future of Capitalism* has been a runaway commercial success (for a book on economics) thanks to its pleasing style and appeal to Americans' economic anxieties.

## The Five Bromides

After an interesting but overly general introduction, Thurow leaves economic science and hard facts behind, delving into a mixture of platitudes and

unsupported assertions. Five forces, he divines, will shape the future economy: the end of communism, the increasing importance of knowledge and skills for so-called "brainpower industries," the aging of the population in industrialized countries, the globalization of the economy (with a related decline in American wages), and the emergence of a "multipolar" world in which no single country can dominate the others. All these, of course, are tendencies that the average newspaper reader is well acquainted with. But the last one seems odd, considering America's absolute dominance in world diplomacy, as well as the fact that it has by far the most vibrant economy of all industrialized nations.

Globalization of the economy is the trend Thurow perceives as most important. This is a cliché which everyone seems to use for any imaginable purpose. But it is not a recent development. In fact, the percentage of GDP which goes into foreign trade in many developed countries is now about where it was at the turn of the century.

According to Thurow, however, globalization is causing U.S. trade deficits which will soon prove unsustainable. The declining value of the dollar, he predicts, will cause huge losses for holders of the American currency, who will respond by dumping their dollar holdings as quickly as they can. Foreign suppliers will no longer accept payment in dollars, and the U.S. will be forced to balance its trade deficit by reducing imports, which will in turn cause an economic disaster in the export-oriented Asian economies.

Scary stuff. But the steady appreciation of the greenback over the last 18 months alone seems to refute Thurow's predictions — and it should be added that the exchange rate theory underlying these predictions is far from universally accepted among economists. Hard evidence for these gloomy predictions is thus conspicuous by its absence.

If Thurow's diagnosis seems to be merely a collection of bromides, the therapy he proposes is not an inch better. He advocates an easy-money policy to spur economic growth and create jobs. Obviously he still believes in a trade-off between inflation and unemployment, an idea that fell into disrepute in the mid-1970s when both rose simultaneously, and which is nowa-

days held only by paleo-Keynesians.

When arguing that interest rates ought to be lowered by the Fed, Thurow asserts that the Consumer Price Index overstates inflation — a fact he conveniently fails to mention when arguing that real wages have fallen.

Thurow laments the supposedly inadequate education that many American workers receive in comparison to their counterparts in Europe, Japan, and the Asian Tigers, and argues for more government spending to

remedy the gap. But he ignores the fact that the U.S. is already spending more money per student than those countries.

### Failed Solutions

When the author does have an original idea, he rarely thinks it through. Thurow proposes, for instance, to redesign the tax system around a consumption tax instead of an income tax. This means that each citizen would have to pay taxes in proportion to his consumption, independent of income. The pur-

pose is to relieve the burden on productive people, increase savings, and increase taxes on recipients of transfer payments such as Social Security and welfare. Economists have discussed different versions of the consumption tax, and Thurow remains vague about his own version. But he does want it to be progressive — so that everyone who consumes more would not only have to pay more taxes in absolute terms, but also a higher percentage of taxes on consumption exceeding a certain amount. The main evil of the current tax system — the redistribution of wealth from its creators to selected loyal voter groups — would thus remain unchanged. And unlike a national sales tax (another alternative to the income tax), a consumption tax would lead to a much more sophisticated system of taxpayer surveillance.

Thurow's favorite proposal to prepare America for the changes ahead is "social investments" — government

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*Unlike a national sales tax (another alternative to the income tax), Thurow's consumption tax would lead to a much more sophisticated system of taxpayer surveillance.*

expenditures on infrastructure, education, and research and development. To Thurow, private enterprise is too focused on short-term gains to make sufficient investments of this kind, and so government has to do it. This is his most preposterous notion. Time and again, the behavior of American politicians has revealed a time horizon of a single election cycle.

In a time when center-left politicians and economists have no idea where the world is heading, and no vision of their own, Thurow had the opportunity to lead them out of their intellectual wilderness. He could have focused on the increasingly obvious failure of government to manage the economy and on the success of markets. Instead, he presents the same tired analysis of the economy that conventional thinkers offered a generation ago. Worse still, the therapy he recommends is a leftover



from the 1970s, when Keynesian policies resulted in high inflation, high unemployment, and high taxes, combined with low economic growth and a weak stock market.

Is *The Future of Capitalism* worth

reading? Yes and no. Lester Thurow may have little to offer besides the stale, discredited nostrums of Nixonomics — but he has at least provided final proof of the intellectual bankruptcy of liberal economists. □

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**Darwin's Black Box: The Biochemical Challenge to Evolution, by Michael J. Behe. Free Press, 1996, 307 pp., \$25.00 (hc).**

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# Darwin Defied

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Jane S. Shaw

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Two pillars of modern thought — the legacies of Marx and Freud — have recently fallen. Michael Behe is out to topple a third, the neo-Darwinian synthesis.

Recently, while exploring the impact of Darwinian evolution on Christianity, I discovered that Darwinian evolution does not have the broad and deep public support that I thought it did. Though biologists generally accept it, 47% of the American people do not, according to a poll quoted by Daniel Dennett in his recent book *Darwin's Dangerous Idea*. Furthermore, disputes and disagreements riddle evolutionary biology, although it isn't fully clear how profound these disputes are.

Until now, however, defenders of the neo-Darwinian synthesis haven't had to face many scientific assaults. I know of just one — Michael Denton's 1986 book, *Evolution: A Theory in Crisis*. Denton argued that the differences in the molecular sequence of proteins supports the traditional classification of species and give no support to the idea of evolutionary links. Whether this is a major challenge, I'm not sure, but in any case the book seems to have been largely ignored. Michael Behe's argument is more fundamental.

## The Lives of a Cell

A biochemist at Lehigh University, Behe argues in *Darwin's Black Box* that the understanding of molecular biology

that has emerged during the second half of the 20th century makes it impossible to accept that the theory of speciation by random mutation and natural selection explains much about the history of life. (Behe doesn't deny that Darwinian evolution explains some speciation, such as that occurring in isolated environments.) Forget the gaps in

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*Until now, defenders of the neo-Darwinian synthesis haven't had to face many scientific assaults.*

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the fossil record, says Behe. (Critics of Darwinian theory make much of the fact that it is hard to find "missing links" between reptiles and birds, for example, or between fish and amphibians.) Forget the long-running conflict (beginning in Darwin's day) over whether complex organs such as the eye can be explained as a series of small steps. Modern biochemistry has opened the cell — the "black box" that Darwin knew almost nothing about — to reveal a factory full of complicated molecular machines that control the fundamental processes of life.

The cell's machinery, Behe argues, defies Darwinian explanation. As most scientists understand it, evolution occurs through a series of slight modifications, each of which gives the creature who has it an advantage in reproduction in its particular niche.

That advantage, through natural selection, leads to an increase in the numbers of that creature's offspring. Richard Dawkins, in his 1986 book *The Blind Watchmaker*, stated flatly that "not a single case is known to me of a complex organ that could not have been formed by numerous successive slight modifications. I do not believe that such a case will ever be found. If it is . . . I shall cease to believe in Darwinism (91)." But Behe contends that many of the activities in cells are "irreducibly complex" and cannot have evolved by this process. By "irreducibly complex," Behe means "a single system composed of several well-matched, interacting parts that contribute to the basic function, wherein the removal of any one of the parts causes the system to effectively cease functioning" (39). Stating the issue another way, he says: "If a biological system cannot be produced gradually it would have to arise as an integrated unit, in one fell swoop, for natural selection to have anything to act on" (39).

To illustrate this complexity, Behe leads the reader through the blood-clotting process (for non-biologists this gets tedious pretty quickly). When an injury causes bleeding, fibrinogen (a composite of proteins found in the blood plasma) forms a clot. But getting to that point involves a series — a "cascade" — of activities involving 20 or so proteins. A protein called thrombin must change the fibrinogen (by cutting off some of its protein chains) into fibrin; the sticky patches that result from this trimming enable it to stick to other fibrin molecules, forming long threads and ultimately a mesh that entraps blood cells. But the thrombin has to be activated as well (if it weren't inactive most of the time, it would be continually activating fibrin, creating clots where they weren't needed and stiffening the circulatory system). A protein called Stuart factor and another protein called accelerin activate thrombin (starting with prothrombin, the inactive form), but only after ten of prothrombin's amino acid residues are changed so that they can bind calcium and attach to cell membranes. Otherwise, thrombin can't be activated. Activating the Stuart factor involves six or seven additional proteins acting upon one another. And then there is the complicated process that stops the

clotting, which Behe also describes.

Behe gives us similar detailed accounts of the intra-cellular transport system, the immune system, and the manufacture of AMP, a cellular building block. He goes to some pains to illustrate these with somewhat overdone analogies to such things as a space probe, a Rube Goldberg machine, and a cargo delivery system. Behe persuades us that biochemical processes are extremely complex — and these are just a few of the processes life depends on!

But are they *irreducibly* complex? Behe's point is that each component is essential to the process, so a partial sys-

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*Behe's point is that each component is essential to the process, so a partial system could not have provided the advantage necessary for natural selection to occur.*

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tem (which must have existed before the complete system, if the complete system evolved) could not have provided the advantage necessary for natural selection to occur. For example, if either Vitamin K or the antihemophilic factor is missing, hemophilia results. How could the blood-clotting process have evolved without including them? Behe argues that the neo-Darwinian synthesis cannot explain such "irreducible" complexity.

Behe has some other evidence to support his skepticism. He has reviewed the *Journal of Molecular Evolution*, established in 1971 to publish research explaining the development of life at the molecular level. Looking over

the journal's history, Behe concludes that none of the papers "has ever proposed a detailed model by which a complex biochemical system might have been produced in a gradual, step-by-step Darwinian fashion" (176). Most of the papers are comparisons of the amino-acid sequences in proteins or of the nucleotide sequences of DNA. In Behe's view, the journal hasn't published articles about the evolution of biochemical processes because the information doesn't exist.

One of the few serious attempts to suggest how the blood-clotting process might have evolved (published in a different journal, *Thrombosis and Haemostasis*) supports Behe's point that no one has the knowledge even to hypothesize such evolution in any detail. Written by Russell Doolittle, an expert in blood-clotting biochemistry, this outline of possible evolution attempts to show that random mutations of genes for proteins might have created the components. But Behe contends that the odds against mutations actually creating useful parts are astronomical. Furthermore, in Doolittle's outline, vital proteins are created before their activators take shape. Such inactivated proteins, while highly unlikely in the first place, would have "nothing to do" and would probably be eliminated by natural selection (95-96). Doolittle appears to recognize the difficulty. He introduces his outline by saying, "Various metaphors can be applied to [blood clotting's] step-by-step evolution: action-reaction, point and counterpoint, or good news and bad news. My favorite, however, is yin and yang" (91).

But metaphors aren't good enough for Behe. He examined thirty major biochemistry textbooks to see how they treat the subject of evolution and found

that many simply do not. Eleven of the thirty have no entries in the index referring to evolution. The theory of evolution is rarely analyzed or explained, he says. It is just assumed. "Many students learn from their textbooks how to view the world through an evolutionary lens," he says. "However, they do not learn how Darwinian evolution might have produced any of the remarkably intricate biochemical systems that those texts describe" (183). The reason? Again, he thinks that no one knows how biochemical systems could have evolved.

### Behe's White Box

Behe concludes that the complexity of cellular processes is a sign of "intelligent design." He doesn't say that the designer has to be supernatural — he makes a distinction between accepting design and identifying the designer. But he thinks it is time to recognize intelligent design as a fact, even though it may be impossible to explain how it got there. Behe points out that "the his-

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*Behe thinks it is time to recognize intelligent design as a fact, even though it may be impossible to explain how it got there.*

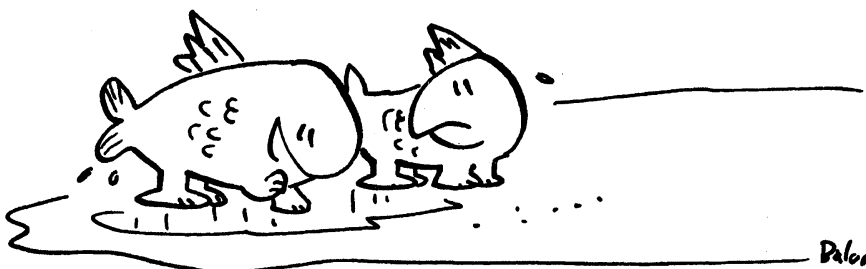
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tory of science is replete with examples of basic-but-difficult questions being put on the back burner" (251). Newton didn't know what caused gravity, and today cosmologists accept the Big Bang theory of the universe's origins without knowing what caused it.

Now, is this a genuine challenge to the neo-Darwinian synthesis?

A few talented writers, including Daniel Dennett and Richard Dawkins, have taken on the role of advocates for Darwinian evolution. Serenely confident that Darwinian synthesis is the only explanation for the origin and history of life on earth, each has written several books about evolution to help friends and critics understand it better.

Some of the arguments that Dawkins has made could probably be applied to Behe's critique as well. In *The Blind Watchmaker*, for example,



"Hey, neat — my toes aren't wrinkled any more!"

Dawkins dismissed most criticism of the evolutionary hypothesis by calling it the "argument from personal incredulity." People are awestruck at marvels of nature such as the eye, he explained, and they believe that "anything so wonderful as this could not possibly have evolved by natural selection." But such amazement "is not an argument, it is simply an affirmation of incredulity" (Dawkins, 91). Dawkins also dismissed intelligent design, arguing that those who invoke it "assume the existence of the main thing

we want to *explain*, namely organized complexity" (Dawkins, 316). In other words, God is no explanation, because you still have to explain God.

Daniel Dennett's arguments could likewise be invoked to counter Behe's design hypothesis. Dennett acknowledges that intra-cellular processes reflect design — a lot of design. But that doesn't imply "intelligent" design. Darwinian evolution proceeds by mindless algorithms, automatic processes that "design in" features over time through chance and interaction

with the environment, not through any plan.

## The Evolution of the Science

But Behe is right about at least one thing: detailed knowledge of evolutionary processes is sparse. Dawkins' and Dennett's books are full of witty talk about computer simulations ("biomorphs" and "forced moves in the Game of Design"), stories of evolutionary "arms races" between predator and prey, and, in general, discussions of things that could have happened or

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might have happened. But they don't say much about what really did happen! Over time, of course, scientists may well find evidence explaining how evolution could account for the complex processes that Behe describes. Such evidence might indicate, for example, that those blood-clotting "factors" were not merely sitting around doing nothing, but served some function that was later made obsolete by evolutionary change. But it appears that these explanations do not exist now. Unless scientists know more about intracellular processes than Behe thinks they do, Behe's challenge seems to be a legitimate one.

Creationists (who generally rely on the Bible to explain the origin of species) often like to say that Darwinian natural selection is "just a theory." They are ridiculed for that, but in essence they are correct. As Dawkins says in the closing chapter of *The Blind Watchmaker*, Darwinian evolution "is the only theory we know of that is in principle capable of explaining the existence of organized complexity. Even if the evidence did not favor it, it would still be the best theory available!" (317). Dawkins believes that the bulk of the evidence supports Darwinian evolution. But Behe (though he is not a creationist) has now brought forward evidence that challenges the theory's explanatory capability.

Nor is he completely alone. Nobel laureate Sir Francis Crick, whose co-discovery with James Watson of the structure of DNA was a critical step forward for microbiology, has speculated that life on earth may have begun through spores sent from another planet. Apparently, says Behe, Crick, too, finds "the undirected origin of life to be a virtually insurmountable obstacle" (248). (At this point we are going beyond Darwin, who did not write about the origin of life itself. However, Darwinians today generally assume that life both originated and developed through the same undirected evolutionary process.)

Yes, Behe's claim of "intelligent design" may turn out to be wrong. But he has re-opened a door that was slammed shut a century ago. He has put some new ideas on the table. And when scientists start tossing around dangerous ideas, who knows where it all might end? □

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