Liberty

November 1990 Vol 4, No 2 $4.00

Investment Advisors Confess: "What's Wrong With Investment Advice"

Why We Should Leave the Middle East

by Sheldon Richman

You, Too, Can Be Drafted into the War on Drugs

by David Hudson

Searching for the Home of Truth

by R. W. Bradford

Sex, Drugs and the Goldberg Variations

by Richard Kostelanetz

Also: *Leslie Fleming* from the family farm; *Stephen Cox* on Armageddon; *Ronald Lipp* from Eastern Europe; *David Friedman* on why we do right; and other articles and reviews.

"The history of Liberty is the history of limitations of government power." —*Woodrow Wilson*

Letters

Job's Jobs

It seems to me, a Christian, that libertarians and classical liberals could take a different view of Job than the angry cynicism of David Starkey's poem ("The Submission of Job," September 1990). Job ended up doubling his wealth (Job 42: 12, 1: 2–3), surely a respectable reward for his suffering. Job was a political leader (1: 3, 29: 7–25), but he probably spent as much time running his ranch as running his country (judging by his ranching success); ruling wasn't a full-time job even for 1:3's "greatest man . . . of the East" (New International Version). No welfare program tried to help him in his distress, and no regulations kept him from regaining prosperity (with Yahweh's blessing) after his family and friends got him venture capital (42:11). What libertarian wouldn't prefer Uz to the U.S.?

The Job of Starkey's poem reminds me of Van Til's little girl who must sit on the Father's lap in order to slap His face. Complaints about justice presuppose the universal and just God of the Bible; a lesser deity or none at all reduces complaints to personal pique, and no binding standard makes one person's pique binding on another. Tactical prudence might elicit compliance, but what god (and I too am on my Father's lap) would be pleased with submission as Starkey's Job offered? Better submit to the Bible's God in His way. Maybe Starkey could write eloquent poetry about submission to Stalin or Social Security, or even (with a different tone) to Yahweh.

Andrew Lohr
Lookout Mountain, Ga.

Oh Say Can't You See?

Chester Alan Arthur asserts that the Supreme Court "can't figure a way to make flag burning exempt from the very plain meaning of the First Amendment" ("Lip-reading," September 1990). Allow me to offer two. For purposes of this exercise I'll even stipulate that flag burning is "speech," OK?

Not all speech is protected by the First Amendment. There is considerable (U.S. Supreme Court) precedence holding that obscenity is not protected. Nor is commercial speech, nor are so-called "fighting words." These last are words which according to the court are "likely to provoke the average person to retaliation." This might include racial, ethnic or religious slurs and perhaps just calling someone an S.O.B. If in fact Gregory Johnson's flag burning was "speech," it was certainly "fighting words"—if the outrage of vast numbers of Americans is any indication. Indeed, the whole purpose of the burning was to outrage, to provoke, otherwise why bother? As fighting words, this "speech" is not protected. Simple, huh?

Or, try this. The burning of the symbol of The United States of America is obviously the symbolic means of calling for the violent overthrow of the government thereof. This adheres to our enemies (who also burn American flags), giving them aid and comfort. In short, this is an act of treason as recognized by Article III, section 3 of the Constitution and is clearly not constitutionally protected.

On the bright side, it is comforting to know that if I were to "moon" the Honorable Justices as a demonstration of my political displeasure with their decisions, they'd understand and even support my right to do so.

Warren Michelsen
Page, Ariz.

Randiana qua Libertariana

Hospers's article on Rand ("Conversations with Ayn Rand," July 1990) was the best piece of Randiana I've read and the best thing I've seen in *Liberty*. Every sentence had the ring of truth, and he was careful to stop where his memory stopped.

Thomas Porter
Reseda, Calif.

Dotting the I's, Crossing the T's, Changing the Numbers

John Hospers' approach to philosophy may be superior to Rand's ("Conversations with Ayn Rand [part 2]," September 1990), but about parapsychology she was right and he was wrong.

We now know that S. G. Soal, co-author of *Experiments in Parapsychology*, was a fraud. Careful statistical analysis of one his experiments, possibly the same one Hospers describes so glowingly, indicates that he altered his target numbers after he got a look at the guesses of his "psychic" subjects, to produce as many matches as he desired. Specifically, he changed the numeral 1, which he wrote with a short stroke, into a 4 or 5, as needed.

Taras Wolansky
Jersey City, N.J.

Final Determinations

Hospers was very sloppy in his discussion of determinism; if determinism is true, then doing something because one wants to (i.e. one wills it) is impossible because antecedent causes have predetermined what one "wants" (which includes not only the choices available but also what one will choose). The falseness of determinism can be revealed when one realizes that one can truly change one's mind, in spite of powerful existential factors; it is easy to ignore that "values" can only have meaning to beings who can freely choose them. (I find it hard to believe that it took Ayn Rand so long to change her mind about Mr. Hospers and his "Green Party" intuitions.)

Alexander N. Knight
Rochester, N.Y.

Rand Derailed Freedom's Train

John Hospers didn't mention it in his last article about his relationship with Ayn Rand, but years after their last meeting when he was running for president in 1972 as the candidate of the newly formed Libertarian Party, Rand was asked at a Ford Hall Forum what she thought about Hospers's candidacy. Her reply was something to the effect that Hospers was nothing but a publicity-seeking crank, and that the best candidate to vote for was Richard M. Nixon, for to do otherwise would be to risk sending our nation down the track aboard George McGovern's hell-bound train.

Like many libertarians, I had been greatly influenced and inspired by Rand's books and articles, but I also had grown increasingly uneasy with Rand's public inconsistencies—such as when she said anti-Vietnam War draft resistors should be shipped off to Russia—so her flippant rejection of the Libertarian Party was the last straw for me. I also wasn't much impressed with her shabby treatment of Hospers, whom I had met at the Libertarian Party's founding convention

continued on page 4

Liberty

R. W. Bradford
publisher & editor

Stephen Cox
Karl Hess
senior editors

Douglas Casey
Brian Doherty
David Friedman
Robert Higgs
Mike Holmes
John Hospers
Richard Kostelanetz
Loren E. Lomasky
Rex F. May
William P. Moulton
Ross Overbeek
Ralph Raico
Sheldon L. Richman
James S. Robbins
Jane S. Shaw
Thomas S. Szasz
Ethan O. Waters
Leland B. Yeager
contributing editors

Timothy Virkkala
assistant editor

Kathleen Bradford
copy editor

Scott J. Reid
editorial assistant

Liberty (ISSN 0894-1408) is a review of libertarian and classical liberal thought, culture and politics, published bi-monthly by Liberty Publishing, 1532 Sims Way, #1, Port Townsend, WA 98368 (Mailing Address: PO Box 1167, Port Townsend, WA 98368). Subscriptions are $19.50 for 6 issues, $35.00 for 12 issues. Foreign subscriptions are $22.50 for 6 issues, $41.00 for 12 issues. Single issues are $4.00 each, plus $1.00 for postage & handling.

Second-Class Postage Paid at Port Townsend, WA 98368, and at additional mailing offices. POSTMASTER: Send address changes to Liberty, PO Box 1167, Port Townsend, WA 98368.

Manuscripts are welcome, but will be returned only if accompanied by SASE. Queries are encouraged. A Writer's Introduction is available: send request and SASE to the address above.

Inside Liberty

November 1990
Volume 4, Number 2

Letters *(continued from page 2)*

in Denver, and whom I considered a courageous, generous man for offering to carry the party's banner its first time out.

Mark Coleman
Honolulu, Hawaii

Up the Hatch

Everything Brian Doherty wrote in "Down the hatch" (September 1990) is wrong. The attempt to reform the Hatch Act has nothing to do with on-duty political activity. Rather, it is an attempt to restore the privacy and First Amendment rights of federal employees *on their own time only*.

The reality of the existing Hatch Act is that individual federal employees are reprimanded, embarrassed and fired for the most minuscule acts committed in their own private lives. While I was a federal employee, I was ordered to go to account to the head of personnel. My crime? I had signed a petition to get some candidates for office on the ballot. A friend of mine was fired because he helped out a friend making a bank deposit of the proceeds of a fund-raising dinner. The dinner was to raise funds for a third party presidential candidate. The hapless employee did not even attend the dinner; he merely helped out by depositing the proceeds in the bank.

Furthermore, federal employees in general are more sympathetic to libertarian ideas than is the public at large. That is because federal employees know firsthand the incredible stupidity and wastefulness of so many federal programs. It is stupid for libertarian publications to discount the support of federal employees.

Richard Winger
San Francisco, Calif.

Self-Medication and Diverse Values

Ron Paul's "RU486 and Legal Wisdom," (September 1990) was rather courageous, considering Dr Paul's anti-abortion beliefs and the controversy surrounding RU486.

He mentions the dangers of a "slippery slope" that surrounds the issue of deciding when an infant, born or unborn, acquires human rights. Where do we draw the line? This is similar to the problem of determining when an adult ceases to be human (and loses his or her human rights) because of irreversible (at least, with present technology) brain

continued on page 6

Your Mind!

•"High Noon for the Libertarian Party?" by Chester Alan Arthur
Plus writings by Leland Yeager, William Niskanen, John Hospers and others; and a short story by Jeffrey Olson. (72 pages)

March 1989

•"Ronald Reagan: An Autopsy," by Murray N. Rothbard
•"What if Everything We Know About Safety Is Wrong?" by John Semmens and Dianne Kresich
•"The Wonderful Wizard of Liberty," by Ethan Waters
Plus articles and reviews by Stephen Cox, Jeffrey Friedman, Tibor Machan, David Steele, Michael Krauss, and others. (72 pages)

May 1989

•"Man, Nature, and State," by Karl Hess, Jr
•"A Conspiracy of Silence: Uncovering the Media's Election Night 'Coverage' Policy," by Margaret M. Fries
•"Public Choice: A Misshapen Tool," by Murray Rothbard
•"Ayn Rand: The Voice of Bitterness," by Justin Raimondo
Plus articles and reviews by Stephen Cox, David Gordon, Jane Shaw and others; and a short story by Jeffrey Olson. (72 pages)

July 1989

•"Viking Iceland: Anarchy That Worked," by David Friedman
•"The Myth of the Rights of Mental Patients," by Thomas Szasz
•"Nude Dancing in Memphis," by Michael Williams
Plus articles and reviews by Tibor Machan, John Hospers, R. W. Bradford, Murray Rothbard, Jane Shaw, Leland Yeager and others. (80 pages)

volume three

September 1989

•"The Taboo Against the Truth: Holocausts and the Historians," by Ralph Raico
•"My Break With Branden and the Rand Cult," by Murray Rothbard
•"Indefining the Future," by Richard Kostelanetz
•"The Theology of Ecology," by Robert Formaini
Plus articles and reviews by David Friedman, Loren Lomasky, Gary North, Jeffrey Tucker, Timothy Virkkala, and others. (72 pages)

November 1989

•"The Lost War on Drugs," by Joseph Miranda
•"Goodbye, Galactic Empire," by J.R. Dunn
•"Beyond Philosophy," by Loren Lomasky
•"Life With (and Without) Ayn Rand," by Tibor Machan
Plus articles and reviews by Murray Rothbard, Michael Christian and others; and an interview with Russell Means. (72 pages)

January 1990

• "The Death of Socialism: What it Means," by R.W. Bradford, Stephen Cox, Sheldon Richman, and William P. Moulton
• "The Greenhouse Effect: Myth or Danger?" by Patrick J. Michaels
• "The Case for Paleolibertarianism," by Llewellyn Rockwell
• "How Rockefeller Soaked the Poor," by Richard Kostelanetz
Plus articles and reviews by Charles K. Rowley, Richard E. Wagner, David Gordon and others; and an interview with Barbara Branden. (80 pages)

March 1990

• "Humanity *vs* Nature," by John Hospers
• "Isolating the Error of Isolationism," by Stephen Cox
• "Capitalism without Democracy, Hong Kong without Hope," by R. K. Lamb
• "Mencken: The Man *vs* the State of Opinion," by R. W. Bradford
Plus articles and reviews by Richard Kostelanetz, Loren Lomasky, James Robbins, George Smith, Leland Yeager and others. (80 pages)

May 1990

•"The Decadence of Conservativism," by William P. Moulton
•"A Population Crisis?" by Jane S. Shaw
•"Of Smokestacks and Rhinos," by Robert Higgs
Plus articles and reviews by R. W. Bradford, Karl Hess, Bill Kauffman, Richard Kostelanetz, Bart Kosko, Loren Lomasky, Leland Yeager and others; and poetry by Brett Rutherford. (72 pages)

July 1990

•"The Orwellian University," by Charles Thorne
•"Conversations with Ayn Rand (part 1)," by John Hospers
•"The Conservation of Resentment," by Robert A. Sheaffer
Plus articles and reviews by John Baden, Brian Doherty, David Friedman, Bill Kauffman, Sheldon Richman, James S. Robbins, Mark Skousen, Terree Wasley and others. (72 pages)

volume four

September 1990

•"Is Environmental Press Coverage Biased?" by Jane Shaw
•"Conversations with Ayn Rand (part 2)," by John Hospers
•"RU 486 and Legal Wisdom," by Dr. Ron Paul
Plus articles and reviews by Michael Krauss, Stephen Cox, Richard Kostelanetz and others; and a *ficción* by Harvey Segal. (72 pages)

Please send me the back issues of *Liberty* I have marked.

(foreign orders, add 50¢ per issue)

___	Aug. '87, $4.00 _____	___	May '89, $4.00 _____
___	Oct. '87, $4.50 _____	___	July '89, $4.00 _____
___	Dec. '87, $3.00 _____	___	Sept. '89, $5.00 _____
___	Mar. '88, $4.00 _____	___	Nov. '89, $4.00 _____
___	May '88, $4.00 _____	___	Jan. '90, $4.00 _____
___	July '88, $4.00 _____	___	Mar. '90, $4.00 _____
___	Sept. '88, $5.50 _____	___	May '90, $4.00 _____
___	Nov. '88, $4.00 _____	___	July '90, $4.00 _____
___	Jan. '89, $4.00 _____	___	Sept. '90, $4.00 _____
___	Mar. '89, $4.00 _____		Shipping: $1.00
			Total: _____

❑ My check is enclosed (payable to Liberty)
❑ Charge my ❑ VISA ❑ Mastercard Exp _____

Account # _____

Signature _____

Name _____

Address _____

City _____

State _____ Zip _____

Liberty, Dept. B20, PO Box 1167, Port Townsend, WA 98368

Letters (*continued from page 4*)

damage. These issues will always represent potential slippery slopes because they involve values, rather than scientific/technological determinations of fact, and there is substantial human disagreement on these values.

In free markets, different value systems can coexist; with legal systems, they cannot. Laws such as those punishing murder, burglary, rape, and assault are widely accepted by most people in the West. Most other laws probably are not. Increasing tensions are being produced in our society from enforcement of laws with which considerable numbers of people are in disagreement.

All the articles on RU486 that I have seen, including those in scientific journals, agree that a black market in the drug is inevitable. It may already exist. RU486 is the final nail in the coffin of government control of abortion. It may also help bring down the "war on drugs" and the FDA by involving millions more people in the process of making biomedical decisions for themselves.

Sandy Shaw
Los Angeles, Calif.

Steps on the Slippery Slope

I completely agree with Dr Ron Paul when he says that those who oppose abortion "must accept the fact that a society free of abortion . . . can come only through moral persuasion."

Dr Paul correctly points out that enforcement of strict anti-abortion laws would pose a real threat to liberty. One has only to look at Ceausescu's ban in Romania to appreciate this. And Dr Paul is right again when he cites the potential benefits of this drug. Indeed, he barely scratched the surface of possible non-abortifacient uses for such an agent, including its use as a research tool. But what is particularly apt is Dr Paul's implicit recognition of the essentially religious nature of differences of opinion concerning the mattter of abortion.

Even Saint Thomas Aquinas, probably the greatest theologian of the Catholic Church, summarily rejected the materialism of a fertilized egg/person equivalence and affirmed the Church doctrine of his day "'that the body alone is begotten by sexual procreation, and that after the formation of the body the soul is created and infused.'" And, in an age when scientists were willing to believe that tiny human forms were physically crammed into each and every sperm cell, Pope Innocent XI ruled in 1679 that "no abortion is homicide" because "the fetus . . . lacks a rational soul and begins first to have one when it is born." (The present ban on abortion by the Catholic Church dates only from 1869.)

The belief that fertilized eggs and their early products are human persons is clearly and unquestionalby a religious one. The political process, therefore, cannot fairly resolve disagreements about such a proposition. For the same reason, it cannot be fairly said that those not sharing such a belief "are the ones who water down libetariansim." On the contrary, to infuse libertarianism with religious sectarianism is what will weaken its position most.

Dr Paul appears to have taken a little step towards being pro-choice. I invite him to take a few more.

Tim Gorski, M.D.
Arlington, Texas

Does He or Doesn't He?

Dr Paul argues that RU486 and other abortifacients can make prenatal homicide virtually impossible to prove without intrusive police action. Yes, preventing prenatal homicide is a problem. The womb is the most dangerous place in the world for a child to be. Some postnatal homicides pass undetected, too. What if the wonders of science facilitated such activity, and each of us had a little list of people we would not miss? If an abortion-type mentality were the norm, what kind of world would we have made?

Dr Paul defended one use of abortifacients. "I believe the presence of ovum that is fertilized through the act of rape prior to implantation," he said, "should not preclude the woman's right to alter her own endometrium." (Implantation begins about a week after fertilization. By then the new human being is, actually, at the blastocyst stage and has about 150 cells). Once conception occurs, the child is in the mother's power and is propelled by her fallopian tube into her womb. By altering her endometrium, she prevents implantation and causes her child to fall out and die. Dr Paul became pro-life when he was shocked by the sight of a two pound child lifted out of the womb and left to die in a late term abortion. What if that child had been conceived by rape? I don't see any principled difference between evicting the child and letting him or her die before implantation or doing so afterwards.

Doris Gordon
Wheaton, Md.

By Right and by Golly

Allow me to answer Robert A. Markley's letter ("Benefit of Academe," September 1990) in which it is suggested that I contradict myself when I claim both that I have no right to benefit from stolen property and that I have not sold out by working for a state university.

I do not consider it my basic, natural right to receive the salary I get from the state university. That is not inconsistent with my accepting it and living off it. Similarly, I do not consider it my natural right to drive on public roads, to use the U.S. mails to send letters to *Liberty*, to enjoy police protection, etc.—in short to benefit from stolen goods and conscripted services. But neither do I consider it my duty to refuse these in each case when I benefit from them.

There are many things from which one benefits without this benefit being one's "by right." Unfortunately we live in a community in which fewer and fewer things can be claimed to be one's own "by right." I am pretty sure this applies to Mr Markley and Mr Smith, not just to libertarians and others who teach at state institutions.

Tibor Machan,
Auburn, Ala.

The Superficiality of the Is/Ought Identity

Should we not say that "2 = 3"? Two does not equal three, but is it wrong to say that it does?

It may appear so. We use ethical shorthand to instruct children, "you should not write '2 = 3' because it is false," or to instruct undergraduates, "You should not write '2 = 3' unless it ends your proof by contradiction."

continued on page 27

Letters Policy

We invite readers to comment on articles that have appeared in *Liberty*. We reserve the right to edit for length and clarity. All letters are assumed to be intended for publication unless otherwise stated. Succinct, typewritten letters are preferred. Please include your phone number so that we can verify your identity.

Reflections

To live and die in L.A. — Los Angeles Police Chief Daryl F. Gates told a Senate Hearing on Sept 5 that casual drug users "ought to be taken out and shot." His recommendation, he said, was aimed at those "who blast some pot on a casual basis," not those who are addicted to illegal drugs. "We are in a war," he said, and casual drug use "is treason."

That same day, the Partnership for a Drug Free America released a survey that showed that marijuana use in 1989 was down to 30% among teenagers and 14% among adults—which means, I suppose, that if Chief Gates has his way and kills 30% of the teenage population and 14% of the adults, there will be all the more reason to call L.A. the "City of Angels." And it will help solve the problem of urban sprawl as well. —RWB

Just (Ku)wait a minute — When the Pentagon announced its contract awards on September 4, the list included a $140 million contract for McDonnell Douglas to begin building 40 F/A 18 fighter attack planes for sale to the government of Kuwait. You remember, the government that fled Kuwait on August 2 just ahead of invading Iraqi troops. At the time of this writing (September 17), prospects look good for a government without a country but with a hell of an air force.

A Pentagon official explained that the sale, which had been in the works for several years, was proceeding normally because "the government of Kuwait still exists." Yes, and so does the Albanian monarchy.

This deal could get complicated should the Kuwaiti government have the funds but not the territory to take delivery when the aircraft are ready in September 1993. But fear not. There's always an active resale market for military hardware. —RH

The East is pink — A new newspaper has hit the streets—*Gay Pravda*! The layout is just like the regular *Pravda*, except for the three medals in the upper left-hand corner of the front page—the profiles of Lenin have been replaced with the word "Gay" in Russian. The paper covers gay issues from a Soviet perspective, but because authorities frown on this particular manifestation of *glasnost*, it has to be printed in the Netherlands. It is smuggled into the USSR and distributed for free. Can *Vegetarian Izvestia* be far behind? —JSR

No more Charlie Chans! — News on the art front continues to be heartening. In the previous issue of *Liberty* I reported on the efforts of American art folk to combat the censorship crusade of the antediluvian Jesse Helms and his odious cronies. Rather than sign a form attesting that their work, when taken as a whole, has serious literary or artistic merit, organizations actually chose to refuse cash benefactions from Washington.

We note this month an actually stirring defense of fundamental principles. A New York actors' union has resolutely voted not to let British actor Jonathan Pryce reprise on Broadway his London role as a Eurasian brothel owner in the hit play "Miss Saigon." So, despite an advance sale of $25 million, the show will not open this year. Those who allege that labor unions have become supinely bourgeois will have to rethink in the light of this heartening blow against racism, capitalist exploitation, and frivolous foreign imports.

The clear message is that we no longer are willing to tolerate so-called creative types offending against social justice. Artistic license is one thing, but violating the right to glamorous leading roles of Asian-American members of Actors' Equity is another. As I write, Senator Helms has not yet issued a public comment on the incident. Nor, for that matter, has Werner Oland. —LEL

They've got rhythm — On September 16, an enormous crowd, led by the mayor of Moscow, demonstrated in that city, calling for the resignation of Soviet Prime Minister Nikolai Ryzhkov and for implementation of the "500 Days" proposal, a "radical" program for selling off government assets, eliminating subsidies, and, in general, transforming the USSR into a market economy during the next year and a half.

The day before the demonstration, Ryzhkov appeared on nationwide television to forecast dire results from any sudden freeing of the economy. "We must not," he said, "give in to the shock therapy spoken about so much; we should advance more rhythmically." Rhythm, to Ryzhkov, apparently means a constant alternation between advancing and withdrawing modest proposals for reform. So far, Ryzhkov's rhythm method has succeeded better than such methods ordinarily do: it has effectually prevented any new birth of prosperity.

Two things can happen: either the 500-day marketization proposal will be adopted, and the old economic system will be swept away, or it will not be adopted, and the old system will die somewhat more slowly, but much more painfully. In either case, Leningrad will not be named Leningrad 500 days from now.

On the same day in which Ryzhkov was making what seems to be his last stand against capitalism, former President Reagan showed up in Gdansk, Poland, where he was met by crowds chanting, with a healthier rhythm than Ryzhkov's, "Thank you, thank you!" A friend of Lech Walesa presented Reagan with a saber, in honor of his having helped the Poles "chop off the head of communism."

I didn't like a lot of things—maybe most things—about Reagan. But there's something to be said for calling an evil empire an evil empire, and for doing what one can to hasten its end. The Polish crowds confirmed the rest of the world's

impression that the empire didn't simply fall; it was also pushed. —SC

One man's pet is another man's buzz saw— Although it has been illegal to own a pet ferret since 1933 in California, the Golden State has only recently begun to enforce the law by selectively arresting a few of the owners of the estimated 1 million pet ferrets residing there. "Owning a ferret is like having a buzz saw for a pet," said Lt. Al Stegall of the California Fish and Game Department, after arresting a 54-year-old woman on charges of keeping a pet ferret. According to a study cited by California officials, there have been 425 attacks by pet ferrets in California, Arizona and Oregon during a ten-year period, or about one attack per year for each 29,000 pet ferrets. (Ferrets are legal as pets in Arizona, Oregon and 42 other states.)

California establishes cultural trends that are felt around the world. A few days after I read about California's attack on ferrets, I came across a UPI story from Beijing, where city officials have called for "a resolute undertaking of the 'wipe out dogs campaign,'" urging owners to "beat and eliminate" their pets. Dog owners were criticized for "disturbing social order and endangering people's health." — RWB

Game point— Most of us probably remember the lionization of Red China—excuse me, People's China—which began in 1970 with Henry Kissinger's ping-pong diplomacy and never completely died out, although the true believers have grown less confident after the passing of the Great Helmsman in 1976. Many foolish things were said about the mainland Chinese regime during those years, and of course there was plenty of negative response as well. One point on which nearly everyone was in accord, however, was the complete irrelevance of the Republic of China, or Taiwan. At best it was seen as an embarrassing anachronism, a stumbling block fencing us off from a natural rapport with the real China. Certainly the keeping up of diplomatic relations with the ROC was seen as a quaint romanticism, to be indulged in only by those countries with no serious stake in Chinese affairs.

Reality, however, has a habit of coasting along according to its own rules, and the economic strength of Taiwan has waxed by leaps and bounds while the mainland colossus has stagnated. Recently several nations have, for completely non-ideological and non-symbolic reasons, reestablished formal relations with Taipei. In each case, Beijing immediately and angrily broke ties with the offending country. The nations which made the switch—Grenada, Liberia, Lesotho and Belize, with a few more about to follow—are not political giants. Their motive, however, is interesting. Each has pointed out that Taiwan simply has more to offer, in terms of trade, technology and, where needed, foreign aid. The foreign reserves and technical know-how of the ROC dwarf those of Beijing. The recent diplomatic moves are simply one more sign that the era of totalitarian nations getting by on exports of bluster, bombast, and bankruptcy is over. —WPM

With friends like this — According to a front-page article in *The Wall Street Journal* (April 27 1990), the Bush administration contains a "powerful blocking coalition" of dedicated free-marketeers, to wit, Sununu, Darman and Boskin. The three high-level *apparatchiks* are said to regard free markets, economic growth, and free trade with religious reverence. If only it were so.

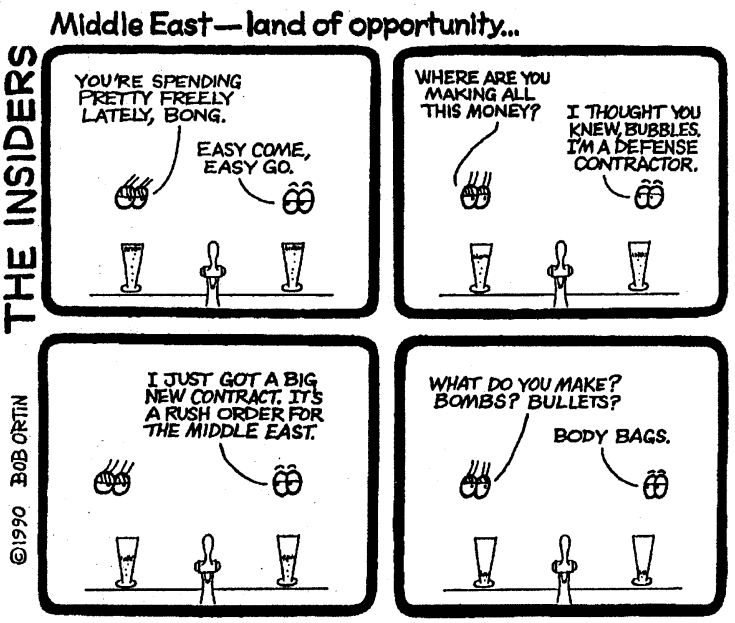
The article goes on to explain that the three stalwarts are not "reflexively anti-government." They favor various "selective" government interventions, including government funding of child care. They want more government funding of research and development that is "too esoteric or expensive for the private sector." In the words of Deborah Steelman, a Washington lawyer and former Bush campaign adviser, "These are people who believe problems can be fixed and believe government can be brought to bear to fix them . . . that all it takes is the right brains and right political skills."

If these guys are what passes for free-marketeers nowadays, the collectivists have very little to worry about. —RH

Linguistic harassment — In mid-September, the news media gave considerable publicity to a Pentagon report which stated that over half the women in the U.S. armed services had reported instances of sexual harassment from male military personnel. I can easily imagine such harassment in an environment which has historically been overwhelmingly dominated by men, so my initial thought upon reading the headline was that this must be a serious problem.

However, after reading the articles in question, I had to conclude that a lot of shaky concepts were being used to hype the figures. Sexual harassment was characterized, at least in the published reports, by example rather than by definition. What were some of the actions referred to as being in the forbidden zone? Telling jokes of a sexual nature while a female was within hearing. Making "sexist" remarks while in a woman's presence. Referring to a woman or to women in general in a "suggestive manner." Ogling. Leering. Brushing against a female.

Of course, instances of harassment up to and including rape were also noted. But this merely muddies the waters further and makes it more difficult to deal with



real problem cases. It is the equivalent of stating that a racist is someone who opposes affirmative action, or who doesn't care for Bill Cosby, or who lynches black people. In both cases, no useful concept is being utilized. Cases of actual wrongdoing are lost in a fuzzy glop of words.

Such is the result of the politicization of thought and language that has bedevilled this century. —WPM

While the mom's away the Feds will pay

— Some months ago, Anna Quindlen, a New York *Times* columnist, argued in favor of government-supported day care. She called day care "the superstructure upon which working mothers build every bit of the rest of their lives" and deplored the failure of corporations, the government, and men generally to alleviate this burden.

Of course, I have no objection to day care voluntarily provided by companies; but as for government-provided day care, the points made in recent articles in *Liberty* are absolutely correct. Americans are about to bring down on themselves another HUD (to adopt a useful analogy offered by *The Wall Street Journal*)—a rigid, costly system that will worsen the problem that it is designed to solve. It will raise the cost of day care by excessive bureaucracy and credentialism, and remove freedom by establishing tight controls on the kinds of day care that can be provided.

I'm bothered by the attitude of the professional women like Quindlen, who bolstered her argument with stories about sitters who leave for vacation and never return or sitters who quit without notice after a second baby is born. If professionals can't find good care for their children, or are unwilling to pay for it, why do they think that government intervention will provide it? The only possible reason is their faith that the higher cost will be spread among so many taxpayers and workers that they won't have to shoulder the burden they are carrying now. In other words, these women believe that they ought to be subsidized by people who don't have young children.

I wish, instead, that professional women had the courage or insight to admit that problems with day care stem from choices that they make. Once a woman decides to have a career and also have children, trade-offs are inevitable. Whether children suffer from day care is a question the experts are trying to answer; however it's pretty certain that children severely hamper a woman's career, for a few years at least and possibly forever. Why not accept the fact?

The mother's dilemma is easy to understand, of course. Motherhood isn't the career it used to be. Merely a century ago, mothers had large numbers of children and daunting tasks (they did appalling things like scrubbing clothes by hand on metal washboards and hanging them in the sun, not to mention cooking chickens after slaughtering and plucking them, and tending vegetable gardens to put food on the table.) Today, homes can be kept clean with a few hours' work (preferably by someone who comes in); food preparation is comparatively easy; and husbands are more cooperative than ever before (even if surveys show that their contribution is far from the feminists' ideal). At the same time, professional careers are exciting and rewarding, and for many educated women, staying home all day with illiterate and often unintelligible toddlers is a sacrifice.

But leaving is difficult, too. Frankly, I suspect that the push to institutionalize day care is a way of dealing with guilt about leaving children in the hands of others. I suspect that Quindlen advocates government-supported day care because it creates the soothing feeling that the fundamental problem lies outside oneself.

Since so much of politics is perception, not reality, this self-delusion may work. Thousands, perhaps millions, of women have probably been convinced that they are "owed" good day care. Rhetoric of that sort will pass day care legislation. It will also lead to disappointment for children and mothers, but when that happens, as with HUD, there will be plenty of villains to castigate. —JSS

Innovation in government — Those who argue that government employees lack creativity in solving problems will have to re-evaluate their hidebound opinions in the light of U.S. Attorney General Richard Thornburgh's recent approach to a problem that had vexed him and other Administration officals for some time.

The problem was that a mail-order firm in North Carolina was selling condoms, frilly nightwear, explicit videotapes and other "marital aids" with impunity. It had been charged with obscenity in a North Carolina court—but thanks no doubt to a resurgence of liberalism in the bailiwick of Jesse Helms—had been exonerated.

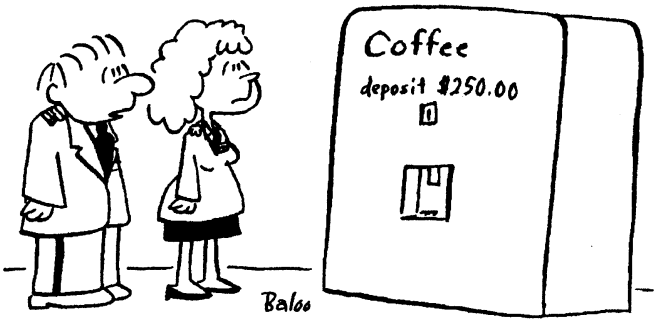
Yet the operation poses a clear and present danger to the public welfare. If allowed to flourish—who knows?—people in Gouge Eye, Oregon, or Shallow Water, Kansas, might find themselves inundated in the raw sexual licentiousness that engulfs North Carolina.

Obviously, the business must be closed down. But how?

Eureka! In a moment of inspiration, Thornburgh came up with a solution: simultaneously indict it in two different jurisdictions thousands of miles apart, jurisdictions carefully chosen so that extremely intolerant juries and judges may be expected.

And so, the Justice Department charged the firm in courts in Utah and Kentucky with trafficking in pornography. Now the firm must again defend itself against the charges it was acquitted of in North Carolina. It must hire two separate teams of attorneys at great expense. And it must win both cases to stay in business!

The beauty of the Attorney General's approach is that it succeeds even if it fails. If the firm mounts two separate defenses in Utah and Kentucky and manages to be acquitted, it can do so only at tremendous expense to itself. And the



"I'm putting in for a transfer—I can't *afford* to work at the Pentagon."

Attorney General can follow up with indictments in the courts of Guam, Puerto Rico and Alaska. —RWB

My daughter Jennifer has been seized by the state. — She entered first grade in the local government school in northern Virginia, and the program to mold her into a good citizen began immediately. First, she was compelled to sign a form notifying her that distributing drugs at the school was grounds for expulsion. Then she was instructed to recite the pledge of allegiance every day, though the teacher never explained what it is or why she should say it. The latest presumption was a special assembly about the coming war in the Middle East. She was informed that the United States was defending Saudi Arabia and would never start a war. She will also be subjected to a counseling program, whose objective is to instill proper community values. We can keep her out of that, but possibly at the cost of making her an outcast among her classmates. Obviously, much of my time in the next several years will be spent keeping Jennifer from learning her civics lessons too well. When will we get tuition tax credits so that someone besides the rich can avoid this good-citizenship indoctrination? —SLR

E.A.R.T.H. Farce — When the latest round of the ecology craze broke, executives at CBS must have collected their best creative minds and asked them how to make some green out of Green. The result is *E.A.R.T.H. Force*, a television show that premiered September 16. The premise of the show is simple: assemble "a doctor, a physicist, a dolphin-chaser and a guy who hangs out with gorillas," add a mercenary for flavor, and loose them on the bad white men who are polluting the planet. Sounds reasonable. And because it's a private sector initiative, the E.A.R.T.H. Force doesn't have to worry about bureaucracy or laws.

"The Parthenon is in ruins, but plastic is forever," the "nature boy who is too radical even for Greenpeace" exclaims. The "dolphin-chaser," a female marine biologist, called away from her work says "I can't leave here, I have a whole school of yellowtail contaminated with PCB!" In another scene, a young American armed with a bolo defeats gringo surveyors who are planning the destruction of a section of rainforest, presumably to allow the locals to slash-and-burn it in more traditional ways. And this is only a sampling of the kind of shameless stereotypes and clichés around which *E.A.R.T.H. Force* revolves.

The force is assembled by a capitalist whose nuclear power plant has been sabotaged by a CIA rogue elephant who plans to build an A-bomb. They scorn the capitalist for not cleaning up the environment unless he can "make a buck on it," but work for him anyway for the good of the planet. The Force is so sanctimonious that I was tempted to root for the nuke plant to blow them up. The most sympathetic characters in the show are the supporting cast who have to put up with the green idealists. The Force members don't like

Fantasy

A place much like our own

"But Mr. Freeman, how could private industry possibly provide telephone service the way it provides national defense? After all, with the development of the Doolittle strategy, the hypersonic seeker, and Taft diplomacy, we have successfully defended freedom for decades with 100,000 troops! But with eight million operators, we still can't get decent phone service. The Post Office Phone System will never be privatized."

Solomon Freeman looked east over Puget Sound at the distant lights of Seattle. The first *Liberty* conference had filled the new Port Townsend Convention Center with hundreds of curious individuals, all with questions like this one. They were afraid of their new world, even as they gloried in its arrival. What would happen to their lives when President Paul carried through his promise to privatize the phone system, the way he had already given the national parks to the Sierra Club? Port Townsend, on the edge of the newly created Olympic Conservancy, was booming with the influx of nature-lovers attracted to this beautiful and well-managed preserve. But would that which worked so well for trees and animals, work with switchboards and hand-cranked telephones?

Ever since Michael Faraday had invented the telephone in Britain, governments had built giant, showy telephone systems, each trying to outdo the others with the mightiness of their networks. Elaborate palaces of communication adorned world capitals. Massive cables with millions of wires carried signals across the country to those congressional districts fortunate enough to have one of the giant National Telephone Bases. Border translation stations, staffed with thousands of bilingual specialists, hummed with the commerce of the planet, moving vital data between financial nerve centers in mere hours. It would be hard to imagine private firms running a massive system such as this!

Solomon thought a minute, then spoke:

"I don't know exactly how American business will rebuild the phone system. Perhaps radio signals will be used, or those transistors that Lockheed Labs came up with. I'm an economist, not an engineer; all I know is that market incentives tend to stimulate solutions that are both unpredictable and attractive. If I were smart enough to solve the phone problem, I would be out getting rich, not sitting here talking to you.

"My job is to be smart about markets, and markets are the tools that non-specialists like you and I use to procure the best efforts of specialists for our needs. I can plausibly show that markets are the best way to do it."

"Well," said the questioner, "I guess I'm not convinced. Private corporations can obviously provide services like defense and issuing money, but how can they provide national-sized goods without national investments? That doesn't make sense!"

"By the way," he added after a moment's silence, "can I borrow a $50 gold piece from you, so I can make a call?" —Keith Lofstrom

The *Liberty* Editors' Conference

Share the Excitement!

Intellectual sparks flew in Seattle at the *Liberty* Editors' Conference. The best minds in the libertarian movement met to discuss the future of liberty and of the libertarian movement and to thrash out controversial points in libertarian theory, strategy, and worldview.

The reviews are in . . .

We surveyed those attending the *Liberty* Editors' Conference:

- 100% of respondents said they "got their money's worth"!
- 96% said they plan to come again next year!

Here are some of the comments that people volunteered on the survey:

"The intellectual event of 1990"
"Best, most exciting conference ever"
"Intellectual stimulation to last all year"
"This was a lot of fun!"

You can experience the excitement!

Now you can witness the proceedings for yourself! All sessions are available on both VHS videotape and cassette audiotape:

Complete Conference:	$195	VHS
	99	Audiocassette
	250	Both
Individual Sessions:	$19.50	VHS
	7.50	Audiocassette

Panels

Liberty in the Post-Socialist World, with **Sheldon Richman, David Friedman, Robert Higgs, Stephen Cox** and **R.W. Bradford**. (Video: V101; Audio: A101)

Spending the Peace Dividend, with **Robert Higgs, Sheldon Richman, James Robbins** and **Richard Stroup**. (Video: V102; Audio: A102)

Beyond MADness: foreign policy without the "Evil Empire" with **Stephen Cox, Robert Higgs, Sheldon Richman** and **James Robbins**. (Video: V103; Audio: A103)

The Revolution in Eastern Europe. with **Ron Lipp** and **James Robbins**. (Video: V104; Audio: A104)

Right and Wrong in an Unfree World, with **R.W. Bradford, David Friedman, John Hospers, Loren Lomasky** and **Sheldon Richman**. (Video: V105; Audio: A105)

Heroes of Liberty: Chodorov, Paterson, Mencken, Conan the Barbarian, Tannehill, Cage, others, with **R.W. Bradford, Doug Casey, Richard Kostelanetz, Sheldon Richman** and **Stephen Cox**. (Video: V106; Audio: A106)

Liberty and the Environment, with **Jane Shaw, Richard Stroup, John Hospers, R.W. Bradford** and **David Friedman** . (Video: V107; Audio: A107)

Do Rights Make Sense? with **David Friedman, Timothy Virkkala, John Hospers, R.W. Bradford, David Ramsay Steele,** and **Loren Lomasky.** (Video: V108; Audio: A108)

Seminars

The Economic Case For and Against Anarchy, by **David Friedman** with comments by Richard Kostelanetz. (Video: V109; Audio: A109)

*Did the Libertarian Movement **Really** Start in Murray Rothbard's Living Room?* by **R.W. Bradford,** with comments by Stephen Cox. (Video: V110; Audio: A110)

The Politics of the Avant Garde, by **Richard Kostelanetz,** with comments by Stephen Cox. (Video: V111; Audio: A111)

Does Economics Make Sense? by **David Friedman** with comments by Robert Higgs. (Video: V112; Audio: A112)

Children's Rights **by Loren Lomasky** with comments by Timothy Virkkala. (Video: V113; Audio: A113)

The Poverty of Libertarian Fiction by **Stephen Cox** with comments by Douglas Casey. (Video: V114; Audio: A114)

Game Theory, Evolution, and Freedom, by **Ross Overbeek** with comments by David Ramsay Steele. (Video: V115; Audio: A115)

War and Prosperity: Did World War II Cure the Great Depression? by **Robert Higgs.** (Video: V116; Audio: A116)

Agent or Victim: Reconsidering the Insanity Plea by **John Hospers.** (Video: V117; Audio: A117)

Workshop

How to Write Op-Ed Pieces and Get Them Published, by Jane S. Shaw. (Video: V118; Audio: A118)

Yes! Please send me the tapes of the *Liberty* Editors' Conference I have marked.

___ Complete Set Video @ $195.00 = _____

___ Complete Set Audio @ $ 99.00 = _____

___ Complete Set VHS + Cassette @ $250.00 = _____

Individual Sessions (list by number)

_____ _____ _____ _____

_____ _____ _____ _____

Total Audio Cassettes _____ @ $ 7.50 = _____

Total Video Cassettes _____ @ $ 19.50 = _____

Postage & Handling ($5 per order *) _____

* $2.50 per tape, foreign

Total _____

❑ My check is enclosed (payable to Liberty)

❑ Charge: ❑ VISA ❑ M/C Card # _____

Exp _____ Signature _____

Name _____

Address _____

City _____ State _____ Zip _____

Liberty Publishing, PO Box 1167, Port Townsend, WA 98368

each other much either. In one scene, "nature boy" tries to show how much of a man he is to the skeptical physicist by bragging that he has "two PhD's, and an honorary from Oxford." This was obviously written by someone who thinks that multiple academic credentials are an indication of special gifts which the audience will admire and respect. I found the scene hysterical.

In the end, the two-hour pilot becomes just another shoot-em-up because the real stuff of environmentalism, like laboratory testing and litigation, is pretty dull for TV. But the hilarity was relentless. In order to halt the CIA man's tugboat, the force had to drop bombs around it. "You want me to throw these into the river?" Dolphin-chaser says. *"What about the fish?"* Luckily, pollution had done them in years earlier. The show ends happily, with Green triumphant and the capitalist—who meets Nature's justice by dying of cancer contracted during his career—bequeathing the Force an "unlimited" endowment to pursue eco-justice.

Presumably, if this show lasts, we will be treated to further agitation as the Force rights wrongs and works out its ego problems. It's the kind of program that could set back environmentalism for years, but the odds are that it won't outlast the ozone layer. —JSR

The Sensible White North — When countries around the world are turning away from socialism but the United States is going the other way, Americans easily become discouraged. Now come the Canadians to cheer us up by proving that they, not we, are the farthest behind the times. Ontario, that most reliably sensible of the country's provinces, has actually elected an avowedly socialist government. The New Democratic Party (NDP) won 74 of the 130 seats in the Provincial Parliament.

Aside from showing that goofy things can happen anywhere and anytime, this election demonstrates the inherent instability of a three party system. The NDP got only 38 percent of the popular vote but elected a strong majority of the legislators. Liberals got 32 percent, Conservatives 23 percent, and fringe parties—including the Libertarians—the remaining 7 percent. In situations like this, tiny parties can sometimes exercise great leverage, so Ontario's libertarians can still hope.

Meanwhile the future looks grim. The NDP is committed to a long list of destructive and unjust policies ranging from stricter enforcement of rent controls and expansion of the province's comparable-worth wage regulations to a confiscatory tax on short-term real estate capital gains and a government takeover of auto insurance.

Even under the Conservatives and the Liberals, Canadians have been suffering for decades from oppressive welfare-state measures. It now appears that even worse policies are in store. Will Canada have to reach Poland's depths before its people wake up? —RH

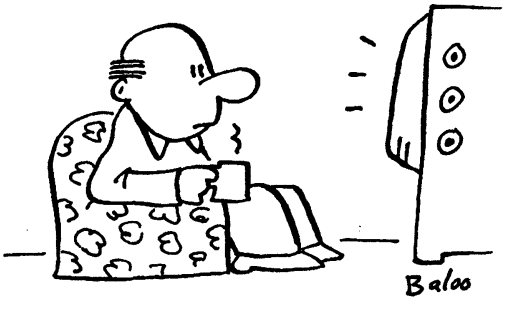
You can never find a wimp when you need one — Is Saddam Hussein a vicious, vile, Hitlerian worm? Of course he is, and if there's a level of Hell where the damned are made to suffocate on nerve gas for all eternity, he's riding a missile straight for it. But even though the suffering he's inflicted upon the poor citizens of Iraq and now of Kuwait has been atrocious, will we be making the world a better place by mowing these poor people down in batches of a hundred thousand, or (if our war never escalates beyond the current level of "interdiction") by subjecting them to a regime of slow starvation? Fighting a war that seals up the Persian Gulf or creating a blockade that cuts off 20% of the world's oil supply is not going to have a salutary effect upon the price of crude. Transforming Kuwait into another Gallipoli is not going to liberate these unfortunate people.

So, on the off chance that George Bush is still open to solutions that smack of wimpdom, here's my suggestion: forget Kuwait. It's gone. History. Saddam wants oil money and we want oil, so let's do business. Leave enough of a token force in Saudi Arabia that it is clear to all that if Iraq ever attacks, it will be engaging itself in combat with U.S. forces, with all that this entails. Withdraw the rest of the soldiers. If Saddam tries again to build a nuclear reactor, let the Israelis flatten it, like they did in 1981. And if you really want to help a small country which has been occupied by a tyrannical neighbor, try giving something other than the cold shoulder to the legitimate representatives of the people of Lithuania. —SJR

Beggar thy neighbor — In recent months, mayors in several large cities have led widely publicized campaigns to increase the number of their citizens counted by the census, in the hope of increasing their share of federal aid and congressional representation. Such campaigns routinely appeal to ideals of civic duty, social responsibility, and the like.

The odd thing is the degree to which local and national media play along with this nonsense, treating each such campaign as a noble and public-spirited cause. I have not yet seen a single article pointing out that the mayors are engaged in a large and expensive game of beggar-thy-neighbor. Every extra head counted in Chicago does indeed mean extra money for Chicago—but it is money that would otherwise go to New York, or Boston, or Mississippi, or. . . . Similarly, every extra head counted in New York means less money for Chicago. If all of the politicians succeeded, by herculean efforts, in increasing their official populations by ten percent, the net effect would be zero, since the relative populations would be unchanged.

It is tempting to put the media attitude down to cowardice and corruption, on the theory that no Chicago newspaper is eager to stick pins in Mayor Daley. But that does not explain the failure of New York newspapers—better yet, newspapers in some city that is not campaigning to swell its official popu-



"Andy Rooney is on vacation, so tonight we present 'A Few Minutes with Daffy Duck' . . ."

VITALITY!

Scientific breakthrough by scientists Durk Pearson and Sandy Shaw gives you an easy and natural way to dramatically boost your energy level... increase alertness... and counter the mind wearying fatigue of modern times.

Can it make you feel young again?

Here's a no-risk way to find out for yourself...

by Doug Casey,
best selling author and founder of LifeForce Technologies

Were you one of the 2 million readers who made Durk Pearson and Sandy Shaw's book, LIFE EXTENSION, a major best seller? Have you seen them discuss incredible scientific breakthroughs on one of the hundreds of television appearances they have made (with over 30 appearances, they set the record as the most popular guests ever on the Merv Griffin show.)

If so, then you're already familiar with their eye-opening work in the field of life extension. You'll want to read on and learn how they can help you live a more powerful, more energetic life from this point on. If you're not yet familiar with their work, here's a quick update...

Age Busters!

For the past 20 years Durk Pearson and Sandy Shaw have concentrated their considerable talents researching the biochemistry of the aging process. They've carefully studied the ways your body protects and heals itself through the processing of natural nutrient factors such as vitamins, amino acids and so on.

Their credentials are formidable. In fact, Durk is only one of two students in the first 100 year history of MIT to graduate with a triple major: in physics, biology and psychology. Sandy graduated from UCLA with a double major in chemistry and biology. Their research has gained the attention and admiration of such dignitaries as Nobel Prize winning chemist Dr. Linus Pauling.

About their first book *LIFE EXTENSION: A Practical Scientific Approach*, Malcolm Forbes wrote, "No wonder and thank goodness this science grounded, eye-opening, mind boggler is a best seller." The *New York Times* called the book, "...the fountain of youth."

Recapture the Energy of Youth!

But Durk and Sandy are not mere theoreticians. In order to provide themselves and the public with a convenient way to buy and use the essential nutrients described in their book, they took to the laboratory and created a line of remarkable health products. We'd like to introduce you to one of these products: *Rise and Shine*, a delicious nutrient supplement you mix with cold water and drink for a long lasting boost of energy.

While this limited space doesn't allow me to give you all the scientific reasons it works, I can tell you that the key to *Rise and Shine* is a vital amino acid called *L-phenylalanine*.

L-phenylalanine is an essential natural nutrient that your brain uses to manufacture the neurotransmitter noradrenaline (NA): the brain's version of adrenaline. As you age your brain produces less NA and destroys more. This reduces alertness and even makes it harder to get out of bed in the morning! *Rise and Shine* provides the natural and essential nutrients required to restore your NA levels to their proper balance. You'll find your energy level rising immediately and, over just a few weeks, returning to the levels you remember from youth.

Now, instead of coffee, I start my day off with a glass of *Rise and Shine*. With this special offer, you can do the same... experience the new vitality that *Rise and Shine* can bring you... and do it with absolutely *no-risk!*

How Well Does It Work? Try It With Our No-Risk, 100% Money Back Guarantee

Call the toll-free number below, or write today and order your one month trial supply of *Rise and Shine*. You pay just $21.00, plus $2.25 postage and handling.

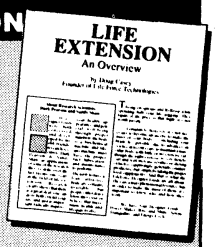
Take it as directed. Then, if you don't notice a striking increase in your energy level — simply return the unused portion and we'll send you a 100% refund.

Why such a strong guarantee? Simply because I know there is no way to adequately describe the benefits of *Rise and Shine*. You have to experience it for yourself. With this special offer, you'll do just that — and not risk a penny.

So call today **1-800-922-3545, ext. 998**. You may charge your order by Mastercard, Visa or American Express. If you prefer, mail your check, made out to **LifeForce Technologies**, to: *45 Duroux Lane, Basalt, CO 81621*. Please write the order number **998** on the memo portion of your check.

You've got nothing to lose. Only the vitality of youth to gain. Call or write today!

FREE REPORT ON LIFE EXTENSION



• A natural food supplement that has increased the life expectancy of mice by 20%. • An amino acid that lets you dream vibrant dreams and enjoy deep and restful sleep. • How Durk and Sandy maintain the body fat percentages of top Olympic athletes — even though they do almost no exercise and eat what they want • How a nutrient program helps 5'3" Sandy bend steel horseshoes into pretzels with her bare hands....

You'll read about all of these phenomena and more in the free briefing report on life extension which will be sent to you on the receipt of your order. **CALL TODAY!**

CALL TOLL-FREE
1-800-922-3545
Order # 998

LifeForce Technologies
45 Duroux Lane, Basalt, CO 81621

lation—to prick the balloon. Perhaps I just do not read enough papers. It is hard to believe that our reporters have actually reached the point where it does not occur to them that new Federal dollars—and congressional seats—do not fall like manna from heaven. —DF

Comparable worth? — Millions of Americans who enjoy our forests vicariously from their homes in the cities by means of PBS television shows of cavorting furry animals, majestic trees and babbling brooks object to the notion that parts of the National Forests might from time to time be harvested. In fact, substantial numbers of Americans object to the harvesting of timber on privately owned land. The idea that forests might be cut down for land for human habitation is downright sacrilegious.

But how many Americans are worried about the fate of grasslands? How many Americans plan their vacations to include trips through the National Grasslands? How many object to the plowing of prairie for agriculture or habitation?

When loggers enter a National Forest to harvest the trees growing there, they are sometimes confronted by radical environmentalists. When ranchers drive their cattle onto a National Grassland to harvest the grass growing there, who is there to confront them? How many Americans even know that National Grasslands exist?

From an economic perspective, the most desirable forest land in the U.S. lies along the Pacific Coast. Those who seek to harvest trees in these forests are opposed by many on the grounds that what they do is "harmful to the environment." As a result, thousands of square miles of "old-growth" forest are protected from harvest.

From an economic perspective, the most desirable grassland in the U.S. lies between the Mississippi and Missouri Rivers, centering on the state of Iowa. Before the white man came, virtually all of Iowa aside from its river valleys was tall grass prairie. Today, it is the richest agricultural land on earth. In the entire state, comprising some 36,019,000 acres, how much land has been preserved as tall grass prairie? How much has escaped the plow? 585 acres, consisting of a 160-acre plot north of Manson, a 25-acre plot near Guthrie Center, and "most of" a 160-acre plot west of Lake Okoboji have never been plowed or grazed; another 240 acres near Lime Springs have been grazed but never plowed.

But in Washington State alone, National Parks protect a total of 1,654,761 acres, nearly all consisting of old-growth forest, and more is protected by other entities.

Every day environmentally sensitive Americans bewail the loss of old-growth forest. But how many protest the much more widespread loss of old-growth grassland? Why the disparity between the treatment of forest and the treatment of grassland? Are forests more environmentally sound than grasslands? Are forests more important to the ecology of the planet? Has God, or some Mega-Biologist, declared forest superior to grassland?

Are forests more environmentally sound than grasslands? Are forests more important to the ecology of the planet? Has God, or some Mega-Biologist, declared forest superior to grassland?

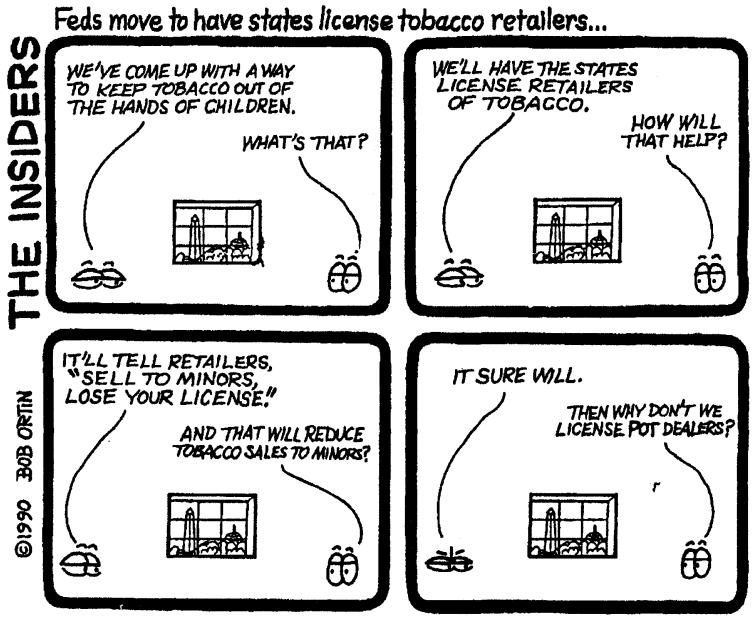
The difference, I believe, is sentimentalism. Millions get vicarious pleasure from forests. But *nobody* enjoys a grassland enviro-fantasy. A tree is a majestic and lovely thing; forests often are situated on land that is rugged and beautiful. Grasslands tend to be flat; in the spring they are soggy; in the summer they grow so thick one cannot walk through them; in the fall they die. To most people, they are not very pretty.

Why don't we all get honest and admit that the real reasons we want to save the Pacific forest are aesthetic? There's nothing wrong with having an aesthetic or sentimental human-centered ideology of conservation—especially because an honest appreciation of our real motives for desiring conservation will allow us to consider sensible means of conservation in the future.

I love forests and mountains as much as anyone; I love them so much that I have chosen to live among them. But I recognize that this is an aesthetic response. It is not an ecological, metaphysical or religious principle. Just as I cannot rationally object to the sod-busting our ancestors did in Iowa, I cannot rationally object to the harvesting of "our" forests.

Of course, some old-growth forests ought to be preserved, just as some tall grass prairie ought to be preserved. Because people seem to love the forest more than the grassland, it makes sense that more forest be preserved. But we must recognize that this decision, like other economic decisions, is made to satisfy the wants of consumers, and that the forests preserved for our enjoyment are consumer goods.

Most of all we must realize that the notion, implicit in so much environmental longing, that all remaining forests must be preserved makes no more sense than would a decision to preserve all of Iowa a century and a half ago. —RWB



Exploration

Opportunities on Freedom's Frontier

by Ronald F. Lipp

Will Eastern Europe stumble from Communism to the subtler tyranny of the paternalistic welfare state? Or will Eastern Europeans seize the opportunity to create a genuinely liberal society? Ronald Lipp explores the realities of Eastern Europe.

I recently spent three weeks in Czechoslovakia and Poland, meeting with government officials, politicians, academics, students, businessmen, and workers. What I saw, heard, and learned there led me to realize that we face a unique opportunity to advance the cause of liberty and of human progress, but that the task before us is an extraordinarily challenging one. The death of socialism has left an ideological vacuum in Eastern Europe, and a genuine interest in liberal ideas. But progress toward liberty is always difficult, and the stuggle has hardly begun.

A scant year ago, the world was suspended between anticipation and disbelief as the Soviet monolith shuddered and trembled and wearily sloughed off its outer armor, an iron curtain grown too heavy to bear and too rusted to carry its own weight.

In August, 1989, by dint of a reborn Solidarity, Poland became the first country to divest ruling power from a Communist party by democratic means. Within a few months, even byzantine Bulgaria was in upheaval and cries of rebellion emanated from the black hole of Albania.

Soviet hegemony in Eastern and Central Europe is now wrecked beyond repair. The Warsaw Pact is finished as a military force and COMECON is nearly so as an economic one. The principal showcase of Soviet-style socialism as an export commodity has turned into the most transparent demonstration of its physical, social, and moral bankruptcy.

The stunning and still unbelievable events of this *annus mirabilis* are cause for celebration almost without regard for what is yet to come. But it is still quite uncertain what *is* to come or what we can do to influence the next course of events. It is now time not only for some very hard thinking, but also a revival of the habit—largely dormant since at least the late 1940s—of assessing the six former Soviet satellites as separate cultures, and not some amorphous mass of agony and longing.

Opportunities For Liberty

In the aftermath of World War II, the United States and other Western powers successfully infused a large measure of democracy and capitalism into Germany and Japan, notwithstanding pre-war German and Japanese hostility to liberal values. This was achieved in part because of the great loss of capacity and legitimacy that the institutions of both countries suffered during the war.

Stable societies, on the other hand, resist radical innovation, no matter how efficacious its promised benefits or compelling its logic. Marxism has been intellectually bankrupt since at least the 1940s (some would say since Lenin's introduction of the New Economic Policy in 1921) and democratic socialism lost the moral and economic high ground a generation ago. Nonetheless, after more than a decade of Reaganite conservatism on one side of the Atlantic and the Thatcherite version on the other, neither the U.S. nor the U.K. give the slightest hint of being ready to abandon the basic features of the welfare state in exchange for the gains in economic well-being, personal freedom, and enhanced morality promised by laissez-faire capitalism. At least in the United States, the growing wave of public risk-aversion and ecological hysteria is likely to give the health and safety fascists an irresistible weapon to increase the scope of state intervention and coercion over the next few years. None of the other major nations of the West seems likely to counter that trend in fundamental ways.

And so it should be no surprise that in the 1990s, the principal opportunities for expanding human liberty and for providing a practical demonstration of the benefits of a liberal soci-

ety lie instead in the newly emerging countries of Eastern Europe. These countries have borne fifty years of intimate, daily exposure to the blessings of unvarnished state compulsion and coercion. They have experienced an ever-growing gap between their well-being and that of the West. They have endured the humiliation of queues, controls, and petty bureaucrats at every turn, the demoralization of dead-end jobs in dead-end lives, and the bitterness of subjugation to a regime that no longer even believed its own incantations about the moral necessity for self-sacrifice in the name of a proletarian utopia or for the sake of a struggle against an imperialist enemy that gave its masses both more bread and more freedom. These societies need no map to chart the road to serfdom.

These countries are caught like grist between the great tectonic plates of a collapsing Soviet state and a reunified Germany preparing its ascent to European dominion.

These countries may also be inoculated to some degree against the chief temptation of our day: the reliance on the state to save society from environmental depredation attributed to individual greed. No Western country has suffered the kind of environmental damage inflicted by the socialist regimes whose avowed goal was the creation of a workers' paradise. In Poland, it is reported that a quarter of the farmland is seriously contaminated with toxins.* In Czechoslovakia, half the drinking water may be unfit for human consumption and the water in some rivers apparently is unsuited even for industrial use. According to some reports, emanating from the territory of the Silesian coal fields and the surrounding industrial district in southern Poland and northern Moravia, half the newborn infants are underweight, premature, or deformed. One study found heavy metals contamination in one hundred percent of the placenta from new mothers. The Polish press recently reported that 400 of the 1000 buildings in the village of Jachymov, Czechoslovakia, near the uranium mines, are to be torn down because of radiation levels as much as 25 times the government-permitted standard.

It is also clear that the revolt of these countries was not only a protest against poverty or foreign domination or a reflection of native temperament. For it took place not only among destitute Poles, but more-or-less affluent East Germans. Not only among mercurial Bulgars, but among phlegmatic Czechs and relatively comfortable Magyars. Not only among Poles and Czechs suffering a sense of Soviet domination, but among Romanians suffering largely from home-grown tyranny, and even among Bulgarians who regard the Russians with esteem. The single common currency that denominated all these uprisings was the impulse to throw off the yoke of oppression: the passion to be free.

And yet these revolts were not alike and not all these countries have the same aspirations or potentialities. Among them, three stand as the most fertile prospects for our hopes: Poland, Czechoslovakia, and Hungary. The partisans of other East Bloc nations, as well as of the various Soviet nationalities may make impassioned and attractive claims for their own candidates, but we should place our capital according to the odds, and these three surely have the inside track.

Together with the Baltic states, Poland, Czechoslovakia and Hungary represent the eastern edge of Western culture, the place where the traditions of the Renaissance and the Enlightenment confront the Oriental. Unlike the Baltics, they have already made their break from Soviet hegemony. They look West. For better or worse, they lie more within the cultural orbit of Berlin than Moscow. Their religious tradition is Catholic and Protestant, not Orthodox or Muslim. Whatever their internal dissensions and rivalries, they are largely free of the tribal blood thirsts of the Balkans and the depths of mysticism and collectivism in the soul of Russian culture.

But even among these three, Poland and Czechoslovakia seem best prepared by history for this moment. By perverse irony, the Hungarians, who began the exit from socialism first, resorting to the clever half-measures of Hungary's Goulash Communism, may need to fall back and undo these steps before things can yet be done right.

But Why Should We Care?

Even if the possibilities described above are true, should we care, or care enough to help potentiality become actuality? We have, after all, an aversion to utopian crusades and a strong disinclination to be officious intermeddlers. Even so, there are at least three reasons why the prospects sketched above should matter to us very much.

First, liberty in any country serves our interest. And these are not just any country. Their heritage is Copernicus and Chopin; Dvorák, Capek, and Mahler; Pulaski and Mme. Curie; Liszt and Bartók—which is to say: our own. The most confirmed advocate of non-interventionist foreign policy and the most committed opponent of altruism as a moral principle must recognize the virtue of voluntary assistance to the advocates of liberty in these countries as an affirmation of our own highest values.

"How did the peace talks go, dear?"

* Reliable and verifiable statistical and other information is very hard to come by in these countries and a certain degree of skepticism needs to be applied. In some instances, authorities obviously have a strong incentive to hide or obscure evidence of misdeeds or shortcomings. In other cases, parties have a similar interest in exaggerating evidence of distress.

Second, these countries occupy a vital geopolitical position. Their re-emergence as independent nations is part of a larger rearrangement of the European scene now under way. These countries are caught like grist between the great tectonic plates of a collapsing Soviet state and a reunified Germany preparing its ascent to European dominion. It is of some import whether these Central European nations present a free and democratic counterweight to those developments.

Finally, these countries possess an importance, all out of proportion to their size, as bellwethers for the next generation. In the 1960s and 70s, victories in such obscure places as Angola, Ethiopia, Mozambique, Nicaragua, and South Yemen buttressed the Marxists' self-confidence in their role as the inevitable beneficiaries of history, and thus contributed mightily to Western pessimism. The adoption by Poland, Czechoslovakia, and Hungary of genuinely liberal—and not social democratic, illiberally "liberal"—models could have a similar (though more beneficial) impact in our time.

Turmoil Within

With the collapse of the Communist regimes, Poles, Czechs, and Slovaks have been faced with the immediate issue of what political and economic system is to follow. In Poland, the ten-year struggle of Solidarity has provided considerable opportunity to debate that issue. It is therefore of some moment that the new government opted for a cold plunge from socialism to free-market capitalism, adopting the plan identified with Finance Minister Leszek Balcerowicz. Since the beginning of the year, Poland has moved rapidly to liberate prices and wages, supplant state monopolies with plans for privatization, create a convertible currency, and invite foreign investment. While it is not yet clear how far the Balcerowicz forces would like to move toward laissez faire, the plan does not seem to envision the "middle way" of democratic socialism as its goal.

Other powerful free-market and libertarian forces are also at work in Polish society. In 1985 the Krakow Industrial Society emerged as apparently the first association of businessmen and intellectuals in Eastern Europe advocating the replacement of socialism with a market economy. The Society has advanced the idea of establishing a free enterprise zone comprising the entire province of Krakow. Its members have a wide entrepreneurial vision, including formation of the region's first private bank. On the political front, a number of parties support varying free-market agendas. One of them, the Conservative-Libertarian party, is headed by Janus-Korwin Mikke, a libertarian, who has published translations of Ayn Rand's works.

In Czechoslovakia, the transformation was sudden and largely unexpected. After the long suppression of Czech liberals, the strength of their influence is surprising. Vaclav Klaus, Czechoslovakia's free-market Minister of Finance and a darling of the media, is an unabashed admirer of F.A. Hayek and Milton Friedman. He is outspoken in his advocacy of an uncompromised market economy for his country, his belief in the importance of demonopolization and privatization, and his rejection of foreign aid as an inflationary influence and a deterrent to bold innovation. His chief economic advisor, Dr. Tomas Jezek, counts among his proudest achievements his translation of one of Hayek's works into Czech. Liberals have also assumed senior positions in the leading law and economics faculties in Prague. And entrepreneurial societies have sprung up in both Prague and Bratislava.

But for all this, the ranks of liberals and entrepreneurs are thin in both countries and their opposition is numerous and diverse. There is, in fact, good reason for pessimism about their prospects.

Opinion polls in Poland have shown the popularity of free-market Finance Minister Balcerowicz plummeting, while that of Minister of Labor Kuron, who is associated with state controls, is on the rise. In Czechoslovakia, gradualist political forces around Vice Premier Komareck have deflected many of Klaus's efforts.

In both countries, a wide range of political parties vie for public favor. There are no more communists, of course. "We are all democrats now," one *apparatchik* observed. But there are plenty of socialists who have only just replaced a hammer and sickle with a rose, as well as social democrats who point to the Swedish and the German models and whisper in the ear of a tremulous electorate about the hard times ahead and the evils of capitalism.

The residents of a Czech village are reported to have said that capitalism is wonderful. But how could they be so sure? Well, they had read that with capitalism, each business must make a profit. They would like very much a system where everybody makes a profit!

There are also Christian-Democrats, Peasant parties, and Catholic parties, trade union-based organizations and others whose programs are anything but laissez faire.

And, at least in Poland, conservative parties that may claim to be friends of free markets are far from libertarian, and are sometimes identified with fascistic and antisemitic elements. Thus, the Polish press reported and even emphasized that the Congress of the Right, held in Warsaw on May 1, was protected by young skinheads emblazoned with swastikas and brandishing truncheons.

Beyond politics is the problem of the *nomenklatura*. Neither country has yet ousted the bureaucracy that was at the heart of the old system and neither is likely to do so soon. In some ways, democratization has aggravated the problem. In Czechoslovakia, the collapse of the old regime liberated the university faculties from the Ministry of Education, giving the established—and very largely Marxist—faculty a kind of tenure Western academics can only fantasize. One liberal Czech professor has so despaired of reforming the university faculties from within that he is attempting to establish an entirely new school and is seeking Western help to launch it.

This swirl of conflicting and competing interests is the natural and per-

haps unavoidable consequence of societies in upheaval. Compounding the difficulty that confronts liberals in broadcasting their message in the midst of this cacophony is the fundamental confusion in these countries about the meaning of that message. A

Increased freedom has given Warsaw seven sex shops vending paraphernalia imported from Germany, a problematic development in a traditional, intensely Catholic country.

meeting was convened at the Prague School of Economics between a group of Czech students and the owners of an American retailer of libertarian books intent on bringing their wares to Prague. The room was pregnant with anticipation. What books would Czechs buy?

"Well, nothing about socialism."

"How about *A Critical Examination of Socialism*?"

"No, nothing with the words 'socialism' or 'communism' in it, no matter what it has to say."

"How about 'freedom' or 'democracy'?"

"Oh, yes, anything like that."

"Or 'capitalism'?"

Silence.

"It has been a bad word for so many years, we're not sure how people will react."

The residents of a Czech village had less doubt how to react. Capitalism, they are reported to have said, is wonderful. But how could they be so sure? Well, they had read that with capitalism, each business must make a profit. They would like very much a system where everybody makes a profit!

Such confusions are not limited to students or rustics. An esteemed Czech economist has asserted, "there are 100 professors of economics in Prague. Perhaps six have more than a rudimentary understanding of price theory." Such things are not taught or studied in good Marxist schools. And a business consultant in Poland admits that he finds American financial statements quite difficult to read. He is particularly perplexed by the concepts of "return on equity" and "retained earnings."

A Warsaw businessman capsulized the problem. "We have lived under the Communists so long we have forgotten how to work. If things had kept on much longer, we might have forgotten how to think."

Liberals are confronted with two tasks. In the short run, they must convince the Polish and Czechoslovak peoples to opt for freedom and free markets almost as a matter of faith. In the long run, they must begin an educational process from the ground up so that faith may be replaced by informed conviction in sustaining a free society.

This daunting task will be aggravated by the worsening conditions in these countries. Poland has embarked on an audacious austerity program. In January, subsidies on food items were removed and restrictions on the pricing decisions of many retailers lifted. Food prices doubled. Sugar rose nearly threefold and coal, the most important fuel for heating homes, rose several hundred percent. Overall, prices rose by 60 percent while real wages fell perhaps 40 percent. For the average Polish worker, whose wages of about 900,000 zloty per month equate to perhaps $95, the pain was real. Triple digit inflation has now subsided to single digit, but a sharp recession is in progress, with production down by perhaps 30 per cent. As subsidies and shelters from competition continue to be lifted, the misery must increase and unemployment is likely to become a particular problem. Most socialist enterprises seem vastly overstaffed. A Polish newspaper reports that the state television station in Wroclaw employs a staff of 430 to produce a single half-hour program each day!

These developments seem to have resulted thus far in relatively little civil unrest, limited mainly to union protests, boycotts by farmers, and anxiety among pensioners. But popular discontent with economic developments and the pace of democratization has resulted in serious erosion of Solidarity's popularity.

University students, always a barometer of discontent, seem remarkably cynical about Solidarity and pessimistic about Poland's future and their own. Driven perhaps by these strains and the individual ambitions of its leaders, Solidarity celebrated its 10th anniversary by fracturing into two hostile camps—the Centrum Alliance of Lech Walesa and the Citizens Movement, which supports Prime Minister Mazowiecki.

Other strains have appeared as well. Anti-semitism appears to be widespread. Anti-German sentiments are also commonplace and, in view of Poland's history, more understandable than the anti-semitism. Increased freedom has given Warsaw seven sex shops vending paraphernalia imported from Germany, presumably a problematic development in a traditional, intensely Catholic country. The news media now contain sensational reports of burgeoning crime, including gangs virtually taking over Warsaw's central train station. The media also reported another dubious development of increased freedom and opportunity which will no doubt be charged to capitalism—Poland's first Ponzi scheme. A local entrepreneur, promising Poles 60 to 150 per cent interest rates on their savings, allegedly managed to bilk them of 50 billion zloty (some $6 million) before taking off for foreign climes.

Last winter was one of the mildest in recent Polish memory—an auspicious setting for introduction of the Balcerowicz plan. It would be too much to expect such good fortune to be repeated; good fortune has never been a Polish trait. The coming snows of '91 may test the fortitude of the Polish people to stay the course.

The contrast with Czechoslovakia could hardly be greater. The students seem to be optimistic and eager, if a bit frightened, to get on with their future. And Vlaclav Havel, the whimsical playwright-turned-President, remains a popular folk hero. But Slovak separatists are becoming increasingly vocal (a development that may not be inconsistent with the advancement of liberty) and other tensions simmer just below the surface. It is early days for the Czechs and the Slovaks. The time of testing has only just begun.

What Now Should We Do?

In this stew of confusion, competing claims, and economic turmoil,

Central European liberals hope to make their case while neither being drowned out nor drowned. They are struggling with antagonistic parties and rival social theories, with the Old World's long tradition of collectivism and native rivalries, and with their own fears and fatigue. It is impossible to overstate the urgency of their situation or the scope of their needs. The opportunities that these countries present may be historic, but they are also highly perishable.

A flood of Western governmental and private organizations have entered the fray to provide technical support and advice, from Peace Corps workers teaching English to financial consultants advising how to establish a stock exchange. A number of government aid programs have been created, with their usual prospect for mixed blessings, but, in any event, the amounts appropriated seem quite modest by comparison with the tasks (including recreating the entire infrastructure). A number of American and Western European universities have begun efforts to bolster their eastern counterparts. The newly inaugurated American Bar Association Central and Eastern European Legal Initiative has been formulated to provide technical assistance in instituting legal regimes to replace Marxist models of non-law.

Most of these efforts are probably good things. Even better will be the increase in numbers of American businesses and investors into Central Europe. It may be that the best way to advocate capitalism is to *do* capitalism.

But in general, these efforts are not directed by liberals or in support of liberals and they could just as well produce something like the German or Scandinavian social model as they could a laissez faire system.

What is required is a program consciously created by American advocates of liberty, directed at and for the benefit of their East Bloc counterparts, to provide them with aid and comfort, ammunition and moral support—an effort to build linkages amounting to a network. Its reach should extend to those in government, academia, the business community, the professions, and beyond.

Its specifics should be tailored to its targets and limited only by its resources. It might include supplying books, teachers, scholarships, seminars, and teaching exchanges, financing translations, financing joint ventures, and formation of joint efforts to tailor privatization studies to local conditions. Part of the effort should be to provide our colleagues in the East with information and access to useful programs by organizations that are not driven by our agenda. Perhaps one of the most useful early tasks is simply to coordinate and increase the flow of information to our colleagues about the various programs and activities already under way.

Above all, it should constitute a long-term commitment, intended to endure after the media pundits and other opportunists of the moment have moved on to other scenes, and be a core effort, not a sideshow to other undertakings. The point of the program should be as much to provide

moral support and to create a community of shared values and effort as it would be to impart specific information. Only a long-term, substantial enterprise will fill that bill.

Pieces of the puzzle are now being filled by various organizations. Policy groups like the Cato Institute, the Reason Foundation, and the National Forum Foundation are making an important contribution through seminars and other efforts, but these are generally limited aspects of their much broader and more diverse policy agendas. The Hudson Institute is engaged in a major reform effort in Hungary. The Institute of Humane Studies has established a permanent presence in Prague and appears to be engaged in the kind of sustained program that is needed, but its efforts are, of course, limited to its specific focus on student programs.

In sum, the objective is to build upon these valuable beginnings, to perform the larger task that no organization appears to have yet undertaken, and to enlist American supporters of liberty whose energies and talents have not yet been engaged.

Is all this really worth it? Can it make a difference to us? I think so. At a minimum, the opportunities to create liberal societies in Czechoslovakia, Poland, and Hungary may be beneficial there and may serve as springboards to increase freedom in the remainder of the region, including, in time, the Baltics and perhaps even the other Soviet Republics. But the real pay-off for us may be here at home.

There is something paradoxical about the current state of American public life. Over the past generation, conservatives and libertarians, pursuing their separate, but often congruent, agendas, have made substantial inroads in reducing government intrusions in specific areas of American life. In the same period, philosophical and economic arguments for personal liberty and free markets clearly have captured the high ground intellectually and—though it is less commonly recognized—morally.

Yet conservatives enter the 1990s with their energy flagging and the movement perplexed over the end of the Cold War, and libertarians are still outside the pale as a political force. The essential operative features of the welfare state remain in place and are expanding, and governance is a more openly manipulative process of grab-the-goodies pressure politics than ever before. Increasingly, pressure groups don't even bother with the ideological window-dressing considered indispensable a generation ago.

In consequence, we live in a society beset by cynicism about the character of the political process, distress about the vitality of American culture, and pessimism about the possibility of doing much about either. Yet the same American public was captivated by the triumph of Solidarity, the breach of the Berlin Wall, Vaclav Havel's impish charm, and—above all—the electrifying hunger for freedom across the East Bloc. Given half a chance, Americans still want to believe.

Building societies is neither as dramatic nor as photogenic as tearing down concrete walls and barbed wire. But if the hunger for freedom demonstrated in 1989 can be focused to create liberal societies in the east, perhaps it may, in fact, be refocused to capture the American imagination as well.

It may also represent the best opportunity, by combining libertarian efforts with those of other advocates of personal freedom, capitalism, and limited government, to reintegrate libertarian thinking into the mainstream of the intellectual community. This may be possible because foreign programs do not create the same intramural territorial complications as domestic ones do, and perhaps also because the issues in the East are so fundamental they are not yet partisan.

As we furnish aid and comfort to our eastern friends in the fight that lies ahead, we may find that they have something valuable to give us in return. There is more to the life of liberty than theory and analysis. Perhaps our friends in Warsaw and Prague, in Budapest and Bucharest, and in other places can enrich our understanding by teaching us about resistance to tyranny and oppression, about things endured and overcome and moral choices made. Let us give them the chance. ❑

The Search for Home of Truth

by R. W. Bradford

Home of Truth, Utah —The description in my guidebook, a 1940 WPA guide to Utah, was intriguing: "Home of Truth Colony is a religious community founded in 1935 by Mrs Marie M. Ogden, formerly a prominent welfare worker in New Jersey . . . members are required to transfer ownership of all property to the leader for use of the entire group, and thereafter are entitled to food, clothing, and shelter. Mrs Ogden claims that she founded the colony under divine guidance and that she allows members no meat, except fish and chicken, and forbids the use of tobacco and alcohol."

Wow! A charismatic leader who talks with God and imposes a utopian social order on the initiates—her Home of Truth Colony sounded like a cross between Jonestown, Guyana, and Big Water, Utah, with a liberal dose of the fictional Starnesville of Ayn Rand's *Atlas Shrugged*. Especially Starnesville, where Ivy Starnes mixed oriental religion and food faddism with collectivism and low-tech to create a utopia. Like Ivy Starnes, Mrs Ogden was apparently a person of some means: "She owns the county's only newspaper, the *San Juan Record*, printed in Monticello." And Home of Truth was a back-to-the-land movement, decrying the wasteful consumption of modern civilization: "The colony has no electrical nor sanitary conveniences; light is provided by candles and oil-lamps, and water is obtained from outdoor handpumps."

Ivy Starnes may have lived here.

In exchange for electricity, Home of Truth promised peace: Mrs Ogden "has prophesied that the grazing land beyond the gap will eventually be populated by thousands of Home of Truth colonists, and that the faithful will live in peace and prosperity while the rest of the world is caught in the destruction and misery of war."

I wondered: did Home of Truth deliver on its promise? Did thousands of colonists find good grazing land beyond the gap in the mountains? Did they prosper while the world suffered from the carnage of World War II? Filled with religious fervor, appreciation of the simple, low-tech life, and an understanding of the compulsory sharing that underlies the principles of welfare, did they find the harmony and prosperity that they sought? Whatever became of Mrs Marie M. Ogden and her devoted disciples?

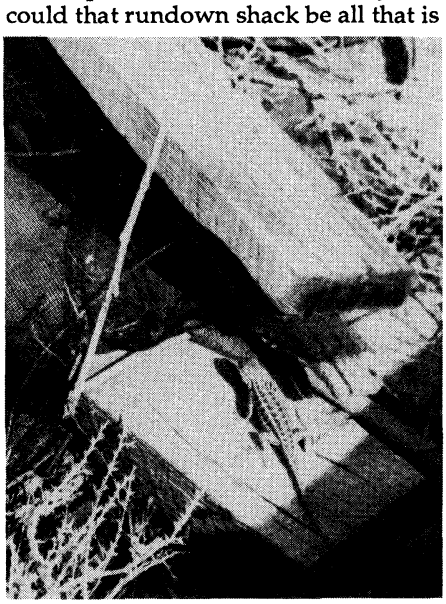
My guidebook said that Home of Truth Colony was located on a dirt road 1.7 miles west of an oil-surfaced road at a point 11.6 north of Monticello, Utah. This point, my road atlas advised was a scant 1,200 miles southeast of my home in Port Townsend, Washington. The atlas also showed that the road running north from Monticello was now paved. Assuming that the road was still where it was in 1940, I could certainly get myself there; if Home of Truth survived as a prosperous community, it would be easy to spot in the desert. I packed my camera and a thermos of lemonade, got on my motorcycle, and set out to find it.

Southeastern Utah, for those of you who have not had the pleasure, is a lonely and beautiful place. It is desert country, and like desert country everywhere few people live there, and those that do are a little strange. But in this part of Utah, it is the land that grabs your attention and holds it. Scrawny

rivers flow through magnificent canyons. Vast flows of lava bake in the sun alongside towering spires of sandstone. There are more national parks than decent restaurants.

To the south—the direction I am heading—there are ominous clouds. To my left is a huge natural arch, more spectacular than any in Natural Arches National Park. My map has a tiny red square marked "Wilson Arch." I have never heard of it. Why is there no national park here, I wonder, no magnet for America's subsidized geriatrics luxuriating in behemoth Winnebagos and suburban families packed into tiny sedans? Perhaps its closeness to the highway accounts for its obscurity. If people can see it from the window of their car on U.S. 160, how can it qualify as a "natural wonder" worth a $5 per carload admission?

I speed by. I reach the point where I calculate that I must leave the highway. The road I select is paved now. I drive up it .6 miles and look to my left: could that rundown shack be all that is



A current resident relaxes in his home.

left of "the Outermost Point," identified in my guidebook as "a group of frame buildings for the use of nonmembers and visitors?" Another 1.1 miles down the road I look for "the Middle Section," which I quickly identify by the low, Mesopotamian-style pile of rocks that I take to be "the unfinished cobblestone church" mentioned in the guidebook.

I continue down the road another 1.3 miles. Sure enough, I come across a group of buildings that must have been "the Outer Portal" identified by the guidebook. This was the most developed part of the colony, the home of Mrs Ogden and her elect.

It lay north of the road only a few hundred feet. I park my motorcycle and walk up a sandy track to the main group of houses. There is a deep gully in the track, where water runs during rainstorms. Anthills rise six inches high and a foot across. Four-wheel-drive trucks have been here since the last rain; tracks are all around.

It is easy to spot which house was Mrs Ogden's. It's the two-story one with several rooms and a long porch facing Shay Mountain to the southwest. "During the summer," the guidebook says, "the colonists make frequent trips to this mountain, remaining at its base while their leader ascends to the summit to receive revelations." Israelites at the base of Sinai while Moses ascends.

But there were no colonists at the base of Shay Mountain today, no Mrs Ogden at its summit talking to God. Neither were there happy colonists in the Outer Portal, and grazing land filled with the flocks of sheep and harmonious colonists beyond the gap. The houses are falling apart. If they were ever painted, there is no hint today. Every piece of glass is gone, every door is open, the only signs of twentieth-century occupation are the scraps of linoleum on the edges of floors. Litter is everywhere—the sort of litter that isn't completely broken down by 40 years of the desert: fragments of rusty metal, bits of barbed wire, leprous tin cans, weathered boards torn from buildings. I look in vain for the ruins of an electric motor.

In front of one building is a length of concrete sidewalk; by another is some rockwork. Between two buildings I come upon two trash barrels, one labeled, "Keep Utah Beautiful." They are about half-filled with beer cans, and more beer cans are strewn about.

The Outer Portal has become a place for local teen-agers to drink.

To the south the clouds grow darker. I walk back to my motorcycle and return to the Middle Section. There is a dirt track into it, passing through a gap in a barbed wire fence. I cross over a dilapidated cattle guard made of wood. I pass the rockpile foundation of the cobblestone church that was never completed. Ahead lies a house that appears to be covered with tar paper. Does someone live here? Am I trespassing? There are no vehicles about, but I park the bike and walk toward the house. "Hello? Is anybody home?" No one answers.

I soon discover why: through a window I see that the house is full of hay. I hear the sound of an animal: I have startled a jackrabbit, which runs from one sagebrush to another. Then the whisper of the desert breeze is interrupted by a sound that seems out of place: a quiet mechanical sound. I look about and discover that the ramshackle windmill to the west is turning. It is pumping water from a well and dumping it on the ground. There are no animals here to drink it. Has this windmill been quietly pumping water onto the thankless desert for fifty years?

But of course, this land *is* being used. There are cowpies everywhere, and someone has filled the house with hay and is probably caring for the windmill. This field is used for cattle, probably during the winter. Real production in the debris of utopia.

The clouds to the south look threatening. I mount my motorcycle and drive past the rockpile church to the paved road and back toward the Outermost Point.

At a weatherbeaten shack, I dismount, startling another jackrabbit. The shack has no doors, no glass. Nearby is a collapsed building.

It is anti-climactic. After you've seen the Middle Section, how can you be impressed by the Outermost Point? The sky is dark now—the clouds are fearsome. I am taking photographs when the first giant drops of water hit me. I head for the paved road, and it is raining hard when I reach it. I dismount and put on my jacket to protect me and my camera. I am in what in these parts is called a "gully washer." Yes, the gullies are washing: brown rivers of mud rush alongside the road, and I am back on the highway, racing through a downpour away from Utopia, leaving Home of Truth to jackrabbits, lizards and ants.

Ashram in the Desert

Rajneeshpuram, Oregon — Like Home of Truth, Rajneeshpuram was founded in the desert as a religious community centered around a charismatic leader.

But the the similarity doesn't go very far. Rajneeshpuram was large; Home of Truth small. Rajneeshpuram was famous; Home of Truth almost unknown. Rajneeshpuram was rich; Home of Truth poor. And ironically, while obscure Home of Truth is easy to get to, located only a few hundred yards from a paved road, well-known Rajneeshpuram is hard to find, a traveller's challenge.

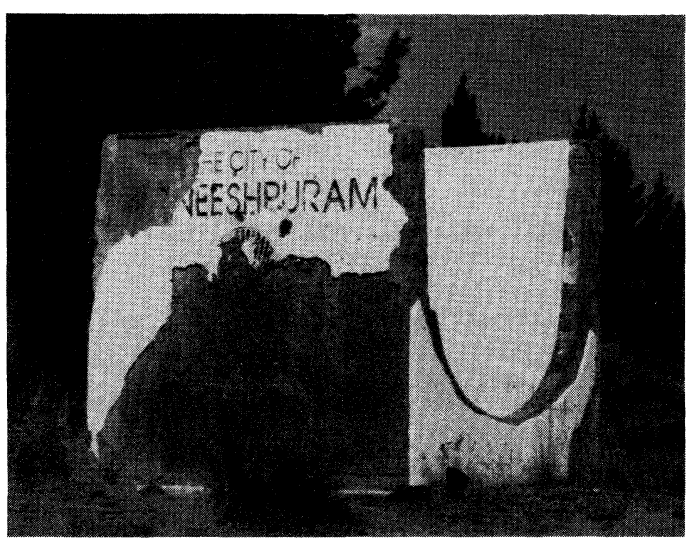
In the early 1980s, Rajneeshpuram was the center of attention. Ted Koppel did live interviews with its officials, and the motels of nearby towns were filled with reporters from around the world. Its story was widely known: a guru, who went by the name Bhagwan Shree Rajneesh had left his ashram in India and moved to the United States. Bhagwan's religious teaching combined ideas and techniques from the Western human potential movement with those of the Eastern tantric tradition of sexual mysticism, a doctrine that found a market among well-off Americans. Bhagwan ("God") moved to a ranch in central Oregon that had been purchased by his disciples, and established a religious community, which he called Rajneeshpuram.

At its peak, somewhere between 2,000 and 5,000 people lived in Rajneeshpuram, and at one point another 15,000 or so visited to attend a religious festival. In the early 1980s, it appeared on road maps, a foreign sounding name on the southern border of Wasco County, about 50 miles northeast of Madras, a metropolis of 2260 souls in the high desert of central Oregon.

Rajneeshpuram no longer appears on road maps. But you can find it if you want to.

◆

I drive south on U.S. 97 to Shaniko. In the early part of this century, as much as five million pounds of wool were shipped from Shaniko each year, but overgrazing turned the land to desert, and in the 1940 census, its population had fallen to 55. My map lists it as a ghost town.



Baghwan lived here.

I stop at its only remaining commercial building, a gas station. How many people live in Shaniko, I ask. Less than ten, I am told. I note the billboard announcing in red, white, and blue letters a huge federal grant to improve its municipal water system. The paint on the sign has peeled away in patches; it dates from the 1960s, when the town boasted a population in the 30s. Today, its few remaining buildings bake in the sun, decaying. Grass grows tall in what appears to have been a park.

I turn south on a paved county road, passing through Antelope, the town of some 30 or 40 people that lies only about 18 miles from Rajneeshpuram. It is late afternoon; I check my odometer as I turn east on SR-218. According to my map, the road to Rajneeshpuram is 4 miles from the intersection. I wonder: will I be able to distinguish it from other dirt roads?

I have forgotten that this is the high desert, where mountains, winter snows, and freezing weather make road maintenance a real job. It is not the desert of Utah or Nevada, where a road can be plowed in the earth and remain in good shape for years. Roads are few in these parts. The first dirt track off the pavement I come to is about four miles up the road. This must be the place. I turn.

The road undulates and twists sharply as it climbs and falls. The only sign of civilization is a long-abandoned barn, left unpainted for decades, now the color of charcoal. On its side a white sign in block letters proclaims, "BELIEVE ON THE LORD JESUS CHRIST AND YE SHALL BE SAVED." This, clearly, was not the ashram. About three miles up the road I come to an intersection. This seems too close to the highway. I continue. The road worsens. The turns get sharper, the potholes bigger, the grades steeper. It is hard work maneuvering my motorcycle, but I proceed.

Where is the road to Rajneeshpuram? Should I have turned at the last road? Finally, I come to an intersection: an arrow to the left points to "Ashwood." From my map I see that I am south of the road to Rajneeshpuram. I backtrack, and turn down the road I had passed earlier.

It rises sharply, but the roadbed is better. I cross a cattle guard. There is a huge sign, "PRIVATE PROPERTY ABSOLUTELY NO TRESPASSING, VIOLATORS WILL BE PROSECUTED TO THE FULLEST EXTENT OF THE LAW, CONNECTICUT GENERAL LIFE INSURANCE CO., CO-OWNER."

I am in Rajneeshpuram, or more precisely, I have entered the ranch the Rajneeshees purchased to build their home in the wilderness. But the ranch is huge—over 100 square miles—and it is

another 8 or 9 miles to the city proper.

Smoke rises somewhere in the distance. The air is fairly clear, but it burns my nasal passages and inflames my eyes. It is very hot and I grow apprehensive. Is Rajneeshpuram on fire? The only signs of man are the road and barbed wire fence and utility poles along its sides. Then I see a large concrete cube. On its front it says, City of Rajneeshpuram. It is chipped, and parts are missing.

The road ascends sharply: my altimeter indicates I am more than 3000 feet above sea level. The road twists and falls. The scenery grows more spectacular, with pillars of rock rising alongside the hills of muted greys, greens, and browns, covered with scrub. The land is unkempt.

And then I see a lake, sitting incongruously alongside the road. As I reach it I discover that it is a reservoir backed up behind a small earthen dam. Around another curve I see further signs of man. Buildings. An asphalt airstrip parallel to the dirt road. An apartment complex lies in a narrow ravine. It looks like it could be in a suburb of Denver. Or L.A. Or any other city. But not here, nowhere. On my left is a garage entitled "Siddartha." Modern street lights. Yellow poles labeled "Bus Stop" at intervals along the road. A bus station.

A ghostly town, but there is none of the decrepitude of a ghost town. It is a complete city, waiting in the desert for someone to live in it. Everything is new, modern. And empty.

The road curves. On the left is a Victorian house, an incongruity within an incongruity. It is lovely, and beautifully situated, surrounded by a creek and trees. The creek gurgles, four ducks swim in it, a breeze rustles the leaves of the trees. It looks like a nice place to live. And someone lives in it, a caretaker, I surmise. Next to it a street leads down a valley. There are many buildings down the street, but my view is blocked by trees along the stream; I cannot tell what they are. Like all the other side streets, it is barricaded.

I drive past a shopping mall. The road makes a large "S" curve. I drive on, past more bus stops, more buildings. An overgrown soccer field. A huge wall-less structure of the sort that prosperous ranches use to store hay, but it can't be for hay storage: the Rajneeshees were vegetarians, and had no use for animal feed. More bus stops, more streets, all barricaded. It is impossible to see most of the town from the county road, and all the sidestreets are protected by barricades and no trespassing signs.

Then the town gives out. I turn around and return to the center of town. I park my motorcycle and take a good look at a large green building across from the mall. It is "L" shaped, with several bay windows and a covered walkway. Signs on the windows say "New Releases, Photographs, Paperbacks, Bhagwan Magazine, Bhagwan Audio & Video." A wooden sign on the side of the building warns, "Absolutely No Trespassing, All Violators Will Be Prosecuted To The Fullest Extent Of The Law, Connecticult General Life Insurance Co." Aside from a rain gutter swinging in the breeze, the building appears to be in good repair. I peer in through the windows. Empty. I take some photographs, careful to walk only on the county road.

I walk toward the shopping mall. It is a two story structure, with four sets of french doors at intervals on either side of its main entrance in the center. I pace it off: it is 300 feet wide. A large, slightly weather-beaten sign over the main entrance says, "Devareeth Mall" in elaborate lettering. One of the doors has " AIR SA ON" written on it: not some strange oriental institution but a hair salon. Part of the roofing material is missing near one end. Otherwise the building is in good shape. It too is empty.

A ghostly town, but there is none of the decrepitude of a ghost town. It is a complete city, waiting in the desert for someone to live in it. Everything is new, modern. And empty.

◆

Mrs Ogden brought her flock to the desert of Utah, some 700 miles southeast of Rajneeshpuram and 45 years earlier, to establish their own Promised Land. Her followers gave her all their property and lived a communal life. Their neighbors in Monticello didn't care much for the colony ten miles north of town, but they didn't do much about their dislike. Eventually, as the colonists realized that their religion was bogus, they abandoned Home of Truth. And today Home of Truth is dead, rotting in the wind and sun of the Utah desert.

Before long, the local cafe was painted red and renamed "Zorba the Buddha," the town renamed Rajneesh, and old-time residents of Antelope found out what it was like to be treated as they had treated the Rajneeshees.

Bhagwan brought his flock to the desert of Oregon to establish their own Promised Land. The ranch they purchased in July 1981 was 18 miles over a rutted, single lane dirt track from their nearest neighbors, 50 miles from the nearest city. They got the water for their colony by damming up the tiny creeks that result when the snow melts in the spring, and by tapping the small aquifer that lies under their own property. It is impossible to imagine a more remote site for a colony, or one which impinged on its neighbors less.

Like the colonists at Home of Truth, they sought to make the desert bloom. Like the colonists at Home of Truth, their main assets were their own labor and the money they brought with them. Today, only traces remain of Home of Truth. Today, Rajneeshpuram is a city without people, waiting in the desert. Waiting for nobody.

Home of Truth died a natural death. Rajneeshpuram was murdered.

In order to live on the land they had purchased, the Rajneeshees had to get the permission of the politicians in The Dalles, the seat of Wasco County, a resort city on the Columbia River, located some 90 miles to the north. Thanks to the land-use regulations of the State of Oregon and of Wasco County, the Rajneeshees had to limit settlers to agricultural workers. But the Rajneeshees didn't want to use the land as a cattle ranch, populated by a

single family and one steer per hundred acres. They wanted to capture the land's scarce water and use their own labor to cultivate the desert. This required far more workers than does a ranch.

So in October, 1981, three months after purchasing the ranch, they applied to the politicians in The Dalles for permission to hold an election to organize a city on their land. The politicians granted them permission and the City of Rajneeshpuram was created.

But their neighbors called on a group of wealthy city-dwellers in Portland—150 miles and a world away—a group with the money and legal resources to fight the Rajneeshees. In December 1981, 1000 Friends of Oregon filed a lawsuit, arguing that the city was not in harmony with Oregon's comprehensive land-use program. When the Rajneeshees wanted to operate a printing press to produce pamphlets and books about their religion, 1000 Friends of Oregon reminded them that all buildings and operations not directly related to farm use were prohibited at the ranch, and suggested they locate their printing press in Antelope. Moreover, 1000 Friends warned them that they "may not rely on the hostility of Antelope residents" as an excuse for establishing their printing operation on their own land at the ranch.

So the Rajneeshees purchased a plot of land in Antelope and applied for a license to operate their printing press there. The city council of Antelope denied them permission. It occurred to someone on the city council that with fewer than 20 registered voters in the city, Antelope's city council could easily be taken over by the Rajneeshees—all they needed to do was to move a handful of people to their property in town. So the city council decided to abolish the city. The disincorporation measure passed the council, but it had to be approved by the voters. During the month between the council action and the election, more Rajneeshees moved to town, and disincorporation failed.

The next city council election brought a Rajneeshee majority. Before long, the local cafe was painted red and renamed "Zorba the Buddha," Main Street renamed Melvana Bhagwan Street, the town renamed Rajneesh, and old-time residents of Antelope found out what it was like to be treated as they had treated the Rajneeshees. They complained loudly, and found sympathy with most of the people of Oregon.

Illegal to occupy.

When Bhagwan drove the 50 miles to Madras, his car was surrounded by angry demonstrators shouting "Bhagwan out of Madras!" "Repent your sins!" and "America will be free!"

A siege mentality developed. Tempers flared. Before it was over, wild charges and crazy actions were taken by both sides. By 1985, the Rajneeshees were finished: their city had been declared illegal, their leaders put in jail, their treasury depleted by a huge number of legal battles and tax judgments.

The Rajneeshees reacted to their persecution in a bizarre, paranoid and vicious way, plotting to set fire to the county planning office, to assassinate the prosecutor and to poison a county commissioner. But the reaction of the people of Oregon to the arrival of the Rajneeshees was crazier: it dropped all pretense of tolerance and civilized behavior and engaged in an orgy of nativist witchhunting: setting fire to a Rajneesh-owned hotel, arbitrarily changing the voter-registration procedures a few days before an election to prevent a Rajneesh victory, and harrassing the Rajneeshees at every opportunity.

What would have happened had not the people of Oregon used the power of their government to destroy Rajneeshpuram? Eventually Rajneeshpuram might have suffered the fate of Home of Truth: members would have learned that subjugation to Bhagwan provided no more long-term satisfaction and happiness than the Home of Truth cultists got from subjugating themselves to Mrs Ogden, and they would have abandoned the colony.

More likely, the Rajneeshees would have fallen gradually from their faith but remained in their community for economic reasons (they had millions of dollars invested there), as the members of the Amana commune of Iowa did a century ago, eventually converting the communal property into individual property by a distribution of stock and land.

Either development would have denied the media a circus and the American public the entertainment provided by the Rajneeshee episode. And either would have proved less expensive to the people of Oregon, who had to pay the bill for the legal war against the Rajneeshees—and who continue paying the bill today: they must live in a society that cannot tolerate diversity. "America will be free!" they shouted at Bhagwan. Yes, Americans will be free. But only so long as they choose not to follow your religion, Bhagwan—only so long as they do not wish to live in their own city on their own land.

◆

As I kneel and focus my camera on the shopping mall I hear a voice: "Hello! What're you doin'? You better not trespass." A middle aged man walks toward me. I stand up and say, "I am on the county right of way." I am apprehensive.

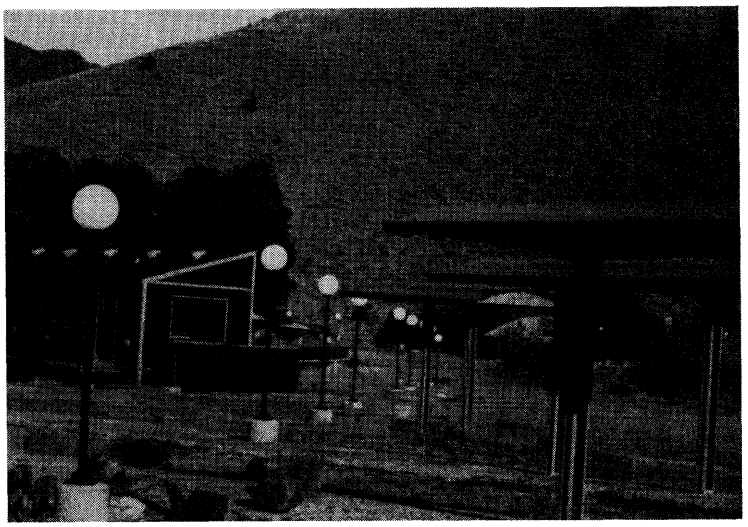
But once I convince him I do not intend to trespass, the man is friendly and loquacious, like many who live in the desert. "The reason I cannot trust

everybody, I've tried to and I can't. I've let people come in here and walk around . . . I don't check these buildings daily, but I do weekly, and I find a goddam door busted back here somebody's gotten in, they think they can get into the mall, but there's nothing in the mall. You can look through the windows and see there's nothing in there. But they think there's gold in here . . .

"I feel fortunate that I haven't had vandals. I've been here 2 years . . . well make that 20 months. The city came to a screeching halt in 1985, approximately October or November of 1985, there were still people here because it still belonged to the Rajneeshees. The Rajneesh got out of here, taking his money with him and what have you. Sheela went the other way, went to jail over here in California for two years in one of those federal prisons where you can't play golf but once a week or tennis but once a day or some goddam thing you know and you can't have beer but once a week . . ."

I tell him I am writing a magazine article. He does not want his name used, he says. "A guy came out here and I didn't realize he was writing stuff in the back of a truck when I was talking he had a travel-all one of those large Chevy trucks and so when I got over here you know and I started to pile out and you know I saw the yellow pad and I said, 'What're you doin?' and he said, 'I just writing down what we're talking about' and I said 'you're going to have to clear that with the insurance company.' 'I will, I promise you that.' I said, 'Okay, if you don't I'm going to look you up.' And so he called the insurance company and the insurance company said, 'We won't talk to you.' So he went ahead and printed the fucking story and it wasn't 3 . . . 4 days later, goddam if I didn't get a call. 'We told you not to talk to anybody.' I said, 'Well what the . . . there's nothing in the paper that's derogatory.' He said, 'I know that. But they know how many people are there, they know this, they know that.' See what I'm saying, it's touchy."

How many tourists come here, I ask. "We had a helicopter come in here yesterday at 8 o'clock in the morning, people land their planes, hit the damn runway, touch down and are gone . . . if it was snowing I'd probably have 15 cars, if it was 95 degrees, I'd have one. You just can't predict who's coming through or when. . . . I told the guy up at the store, the cafe in Antelope, 'Tell everybody the place got rained out, or the roads are bad.'"



The last bus left in 1986.

What's going to happen to this place? It's been sold, he said, to an outfit called the Hanover Corporation, which will make it a resort. They paid $300,000 down on the deal. They won't walk away from that kind of down payment. The purchase price is between $5 million and $6 million.

"Can they use it as a resort?" I ask. "I read that it was emptied out of people because of a violation of Oregon's state-wide land-use regulation, after a lawsuit from an environmental group."

"Oh, no" he said. "It was closed down because Bhagwan was an illegal immigrant, and because he was flying in immigrants from Mexico and landing them on the strip."

It was repossessed by the insurance company in 1985. "They've had a goldmine dumped in their lap and they don't know what to do with it. These developers told me this fucking place is worth 50 million, it's worth a hundred million. There are computer line trunks under the ground here that will make your head spin. I mean this fucking place was *computerized*. It had the latest IBM computers in it.

"Were you ever down here in their heyday? It had the third largest bus service in the state of Oregon, teetering on the brink of being the second. There is a 170 room motel, you can see it through the trees.

"It was the biggest city in Oregon east of the mountains. Except for Bend. Bend is the fastest growing city in Oregon right now. People are flocking in from California and I wish to fuck they'd stay in California.

"Well what happens is they come in here long enough to establish residency. And then they go back to California. They use this as their summer place or their winter place to ski or what the hell they do. They got homes all over this goddam place and they don't live in 'em half the time. And then if I go down to the local bank and I want to get a fucking loan down there and all the money is loaned out to these people cause its cheap, taxes are cheap, and like one guy said in the cafe one day, it was years ago, and a truck driver came through and says, 'What do you guys got against Californians?' and he says 'If you want to move up here move, but bring your fucking money out of the bank, sell your house and move up here. Don't tell me what you did in L.A.' We're getting too fucking many board members there from L.A. I moved up to Bend in 1974 and it used to be the nicest little city, polite people, you know, you'd drive down the street and stuff and they'd stop and let you out of the side street and wave at you and stuff. I'm at the bank. Now I'm this way, I get in the fucking car and I raise hell. Now I'm at the bank and I'm waiting while the goddam people pile up in front of the bank at the entrance and exit and I'm trying to get out and cars are lined up down the street a half a block and do you think those fuckers could leave enough space so I could get out? I get out of the fucking car and I says to this guy, "Didn't you see me trying to get out of this goddam driveway?" And he says, "Oh, no. I didn't see you. I was just looking straight ahead."

The sun is low in the sky. It gets cold in the desert when the sun goes down, and I want to take more photographs. I excuse myself, finish my roll of film and leave. The sun is near the horizon, and I have 15 miles of dirt roads ahead of me. Again I smell smoke. It gives an odd color to the air, and burns my eyes and nasal passages. I had forgotten about it while concentrating on the road driving in, but paying more attention to the smoke I see that it comes from north and west of Rajneeshpuram.

I stop at the Antelope Cafe, and buy a paper cup of orange soda and copy of *The Rajneesh Chronicles*, a book that the caretaker had recommended to me. I ask the man working the counter whether many people come through looking for Rajneeshpuram. He has little interest in talking to outsiders like me. He points to a hand-lettered piece of cardboard. "I wrote that four months ago."

"I wish they'd stay in California. They got homes all over this goddam place and they don't live in 'em half the time. And then if I go down to the local bank and I want to get a fucking loan, all the money is loaned out to these people."

"To Guru Ranch. From store 18 miles. Take road to Fossil, turn right 4 miles, from here on Cold Camp Road go 4 miles, turn left on Muddy Road and continue to ranch. Leave this here."

The cardboard is soiled and a bit frayed from handling; I guess a few people had been through during the previous four months.

In Madras, I find a room at the Royal Dutch Inn. I mention to the proprietor that I had visited Rajneeshpuram. "That was the best thing that ever happened around here," he says. "In small towns everybody loves to hate somebody, they hate the Japanese, and they hate the Chinese, and they hate the Scots, and they hate the Spanish, and they hate the Italians and they hate the Poles, but when the Rajneeshees came to town they all put their arms around each other and hated the Rajneeshees." ❑

Letters, *continued from page 6*

These statements are ethical because "should" occurs in them. But they are *superficially* ethical statements. The longhand version removes the ethical term. For instance, "'2 = 3' is false and, in fact, your parents and I believe that we should pursue truth not falsehood."

Statements about ethical utterances can be true or false. The sentence "'Sin is wrong' contains three words" is true and not an ethical statement. Ethical statements themselves are not true or false. To refute this hypothesis you need produce only a single true or false ethical statement. So far no one has.

Sheldon Richman ("Bart Kosko and the close of his system," July 1990) states falsely that the statement "One ought to accept as true a conclusion reasoned properly from true premises" is a true ethical statement. I agree with him that the shorthand ethical statement provides good advice (except when our enjoyment of, say, fantasy or film or poetry depends on willful suspension of belief). It certainly provides good advice to students *if* they want to construct derivations correctly, *if* they want to pass exams, *if* ultimately, they want to increase their chances to survive and reproduce in this environment in this galaxy in this universe. The ethical or evaluative question is whether they should want these ends, not what provides efficient means to them.

I do not claim unconditionally that you should believe the conclusion of a valid argument with true premises. I claim only that if true premises logically imply a conclusion, then the conclusion is true. I omit the proof.

Medieval scholars sloganized this as "Truth should never imply falsehood." Today in multi-valued or fuzzy logic, where the truth value $t(A)$ of statement A can be any number in [0,1], we translate this slogan as "The truth value $t(A \rightarrow B)$ of the implication $A \rightarrow B$ decreases as the antecedent truth value $t(A)$ exceeds the consequent truth value $t(B)$." For instance,

$t(A \rightarrow B) = \text{minimum}\ (1, 1 - t(A) + t(B))$.

If the truth values $t(A)$ and $t(B)$ assume only the bivalent truth values 0 (false) and 1 (true), this equation gives back the truth-table definition of logical implication taught in 10th grade. Then $t(A \rightarrow B) = 0$ if and only if $1 = t(A) > t(B) = 0$, when "truth implies falsehood."

I state this formalism for two reasons. First, it makes the discussion rigorous and helps cut through the natural-language tangles of ethical shorthand and longhand. This helps avoid category errors like "Value-freedom refutes itself by valuing the valueless" and the like. Talk *within* ethical systems differs from talk *about* them.

Second, I feel (note the verb) that most libertarians need a sharp rap on the nose when it comes to logic, especially two-valued logic, and what it does and does not imply. Some libertarians still try to logically prove the truth of axioms, rather than simply stipulate them. Others believe, as Ayn Rand did, that we must or should believe in Aristotle's two-valued logical "laws" of either-or and noncontradiction. In fact these bivalent laws lead to bivalent contradictions—reflect on the set of all sets not members of themselves or the politician who says that all politicians are liars—and they represent a (measure-zero) special case of all possible like relationships. I do not claim unconditionally that you should advance from logical bivalence to fuzziness, from black and white to gray. I claim that you can fuzzify with rigor and consistency, and that you cannot maintain bivalence without self-contradiction.

So even the "certainty" of bivalent logic goes the way of ethical certainty. It reduces to pragmatic choices of systems and internal system consistency. In general you cannot utter "not- (A and not-A)" and "A or not-A" for sure, with unity truth value. These relations hold with partial truth values in more cases than there are real numbers.

So far no one has produced a true or false ethical statement. We do not have to like that fact. But we do have to take it, even if our presumed bedrock evaporates. It hurts. But emotions do not add up to truth. Appeals to God, philosophy, and wordplay only delay reckoning.

Ethics manipulates behavior. We utter ethical statements like "You did the right thing" and "You should tell the truth" to express our feelings and, most of all, to change the probabilities of our listener's future actions. We command as we commend. The two differ by only a vowel.

Bart Kosko
Los Angeles, Calif.

Un-common policy sense.

Privatization and Educational Choice by Myron Lieberman. The author argues that conventional approaches to educational reform will fail because of the bureaucratic structure of the public schools and the interest groups that block reform. Only by fostering private and even profit-making schools that compete with public schools, he contends, will we achieve lasting improvements in American education. 1989/386 pp./$35.00 cloth/ $12.95 paper

NATO at 40 edited by Ted Galen Carpenter. In this volume 17 distinguished policymakers, scholars, and policy analysts assess the value of the NATO alliance after 40 years. They question continuation of the U.S. financial drain in the face of federal budget deficits and changing circumstances in Europe. 1990/274 pp./$39.95 cloth/ $14.95 paper

The Economic Consequences of Immigration by Julian L. Simon. Drawing on a wide range of data covering long stretches of history, the author presents startling findings that squarely contradict much of the conventional wisdom concerning immigration. He concludes that it is, on the whole, beneficial to U.S. natives. 1989/432 pp./ $24.95 cloth

The Crisis in Drug Prohibition edited by David Boaz. The contributors to this book argue that, as did the prohibition of alcohol in the 1920s, drug prohibition—not drug use—is causing today's alarming crime rates, as well as corruption, the spread of AIDS, and abuses of civil liberties. The contributors, including Baltimore mayor Kurt Schmoke, Princeton professor Ethan Nadelmann, and attorney James Ostrowski, agree that some form of decriminalization is in order. 1990/134 pp./$8.00 paper

The Excluded Americans by William Tucker. Tucker examines the problem of homelessness as a true investigative reporter should—both by camping out with the homeless in Grand Central Station and by analyzing the data of the social scientists. He concludes that homelessness is largely the result of rent control and zoning policies. A Regnery Gateway book. 1990/256 pp./$17.95 cloth

The Politics of Plunder by Doug Bandow. In this collection of columns on policy issues ranging from agricultural subsidies to gay rights, Bandow shows how politicians and bureaucrats have failed to respect the Founding Fathers' intent to create a government of limited powers. 1990/507 pp./$34.95 cloth

Cato Institute, Dept. L
224 Second Street, S.E.
Washington, D.C. 20003

CATO INSTITUTE

Exposé

You, Too, Can Be a Junior G-Man

by David Hudson

The "War on Drugs" has had many casualties, and one of them is financial privacy. And to win their war on privacy, the Feds have conscripted private business people and workers.

Are you an officer or employee of a bank or other financial institution? Are you a "person engaged in a trade or a business"? If so, congratulations; you are a junior G-man in the war on drugs, money laundering and tax evasion.

Surely you know, by now, of your obligation to report, on IRS Form 8300, any transaction involving $10,000 or more in cash. As a 1988 IRS news release says, "Since 1985, the law requires any person engaged in a trade or business, who receives more than $10,000 in cash for one business transaction, or two or more related transactions, to report these cash payments to the IRS." If you work for a bank, this obligation—and many related obligations—has no doubt been drummed into your head in formal training sessions, through written policy statements and procedure manuals, and by reading the trade press. But whether you work in a bank or another "trade or business," you face the same obligations and suffer the same penalties for failure to comply.

You are not to worry, though: it's so easy to be a junior G-man. The IRS even gives you a toll-free number to call. If you think that someone is disregarding his obligation to report the import or export of $10,000 in cash, just dial 1-800-BE-ALERT.

But considering who the victims of these new laws and regulations often are, it seems that *everyone* must keep alert.

A major concern of the IRS is the crime of "structuring," which involves making multiple or sequential currency transactions, each less than $10,000, to avoid triggering the required currency transaction report. Here is where the law-abiding American who prefers to use cash in his or her everyday transactions needs to watch out.

Anything Can Be Suspicious

Suppose, for example, you purchase a car for $12,000, and pay for it in three monthly cash installments of $4,000 each. Must this transaction be reported to the IRS? According to an IRS press release it must:

> For example, someone engaged in the trade or business of selling automobiles sells a $12,000 car to be paid for in three $4,000 monthly cash installments. If the seller receives payment of each installment in cash, that tradesperson would have to file the form within 15 days of receipt of the third installment.

Worse still, you run the risk of being accused (and convicted) of "structuring" your purchase to avoid a Currency Transaction Report (CTR). In any event, the car dealer is expected to deem this transaction "suspicious," and call the IRS toll-free.

The underlying presumption is that one is guilty of something whenever one pays cash. The statutory $10,000 threshhold means little: since "persons engaged in a trade or business" are required to aggregate related purchases and report them if they ever total more than $10,000, every cash transaction must be viewed as suspicious. If the person "engaged in a trade or business" fails to do so, he can be charged with the crime of assisting money laundering.

"Suspicious" activity can involve any "unusual activity." The ABA tells its members that "identifying this symptom requires a knowledge of the customer's account history. Any large currency transactions that do not fit the pattern of the account should be suspect." This, of course, could mean that if I never deposit or withdraw more than, say, $100 in cash to or from my account at one time, my depositing $1,000 from a successful trip to Las Vegas could result in the IRS investigating me.

Suspicious activity can even in-

volve non-financial dealings with your bank. The Florida Bankers' Association warns its members that "warning signs of illegal activity can be spotted from the time a customer opens a new account," and suggests that its junior G-men—excuse me, customer service representatives—should look out for:

- Lack of sufficient pieces of identification.
- The customer lives and works on one side of town and is opening an account on the other side of town.
- The customer is an older person having a relatively high Social Security number or vice-versa.
- The customer wants his new checks and deposit slips sent to a post office box.

I am not making this up; I wish I were. Consider the case of a 60-year-old refugee from Castro's Cuba who has just legally arrived in the United States. His Social Security number might just as easily have been issued to a five-year old; any child over five who is claimed as a tax deduction by his parents *must* have his or her own Social Security number. His only identification is his Social Security card, and his address is a post office box because he lives in an unsafe neighborhood. That's three out of four, and he might just get a knock on the door that reminds him of the old country.

Paranoid Government Runs Amok

The problem with this war on cash is that it flouts the tried and true concept of probable cause. Politicians and bureaucrats are passing laws and regulations that have the potential to criminalize every cash transaction. One who spends $100 per week, in cash, at the supermarket, spends $10,000 in less than two years. Is he guilty of "structuring" his grocery expenses? The law is deliberately vague.

Former Rep. Ron Paul (R-Texas), in his *Ron Paul Investment Letter*, wrote that

> all during the Reagan administration, under the special guidance of Ed Meese and the "Justice" Department, we saw a war on cash. Anyone using cash was portrayed as a criminal, and the money laundering statutes and regulations sought to suppress cash use and privacy. Remember: money laundering is not the crime of hiding drug profits. It is the crime of using cash—including your own honestly-owned cash that you have paid taxes on—without filling out a government form.
>
> And with the Bush Administration, the worldwide attack on cash has gone into high gear. . . .

Paul writes about an Indiana resident who "was indicted by a grand jury for structuring because he had withdrawn large sums of his own money over a period of weeks, but each transaction was under the official limit of $10,000. As hard as it tried, the government couldn't find any criminality." Despite the government's failure to even allege an underlying criminal act, the defendant was convicted.

It's so easy to be a junior G-man. The IRS gives you a toll-free number to call. If you think that someone is disregarding his obligation to report the import or export of $10,000 in cash, just dial 1-800-BE-ALERT.

This is paranoia. A paranoid government has, in effect, partially privatized law enforcement by conscripting the services of bank employees and businessmen.

Bank Tellers Target Customers

The American Banking Association is especially anxious for employees of its member banks to be good junior G-men. In the November 1989 *ABA Banking Journal*, an article in question-and-answer form called "Bank Secrecy Revisited" had the following exchange:

> Q: You've mentioned suspicious transactions. What must a bank do when it believes someone is intentionally structuring transactions to avoid reporting, or engaging in transactions that may involve illegal activity such as drug trafficking or money laundering?
>
> A: Treasury Administrative Ruling 88-1 states that the bank should immediately telephone the local IRS office and speak to a special agent in the Criminal Investigative Division. Alternatively, the bank can call 1-800-BSA-CTRS. In addition, the bank may be required to submit a criminal referral form to its primary federal supervisor. . . .

On October 31, 1989, the *ABA Bankers' Weekly* had a four-page "Special Report on Money Laundering: The Banking Industry's Response." An article entitled "On the front line" gives several examples of bank employees acting for the government, including:

> *Tellers stay alert*
>
> Puget Sound Bank of Tacoma, Wash., cannot say enough about its tellers.
>
> After noticing the purchase of four $9,000 cashier's checks at different branches over a three-day period, alert tellers reported the suspicious transactions to the Internal Revenue Service. . . .
>
> *Query draws heat*
>
> An attorney's call to a customer service representative with Signet Bank in Virginia began innocently enough.
>
> But when the questions turned to the threshold level for currency-transaction reporting, the employee alertly notified her boss. . . .

The article goes on to say that the Washington case led to the arrest of two men "on conspiracy, money-laundering and firearms offenses," and in the Virginia case "a search of the attorney's office produced records exposing a major rural narcotics-distribution ring." But we can be sure that if these examples of vigilance, instead of resulting in a "happy" ending, had resulted in the harassment and embarrassment, or worse, of a customer engaged in a wholly legal transaction, they would never have been written up in *Bankers' Weekly*.

Worried Bankers

Despite their officially-stated commitment to cooperating with the bureaucracy, bankers are worried. Miami attorney Gerald J. Houlihan, who specializes in banking issues, addressed some of his clients' concerns in a speech last October:

> We recognize that drugs represent the No. 1 foreign and domestic crisis . . . Indeed, in order to assist in the war on drugs, our Congress and our courts have willingly sacrificed individual rights otherwise guaranteed by the U.S. Constitution. . . .
>
> Money-laundering prosecutions represent the new hope for abolishing the drug industry. Unfortunately, although the policy has intuitive ap-

"I see sweeping change underway in the marketplace—out of financial assets and into hard assets. Those who think they're getting value with stocks are about five years too late . . . Likewise, people who have some savings and are counting on mutual funds, passbook accounts or the equity in their homes are going to be in for a most unpleasant surprise.

"Those who recognize this, and change their investment strategies accordingly, should make a great deal of money in the next few years, at the very time when most people are losing."

— Douglas Casey, author *Crisis Investing*, the most widely read financial book ever written

"A hundred years from now, should mankind survive that long, Doug Casey may well be remembered as one of the great prophets, and financial geniuses, of our time."

—Robert J. Ringer, business author

We live in an era when the federal government has grown so large that its actions now dominate every financial and investment market. Though many brokers and advisors seem to ignore this fact, the reality is that government actions are a major influence on every financial decision you make. If you don't acknowledge this and arrange your affairs accordingly, you will always be among those who lose money by sudden shifts in the economy and business cycle, triggered by a government that has its own financial priorities at stake.

Crisis Investing is the *only* major advisory service whose whole strategy is to help you simultaneously to profit and to be protected from government actions that trigger predictable consequences in the investment markets. It recommends specific investments, high-potential speculative opportunities, tax avoidance methods, and tactics for increasing your financial privacy, all of which take advantage of the foreseeable actions of big government.

Special Half Price Offer

One Year—12 Monthly Issues—$97.50

(Half off the regular rate of $195. Available to new subscribers only.)

Special to Readers of Liberty— Five Free Reports

Voodoo Revenge—Special report detailing how the Bush Administration is caught in a *fiscal nightmare* . . . a prisoner of financial circumstances . . . powerless to prevent an enormous, and potentially devastating, financial debacle . . . one that could wipe you out . . . or be the biggest investment opportunity of your lifetime.

Speculative Profit: How to Make 1000% Profits Without Taking Unnecessary Risks—Doug Casey's classic essay explaining why calculated risks are not only your best hope of profit, but your best hope of protecting what you have.

Better than Bonds— A special report on how you can realize greater safety and higher yields than bonds.

Gold—A special white paper telling about the new bull market in gold

Crumbling Real Estate—A special report explaining why a bust in real estate is almost guaranteed.

Money Back Guarantee

When you subscribe for one year, you are protected by this guarantee. Cancel for any reason during the first 90 days and you'll receive a full refund. Thereafter you'll receive a refund for the undelivered portion of your subscription. The free bonuses are yours to keep in any event.

☑ Yes, please enter my trial subscription to Doug Casey's monthly advisory letter, **Crisis Investing** for one year for only $97.50 (regularly $195). Then send me all of my *Free Bonus Reports.*

☐ My payment is enclosed. ☐ Please charge: ☐ Mastercard ☐ Visa Expires _____

Card No. _____ Signature _____

Name _____

Address _____

City _____

State ___ Zip _____ Phone Number _____

Crisis Investing • 824 E. Baltimore St • Baltimore, MD 21202 • (301) 234-0515

1591

peal, its application has been somewhat unrealistic. The government has underfunded our law-enforcement efforts. To compensate for this underfunding, it has constructed a complicated system of regulations which have unfairly shifted the burden of law enforcement onto the financial institutions. There is a perceived need to "force" our business community to join in this task. . . .

Financial institutions have been forcefully deputized as law-enforcement agents, at great expense, and without appropriate guidelines or assistance from the Department of Justice, the Department of Treasury, the comptroller of the Currency and the host of other regulatory and enforcement agencies.

Houlihan was especially concerned that "assets of legitimate banks are jeopardized by liberalized criminal and civil forfeiture laws," and by the possible "forfeiture of bank assets, whether capital-based or security interests, based on technical legal fictions that ignore practical and economic realities of the financial industry."

The January, 1990 *ABA Banking Journal*'s cover story was "Inside an OCC Compliance Exam." This article, written in cooperation with the Office of the Comptroller of the Currency and "a mid-sized institution we'll call Federal National Bank," covered all aspects of a bank's compliance with various laws and regulations. Executive Editor Steve Cocheo demonstrates that Bank Secrecy Act compliance can cause headaches:

> One trouble spot is the exempt list. In a number of cases only post office boxes are listed, rather than full street addresses, as the law requires. . . . Another problem appears on some CTR's [currency transaction reports]—post office box numbers are listed in the address section. This is incorrect here also.

The exempt list is those customers, like supermarkets and department stores, that regularly make cash deposits of over $10,000 per day; the bank need not file CTRs on these customers.

But the examiner is worried about more than technical violations, like incorrectly filled-out forms. The article said that the author

> [is] concerned by the bank's inability to track multiple currency transactions by the same customer at different times in the same day. The only method Federal National has—short of a customer going to the same teller, which would be doubtful if they were up to something—is running teller station tapes . . . [he] is going to recommend that the bank try harder by having tellers write down any unusual transactions—say over a given dollar amount—and reporting them to the head teller at the end of the day. This could enable them to do some manual aggregation of multiple transactions.

At the conclusion of the exam we are told that "The bank's composite rating for the entire examination was a '1'—the highest." No doubt "Federal National" had sent out some junior G-men to verify customer addresses, and stepped up informing on cash transactions below the reporting threshold.

Privacy For Money Launderers?

Time magazine, in its December 18, 1989, cover story on money laundering, noted that launderers rely heavily on electronic fund transfer networks:

> The system depends on the collaboration, or often just the negligence, of bankers and other moneymen who can use electronic-funds networks and the secrecy laws of tax havens to shuffle assets with alacrity. The very institutions that could do the most to stop money laundering have the least incentive to do so. According to police and launderers, the basic fee for recycling money of dubious origin is 4%, while the rate for drug cash and other hot money is 7% to 10%. . . .
>
> Even IRS agents are largely unprepared for the task of tracking transactions that can involve four or five banks, several shell companies and two or more currencies.
>
> Few agents can be spared because IRS employees are working overtime to contain an explosion of smaller-time money-laundering cases involving car salesmen, ordinary investors, real estate agents and other entrepreneurs. . . .

Time, of course, is just confirming what many libertarians have known all along: the hidden purpose of any "crackdown" on money laundering is to increase the regulation and control of ordinary Americans. You know: "car salesmen, ordinary investors, real estate agents and other entrepreneurs." ❑

Report

Smokes, but No Peace Pipe

by Scott Reid

Jobs in the underground economy rarely provide the best security—as Canada's Indian population has recently discovered. Of course, security isn't *everything*.

December 1990 marks the 100th anniversary of the Battle of Wounded Knee which ended the Indian wars in the United States. In Canada, however, the wars are far from over. During the past few months, worldwide attention has been focused upon the unexpected outbreaks of armed violence on two Indian reserves in Quebec. The dispute first made the news in July, when residents of the Kanesatake reserve near the small town of Oka just west of Montreal refused to vacate a piece of land they had seized in March, after it had been slated for development as part of a golf course. The Indians claimed that they owned the land, since it had never been signed over to anybody by treaty. The unusual measure of seizing the land by armed force was partly a response to frustration with the court system, which they felt was ignoring their claims. It was also partly a result of their frustration with the media, which had been totally unresponsive to their previous non-violent protests.

On July 11, a force of 100 officers of the Quebec provincial police attempted, with the aid of assault rifles, tear gas, and concussion grenades, to extricate the Indians. The Indians fought back and one policeman was shot and killed. The police backed off.

In the wake of this confrontation, Indians elsewhere protested the decision by the provincial authorities to respond to force with force. On the same day, the residents of the Kahnawake reserve, located just south of Montreal, closed off access to the Mercier Bridge, which forms the main link between that city—like Manhattan, Montreal is on an island—and its suburbs to the south. This was an openly illegal and political action, designed to make life unpleasant for thousands of commuters.

Since that time, the situation in Canada has turned into something of a three-ring circus. Indians across the country have taken a variety of illegal actions. In the West, a favorite tactic has been to block railroad tracks which run through land that they claim. One band in Alberta has started to dig a large trench through which they intend to reroute a river on the basis that a dam being constructed by the provincial authorities will flood sacred sites. Robert Bourassa, the premier of Quebec and a supporter of *de facto* independence for his province, saw no irony in asking the federal government to send in troops to beat back Natives seeking *de facto* independence from Quebec. International observers were dispatched to watch the crisis in the heart of the country that probably exports more UN observers per capita to other peoples' crises than any other nation on earth. The observers were treated to, among other sights, the spectacle of mobs of peeved commuters pelting Indian women and children with stones and bottles. A final insult was added when Bishop Desmond Tutu of South Africa arrived to discuss the parallels between Canada's treatment of its Native population and his country's policy of *apartheid*.

One reason for the Indians' sudden willingness to use illegal tactics has already been mentioned: the Indians have discovered that the use of violence is the best, and perhaps the only, way of directing media attention to the issues that they consider to be important.

More to the point, however, Canada's Indians have a lot of grievances, some real and others imagined. Many Indian bands have never signed treaties. Having been denied the benefits granted to treaty signatories, they feel with some justice that they should at least have the benefit of the use of the land which they never signed away. Unfortunately, it is only a small step from this eminently reasonable position to one in which every piece of real estate in the country seems to be the subject of one claim or another. At

present, for example, 85% of the landmass of British Columbia is the subject of Native claims. During the course of the armed negotiations at the two reserves in Quebec, the province's deputy minister of Native Affairs revealed to the press that he had been informed by some of the Mohawk negotiators that their land claims would henceforth include the island of Montreal, a good chunk of the rest of Quebec, and parts of Ontario, New York State and Vermont.

Observers were treated to, among other sights, the spectacle of mobs of peeved commuters pelting Indian women and children with stones and bottles.

For some reason, the Federal Government has a policy of footing the Indians' legal bill for these land claims, many of which it must then oppose in court. Legitimate or not, the claims are the source of tremendous frustration to the Indians, especially when they are held up for years in the hopelessly backlogged court system. The land-claim subsidy has had the effect of radicalizing Indian leaders, who can afford to launch even the most frivolous legal battles with impunity. Indeed, Indian leaders must pursue each land claim with equal vigor, or they will be charged by rivals with the crime of selling out to the White authorities.

An even greater source of frustration and desperation for the Indians is the high-handed and frankly offensive behavior of the bureaucrats of the federal Department of Indian and Northern Affairs, who seem to govern the Indians based on the philosophy that they are a nation of retarded but malevolent children, in need of repeated spankings but controllable only through the frequent application of tooth-rotting sweets. The department, widely regarded as the least responsive and most bloated in the entire corpulent Canadian civil service, is governed by the Indian Act, a piece of legislation penned long before it became fashionable to regard Indians as members of the human race, and last amended 40 years ago. The Act gives the bureaucrats wide powers to interfere in the daily lives of the Indians. It is perfectly legal, for example, for some bureaucrat in Ottawa to lease out chunks of a reserve without the approval of the residents, or to veto a similar sale or lease by a band council. Profits earned by bands from the sale of land or natural resources are held by the Crown, for the ostensible benefit of the band. The bureaucrats, not the Indians, get to decide how to spend this money. The Act empowers the Department to disallow laws passed by band councils. "Welfare" is dispensed in plenty by the Department ($5000 per Indian in 1983), but little of it goes into the hands of individuals; most of it is distributed via the sort of in-kind programs most likely to destroy individual initiative, or into the hands of the band councils, which are sometimes corrupt. If these sound like the kind of policiesthat have turned American welfare and public housing into nightmares, that's because they are. There is considerable justice in the Indians' complaints about the "colonialism" of the Department of Indian and Northern Affairs.

On the other hand, the Indians haven't complained much about the special privileges that they are accorded under other provisions of the Indian Act. They are not required to pay tax on any income earned on a reserve; welfare is also tax-free, of course. This tax-free status ends when an Indian leaves the reserve to seek employment elsewhere. The difficulties facing the Indian who attempts to assert his independence and leave the reserve are heightened further by the extraordinarily low quality of the education he has likely received. Most reserves have a single school, and schooling generally ends before high school has been completed. The disincentives to work that are embodied in welfare plans everywhere are therefore greatly magnified for the Indians. It is not really surprising, under these circumstances, that unemployment among the Indians ranges as high as 90% in some locales.

One of the most important privileges open to the Indians under the Indian Act is legal exemption from provincial sales taxation of any product that they plan to consume on a reserve. Anybody who has worked in a retail store in Canada will be familiar with the sight of Indians pulling out the little cards that certify their tax immunity, thereby getting what amounts to a discount of 8% (Ontario), 9% (Quebec), or 13% (Newfoundland). Naturally, there is more than a little temptation for Indians to take the discount even if the merchandise is likely to be consumed off-reserve, or even if the real consumer will not be the Indian himself, but, say, a white friend or in-law. This is the key to understanding the recent violence, and the reason why it is almost certain to continue.

Imagine that the level of sales tax was not 8 or 9 percent, but 85%. Would the temptation to take that discount go up? This is the level at which cigarettes are taxed in most of Canada (the exact percentage varies from province to province). This means that the price for a package of cigarettes, legally purchased at the least expensive retail tobacco outlet in Quebec, is over $4.50 Canadian. In New York State, just forty miles from Montreal and the Kanesatake and Kahnawake reservations, the price of cigarettes is less than half that. This disparity creates an opportunity for Indians to profit, and the Indians take advantage of it.

The bureaucrats seem to govern the Indians based on the philosophy that they are a nation of retarded but malevolent children, in need of repeated spankings but controllable only through the frequent application of tooth-rotting sweets.

Cigarettes are an ideal commodity for smuggling. They are small and light, and therefore easy to transport. Individual packs are usually placed by the manufacturers in cartons of eight, which in turn are packed in groups of 25 in cardboard cases of an easily luggable size and weight. In Canada, one of these cases is worth roughly $900, nearly $800 of which is tax revenue.

The Akwasasne reserve, also in-

habited by Indians of the Mohawk nation, straddles the Canada-U.S. border, and serves as the main gateway for the smuggling of cigarettes into Canada.

The illegal trade in tobacco has given the Indians something that the bureaucrats at the Department of Indian and Northern Affairs and the endless intrusive regulations of the Indian Act have always kept from them: a genuine earned income and an alternative to the humiliations and frustrations of welfare and poverty.

The reserve is large and the Indians are well-distributed on both sides of the border, so smuggling is an easy matter. Once in Canada, the cigarettes are distributed to corner stores and tobacco shops across the nation, where they are sold to the retailers at prices well below those of legal wholesalers. Some direct sales to smokers take place at retail outlets on the reserves. In total, the business is said to be worth $500 million annually. It has been estimated that half the cigarettes sold in Nova Scotia are contraband, despite the fact that this province is hundreds of miles from the main international inlet for smuggled cigarettes.

The results of tobacco smuggling are not much different than those of smuggling illegal drugs. Since no smuggler has recourse to the law if a rival cheats him or steals from him, the smugglers have learned to arm themselves well. This accounts for the remarkable array of automatic weapons that the army has come up against on the reserves.

The illegal trade in tobacco has given the Indians something that the bureaucrats at the Department of Indian and Northern Affairs and the endless intrusive regulations of the Indian Act have always kept from them: a genuine earned income and an alternative to the humiliations and frustrations of welfare and poverty. Naturally, the various federal and provincial authorities are not happy about the fact that the Indians have chosen this particular road up from poverty, rather than one of the many sanitized and impassable routes laid out by government administrators.

The police have pushed hard to suppress this trade; for example the RCMP conducted a 200-man raid on the tobacco outlets at Kahnawake in 1988 that resulted in an armed stand-off that lasted 27 hours. Beginning in May of this year, police have been conducting customs-type searches of persons leaving the Akwasasne reserve in order to cut off the flow of illegal tobacco. This appears to have been at least partially effective, since between May and July, 50 or more of the 65 retail outlets on the Kahnawake reserve shut their doors, dumping hundreds of store employees back onto the welfare rolls.

Since the military blockade of the reserves began, sales of cigarettes at legal outlets in the surrounding region have soared. A huge part of the underground economy has now been forced to the surface, and at last the state can rake in some part of the hundreds of millions of dollars in tax revenue which it had been losing. I know of at least two Montreal-area tobacco outlets that have experienced sales increases of $50,000 per *week* over the past few months. Almost all of this increased revenue is destined for government coffers, of course.

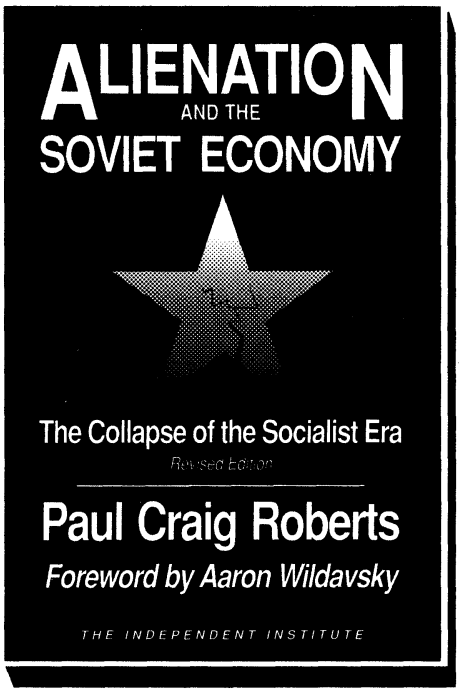
The authorities have discovered by happy accident that what started as a dispute over the ownership of a golf course has given them the tools to cut off the illegal tobacco trade.

Once the troops have gone, the incentives to smuggle will be as great as ever, since none of the root causes of the crisis have been addressed. On the other hand, white politicians have discovered that the use of force against the Indians is popular, and will remain popular as long as the Indians are identified by the public as gun-toting thugs.

The Mohawk Warriors will be disarmed this time, but as long as the cigarette trade remains profitable, they will rearm themselves for future confrontations with the police. As the risk to life and limb of engaging in the trade goes up, it is unlikely that the number

continued on page 76

INDEPENDENT FROM BUREAUCRACY



ALIENATION AND THE SOVIET ECONOMY

The Collapse of the Socialist Era

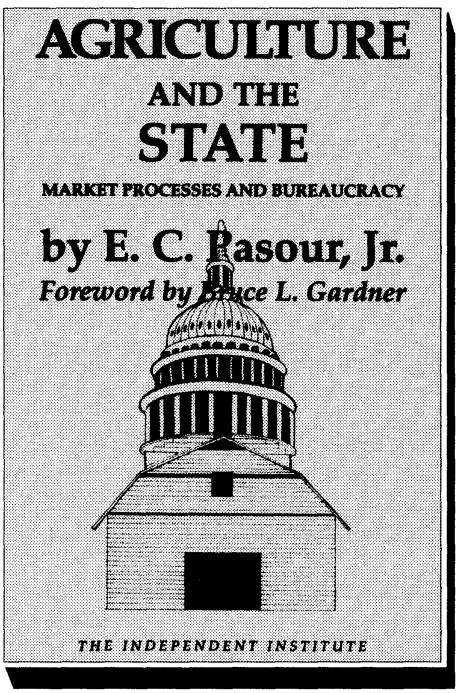
PAUL CRAIG ROBERTS
Foreword by AARON WILDAVSKY

When ***Alienation and the Soviet Economy*** first appeared in 1971, it argued that socialism was a catastrophic failure *already*. Now today, the cascade of current events has fully vindicated every one of Paul Craig Roberts's most controversial insights into Marxist theory and Soviet economy.

"Professor Roberts's explanation of Soviet economic development is timely . . . The book is beneficial reading for experts and non-experts alike who wish to understand the theoretical Marxian framework within which the Soviet economy grew and declined."
—ZBIGNIEW BRZEZINSKI
Former National Security Adviser

"The uncritical acceptance by Western observers of the supposed achievements brought about by central planning in the Soviet Union is subjected to a devastating critique in this short but powerful book. . . . a gem of a book."
—*NATIONAL REVIEW*

13 Figures • 1 Table • Index • 145 pages • Paperback • Item #1340
$14.95 plus postage ($2.00/book) CA residents add sales tax



AGRICULTURE AND THE STATE

Market Processes and Bureaucracy

ERNEST C. PASOUR, JR.
Foreword by BRUCE L. GARDNER

Analyzing the direct and indirect effects of all U.S. farm programs, including price supports, marketing orders, food distribution, credit and export subsidies, and conservation of natural resources, Ernest C. Pasour, Jr., shows in ***Agriculture and the State*** that these programs have conflicting objectives, only hurt the small farmer, and most importantly, victimize the public-at-large. This comprehensive book exposes current government farm policies as harmfully anachronistic in an increasingly interdependent world.

"Pasour presents an exhaustive, articulate, and well-written analysis of farm price and income programs."
—D. GALE JOHNSON
Professor of Economics, University of Chicago

"The time has come for Pasour's easy-to-read book ."
—THEODORE W. SCHULTZ
Nobel Laureate in Economic Science

42 Figures • 9 Tables • Index • 279 pages • Paperback • Item #6071
$19.95 plus postage ($2.00/book), CA residents add sales tax

The INDEPENDENT INSTITUTE

ORDER TOLL FREE 1-800-927-8733
Credit card orders only. 24 hours a day.

The Independent Institute, Dept. AE5, 134 Ninety-Eighth Avenue, Oakland, CA 94603

Testimony

Meanwhile, Back at the Farm

by Leslie Fleming

Life on the farm is not very much like the Hollywood version. Nor is it much like you think it is.

"Farmers are the backbone of America," everybody seems to agree. I say *"No."*

I am a third generation farmer living outside Hitchcock, Oklahoma, on the farm that my grandfather homesteaded. (Okay, you want proof? I have in my possession Homestead Certificate #7856 for 160 acres sent to my grandfather, Henry J. Fleming on April 3, 1905, signed by one Theodore Roosevelt.)

I came into this world in June 1921, shortly before my Dad went broke farming wheat in Oklahoma when wheat prices collapsed after World War I. The collapse resulted when the war demand for wheat ceased after armistice. My Dad was one of several from this area who left for California during that depressing time.

We moved to Riverside, where we lived among the orange groves until World War II. I have done agricultural work since my high school days in the Future Farmers of America. When World War II began, I went into the army and my parents moved back to Oklahoma to take over Granddad's farm as he got ready to retire.

After World War II, I returned to the family farm. I married a small-town girl, which meant finding a place of our own, for the farmhouse had room for only one family. We rented a house and small pasture for $5 a month. We owned two cows and a few chickens, I helped my Dad on his farm, and I did artificial insemination of dairy cows.

A year later we bought 40 acres on which we raised chickens and dairy cattle, and I worked as a Dairy Herd Improvement Specialist (a record-keeper of the productivity and profitability of individual cows.)

In 1948 I experienced my first brush with socialism. The Agriculture Stabilization Committee—a federal agency set up as a truss to support the backbone of America—began collecting data so the individual vertebrae could vote on the proposal for federal price and acreage controls on wheat. I received three postcards demanding to know how many acres of wheat I intended to plant on farm B78. I ignored them. One day a young man in a new pickup arrived to find out the wheat acreage on farm B78. I asked what crops were excluded from controls and, puzzled, he asked why.

"Put those down," I said, "that's what I raise." Needless to say, most all farmers went for the wheat controls, and my neighboring vertebrae—including my Dad—told me they were glad I couldn't vote. That's backbone.

The GI bill for sending ex-soldiers to college was popular then, and it was thought that the GIs returning to the farm needed formal education too. An evening course in agriculture was set up in our local high school, where we GIs could go to night school once a week and receive a $97 a month federal allowance (if you were married with 1 child) for 4 years of participation.

It was a mess. The teacher seldom knew more than the students. Often he was just a local with a couple of years of college. During the four years the program was in operation, most members of the backbone used it as extra income to make things a little easier. I saw little evidence of anyone actually learning anything useful from the class.

My wife and I were getting along okay now. I had a large egg route, and we milked cows and sold the milk to a

processing plant. I still worked part-time as a Dairy Herd Improvement Specialist.

The year was 1952. The price of milk fell because of overproduction. A prominent dairyman in our marketing area began to agitate for a federal milk marketing order to secure a government mandated "fair" price. Under this scheme the bottled milk consumption pie was divided up among us dairymen with any surplus made into cheese or dried milk which the federal government would buy at a federally supported price. It was a federally run two-tier pricing system with each dairyman getting a daily milk production quota (a highly marketable item to other dairymen).

One day a young man in a new pickup arrived to find out what crops I was growing. I asked what crops were excluded from controls and, puzzled, he asked why.

"Put those down," I said, "that's what I raise."

I voted against it. The other local dairymen were for it. Interestingly enough, the big dairyman responsible for the push for the milk marketing order (rumor had it he was about to go broke) sold his herd and quota immediately thereafter while retaining his job at a fat salary as head of the Milk Producers Association.

Fate intervened. Our third child developed baby eczema, an allergy that is terrible to witness and about which little could be done at that time. A specialist said that an allergy that seems to be caused by dry weather can often be alleviated by moving to a wet climate.

I wrote to the Agricultural Colleges of wet-climate states looking for a position as a Dairy Herd Improvement Specialist. Oregon State College responded and we sold out, packed into a car and trailer and arrived in Oregon in 1955. (The baby eczema disappeared in 6 months.)

I worked for the Dairy Herd Improvement Association until, in 1956, a dairy herd I had been testing came up for sale. I made a deal to lease the land and buy the herd and equipment. However, I had to secure a loan.

I found more federal help for the backbone. The local bank wouldn't grant the loan without my selling the mortgage I held on the place in Oklahoma, something I wouldn't do. The bank loan officer enthusiastically told me to go to the local Farmers Home Administration office. He was sure I could get one of the low interest loans available for poor, worthy vertebrae.

He was right. I filled out all the papers and was approved. One of the requirements was that the family had to keep a budget and estimate the needs for the coming year. These needs would be discussed with the local administrator of the loan program. My wife was particularly irritated because she had to estimate even the amount of toothpaste needed for the coming year.

Once a month the local administrator would visit our dairy. His pitch was that now that I had qualified for a basic loan, he could loan more money for improvements with only his signature. His constant theme was to go deeper in debt, buy more cows, a new tractor, etc. When we paid off our loan in two years, he said, "This has never happened to me before."

It was during this period that the Eisenhower Administration brought the self-employed under the Social Security Act. They were collecting 3% on the first $4,200 of income. I needed the money to improve my operation, so I refused to pay. I wrote letters to the Oregon Congressmen and Senators and also to President Eisenhower. All of them gave me the run-around about why no one should be exempt from this wonderful program.

My refusal brought a visit from an IRS enforcer who calmly told me to pay or "they" would make an example out of me and . . . well, I wouldn't want anything to happen to my family, would I, as he nodded to my wife and son sitting across the room. He added, "If you are opposed to socialism, you haven't seen anything yet." I visited a lawyer in Portland, who convinced me of the futility of any appeal to the courts. I paid the assessment, 50% penalty and interest charged.

It was this inquiry into Social Security that showed me its true colors. It was not an insurance program but a universal welfare scheme for the elderly. The tax could be raised or lowered at the whim of Congress. In fact, the IRS enforcer told me they didn't know there were so many of us out there until the 70-year-old self-employed were eligible to draw Social Security after 18 months of tax payments. Seems a lot of old-timers began paying income taxes for the first time to get in on the gravy train. In fact the farmers had another advantage over city workers: they could inflate their yearly income so their social security checks would be bigger.

But that wasn't enough for the backbone of America during the Eisenhower Administration. The government set up something called the Soil Bank. This was an arrangement in which farmers could get paid for not farming part or all of their land. A lot of what we members of the backbone called "no account land" became farm land and put in the Soil Bank to be *not* farmed for a government check.

My refusal to pay social security taxes brought a visit from an IRS enforcer who calmly told me to pay or "they" would make an example out of me and . . . well, I wouldn't want anything to happen to my family, would I, as he nodded to my wife and son sitting across the room.

All this government "help" made me wonder if voters really wanted this much government. Surely not. I thought maybe I could do something. I had read *Income Tax—Root of All Evil* by Frank Chodorov. When I heard of a statewide group in Oregon called Volunteers for Constitutional Government working for the repeal of the 16th amendment to the U.S. Constitution, it made sense to me. My wife and I joined. We were encouraged.

It was 1960 and even though I was happy dairying, I decided I could do more if I ran for Congress from the 4th District in Oregon. As I traveled about the district I soon discovered there were many special interest groups interested in more government, not less. Needless to say my pitch for less government fell on deaf ears. I lost. The voters' lack of knowledge was apparent. Education must be the key, I thought.

Once a month the local administrator would visit our dairy. He said he could loan more money for improvements with only his signature. He constantly recommended going deeper in debt to buy more cows, a new tractor, etc. When we paid off our loan in two years, he said, "This has never happened to me before."

At that time fate intervened again. The owner of the land I was leasing died suddenly. The Oregon Highway Department proposed an access road through the land. I realized that it was probably best to get out of farming for now, so I sold out and became State Coordinator for the John Birch Society. The purpose of the organization was to promote less government through education.

During this period we seemed to be making good progress toward getting the Oregon State Legislature to pass the resolution for repeal of the federal income tax. Seven other states already had.

Then an actor by the name of Ronald Reagan, lecturing under the sponsorship of General Electric, made the Oregon service club circuit. His speech, "Losing Freedom on the Installment Plan" was a heartstopper for conservatives. But when he was asked about repeal of the federal income tax, his response was, don't waste time on *that*. He encouraged us, instead, to support the Hurlong-Baker bill before Congress. It was a proposed bill to lower federal income tax rates 25%.

Thus Ronald Reagan singlehandedly stopped our movement, at least in Oregon. And to my knowledge no other state has even come close to passing the resolution to repeal the federal income tax. I think maybe he did a similar job across the country. (Needless to say, I never voted for Ronald Reagan; I knew where he stood.)

I continued to promote less government through education, but much of the fire was gone. The year was 1972. Our last child had graduated from high school. With my mother now widowed in Oklahoma, but still managing the farm, we decided to move closer to her and try something new. We packed up and left Oregon to settle near Marshall, Arkansas, some 350 miles from the family farm in Hitchcock.

We bought an abandoned farm. It was an attempt to duplicate homesteading. We lived without electricity or telephone for eight months while I built a house. Soon our neighbors were dropping in for a look-see. They immediately advised us on how to get federal money to construct a stock pond, federal assistance payment for planting a pasture, and free federal fish to stock the pond.

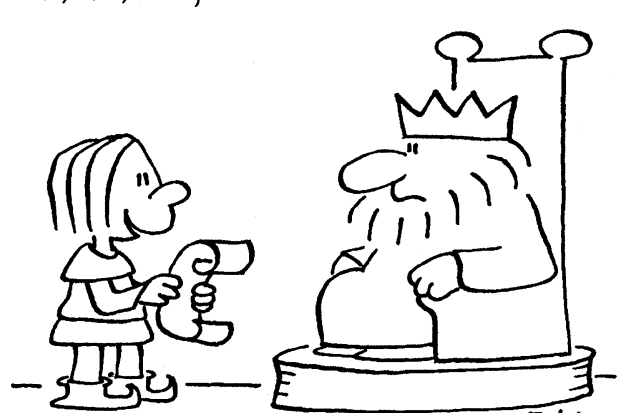
We stayed in Arkansas ten years. In 1982, my mother, now 80, wanted us back, so we returned to the farm near Hitchcock. The area has changed. Gone are most of the houses on each quarter of land. Farming is large scale. Diversification isn't practiced any longer. It used to be that a typical farmer raised cows, hogs, chickens, and turkeys, and grew wheat, oats, alfalfa and had a garden. Today ours is largely a two crop area—cattle and wheat. Wheat is planted for the government and cattle are raised for Big Macs.

Agriculture bureaucrats are everywhere. There is the Agricultural Stabilization and Conservation County Committee, The Farmers Home Administration, the U.S. Soil Conservation Service, the County Agricultural Agent and the County Home Economics Agent. They are all dedicated to help us pieces of America's backbone to stand up straight. You see, as everyone knows, we of the backbone are fiercely independent.

Many farmers live in town. The family farm is history. The vertebrae now eat breakfast at the restaurant—and often lunch too, since the wife is so busy. It's a new pickup, golf games, hunting, fishing, ski trips, an ocean cruise or two and some even do a little gambling in Las Vegas. A wheat crop only requires 3 months work out of the year. A cattle herd adds 2 to 3 total months more of 8-hour days depending on the size of the herd.

Many a third-generation vertabra wants to play the rest of year. Those going broke around here do so for the same reason spenders in the city do: extravagance, poor judgment and the philosophy of "enjoy it now, pay for it later."

I'm not saying there aren't a lot of good farmers who make a living in spite of adverse weather or other conditions. But still, there is no warrant for calling *all* farmers part of America's backbone. In the end, this misleading rhetoric and misplaced sympathy only give further support to a multitude of federal socialistic agriculture programs, funded in the foolish and vain attempt to save individual vertebrae from the poor judgment that always gets them in the end, anyway. Worse yet, it further disables the *real* backbone, and puts America out of joint. ❑



"This year's budget will balance perfectly, Your Majesty, if you switch to the Gregorian calendar!"

Seminar

How to Profit in an Unfree World

Are we on the verge of a depression? What investments make sense today? What good is investment advice, anyway?

Real world economics clashed with the theoretical economics at the *Liberty* Editors' Conference, when two leading economists squared off against two prominent investment advisors.

Douglas Casey is one of the nation's foremost investment advisors, author of *Crisis Investing*, the best-selling investment book in history, and editor of a widely-read investment advisory newsletter.

Besides editing *Liberty*, R. W. Bradford has for twenty years published a monthly investment advisory newsletter, which focuses on gold, silver and rare coins. During the 1970s, Bradford was also a dealer in rare coins and precious metals.

David Friedman is an Olin Fellow in Law and Economics at the Law School of the University of Chicago, and is the author of *Price Theory: An Intermediate Text*, currently in its second edition. He has also written numerous scholarly and popular articles and reviews, as well as his introduction to libertarian ideas, *The Machinery of Freedom.*

Richard L. Stroup is one of the leading figures in the growing field of property rights economics (or New Resource Economics), and has produced many articles exploring environmental and political problems, as well as offering many private-property solutions to these problems. He is co-author of a widely-used economics text, *Economics: Private and Public Choice.*

Casey: I always preface anything I'm going to say about investing with a caveat that my opinions plus ten dollars will get you a cup of coffee in Tokyo. You just can't guess what five billion people are going to do or buy and sell tomorrow morning. However, that having been said, I can give you my opinions.

There is a certain cyclical nature to the economy. There is such a thing as a business cycle, because of government intervention, and it has been especially evident over the past twenty years, with recessions in 1970, 1974–75, and 1980–'82. Now we're right on the cusp again, in much the same economic situation which we faced at the brink of these recessions. Each of these recessions was characterized by higher inflation, higher interest rates, higher unemployment, a lower real stock market, more business failures, and bigger business failures. You remember back in 1971 when Lockheed was about to fail, it was a major scandal that the government decided to bail them out for $250,000,000. That's walking-around money today. Since the boom of the past seven or eight years has been largely debt-financed and in many ways has been as artificial as the inflationary booms before it, I expect that this coming recession could be the big one that we've all been waiting for. I'm sure fond visions will pop up into many of your minds of libertrogs running around the countryside, grubbing for roots and berries and shooting statists with their AK-47s. There's an excellent chance that that's going to happen this time, if it's ever going to happen. So, that's the bad news, I guess.

The good news is that people will continue to accumulate capital, and that technology will continue to improve, which is the sort of thing that increases everybody's standard of living. We're halfway through an industrial revolution which started in the late 1700s, and by the time it's over, people all over the world will have gone from a state where life is solitary, poor, nasty, brutish and short to a state where people are numerous, healthy, wealthy and generally in control of the forces of nature. Unfortunately, by the time that happens, it is unlikely that anybody now in this room will still be alive.

A lot of what you want to do when you're investing de-

pends upon your time-frame—whether you're looking over the next couple of years, which I think will be extremely turbulent from a financial point of view, or if you're looking long-range, in which case I think you want to bet on prosperity. How do I handle this in particular? In my newsletter, which never purports to be more than just a running commentary on what I'm doing, I make no outrageous claims for my predictive ability—although my publisher does.

In portfolio-making, there are many paths up the mountain. I prefer one particular path; I'm a bit of a plunger. I see the ideal portfolio as being divided into ten separate and unrelated areas, each of which has the potential to rise ten times in value over the course of the business cycle.

"I expect that this coming recession could be the big one that we've all been waiting for. I'm sure fond visions will pop up into many of your minds of libertrogs running around the countryside, grubbing for roots and berries and shooting statists with their AK-47s. There's an excellent chance that that's going to happen this time, if it's ever going to happen."

This doesn't mean going out and buying ten separate and unrelated junior gold-mining stocks.

Here are some investments I would put in my theoretical portfolio at the moment—I say theoretical, because it's a lot easier to give advice than it is to follow it.

First, I would put in silver, that traditional religious icon of the hard money movement, because, at a price under $5, it's cheaper in real terms than it was in 1971. You've got to ask yourself, "If I'd known in 1971 what I know today, would I have bought silver at $1.29 an ounce?" Of course you would have, because it went forty to one by the time it reached its peak. So silver is the first thing.

Next, I'd take a few junior gold-mining stocks, because they've had a few ten-to-one runs in the sun over the past decade, and the quality ones are better values than they've ever been. I think they're going to have another, and perhaps final, ten-to-one run.

Third are the junior oil stocks, which, unlike the junior golds, have fallen out of bed and have just kept falling. They look like a flat-iron thrown from a bomber over the last ten years, if you were to draw a chart of their performance. They also have a ten-to-one potential.

Fourth would probably be a TED-spread, going long a million dollars worth of T-bills, short a million dollars worth of Eurodollars. Why? Because T-bills are the most secure and liquid form of short-term paper, whereas Eurodollars are the unsecured liabilities of international banks. That spread narrows and widens tremendously, and right now for some reason it's near its historic low.

Number five are Nikkei-Dow puts. I've been recommending them for the last year, since they've started to be traded. Most of them have tripled in the last few months, so they don't have the potential which they used to, but they're still an excellent hedge against the collapse of the Japanese market, which is still the most likely market to collapse anywhere around the world.

Sixth, for a speculation, would be the short sale of fraudulent companies and promotions, because you can have the best business plan in the world, with the best people and adequate capital, and the chances still are that the company you form is going to go to zero. But, if you get borderline criminals running the company, and most of the capital is spent on Learjet rides, and business plans are made only to incite greed in the hearts of the credulous, then it's a cinch that the company's going to zero.

Those are all easy things to do, for anybody who wants to. Other things that I like, as interesting speculations, are certain types of Third World real estate, where I'm interested in forming a partnership. There's a castle available in Mozambique that you can pick up for $70,000. Along with this 30-room, nearly indestructible castle is about 2000 acres of beachfront. It's outside of the capital, and people don't want to be outside the capital, because it's dangerous. But you pay your money, you take your chances. You can buy a townhouse along the sea in one of the Baltic states for about $5000. That's an excellent value, since it's between one and five percent of the cost of comparables in other Baltic countries. I think that now would be the time to buy something in Argentina or Brazil for ten-to-one returns. But, you've got to realize that this is pretty time and capital intensive, unless it's a limited partnership.

Periodically I get wiped out on investments, so I need something ten-to-one to make me even. The reason I put the portfolio together in that way is that let's suppose that you get ten areas and you allocate your money into all of them. And suppose, in the way things usually go, that you're dead wrong on 90% of them. That's probably a little worse than average, but still, you've kept capital together. That's more than most people are going to do in the next couple of years. But chances are, realistically, that you'll do better than ten-to-one. You'll get three or four total wipeouts, you'll get a couple that stay the same, a couple that go down 50%, and a couple that increase fivefold. And that sure beats 6% at a savings and loan, the way I see it.

Anyway, that's the way I plan to play the game.

Bradford: The reason that people buy investment advice is because of what I call "the market for nonsense." Unlike Doug, I suffer from the handicap that I publish my own newsletter, so I can't have my publisher say wonderful things about me without embarrassing myself. Consequently, nobody says anything extravagant about me.

It seems to me that almost all investment advice is smoke. There's a tremendous demand for nonsense—for someone to tell you that "the price of gold's going through the roof tomorrow," or "the Dow's going to drop to 2000 by the end of the year," or any other type of specific investment advice. I believe that there are two reasons for this. One is that people tend to assume that the economy is very similar to the physical environment in which they live. They perceive it as some sort of mechanism, and they think that if they can learn enough about how the mechanism works, they'll

be able to predict the future perfectly. They also realize that while they personally don't understand how the physical world works, they can always go to a professor of something-or-other who will tell them. This is true of most aspects of our daily lives. I doubt that most of us here really know how an automobile works, in any significant detail. Yet most of us can drive one, and we all know to go to a mechanic when we have problems. So most people go to an investment advisor under the mistaken apprehension that they are experts. I believe that, by and large, however, there's a larger, much more important mistake that people make when they go to people like Doug and me for advice.

I think that they want to avoid responsibility for their own actions. From 1970 to 1980 I was a full-time dealer in rare coins and precious metals. During that time I got to know an awful lot of investors, many of whom invested foolishly and came to me for help liquidating their holdings at great loss. I discovered that a great many people do this over and over again. I observed that many such people blamed their advisors for their own mistakes. I also noticed that many investors will only act on the advice of their advisors. I developed the idea that they don't want to be responsible for their own actions. When they follow someone else's advice, and they lose, they don't have to feel bad about it. They're sorry they lost their money, but the "reason" they lost their money is because of what Doug Casey or Bill Bradford told them.

Most investment advisors tend to be market "gurus," to pretend that they have some sort of mystical understanding of the market process. After a while, their egos tend to get a little inflated, and they start to believe what their publishers write about them. Maybe it's a public choice economics kind of thing: they realize that if they couch their advice with the kind of qualifiers that I use, they will not sell many newsletters.

My goal is basically capital preservation, rather than substantial capital gains. That's an important difference between Doug and me. I'm not looking for ten-to-one shots. To me, the essence of investing is risk management. Most people would be better off putting their time into earning a living or having fun, and using their investment portfolio as a means of preserving capital and minimizing risk in a dangerous world. I was astonished to hear Doug say that he was looking for some ten-to-one shots to make him even. I'm happy to say that I'm already ahead of even, and I'm looking for one-to-ten shots to keep me even and maybe put me a little bit further ahead.

In the world today I think that there are a few economic observations that are both overwhelmingly likely and important to investors. I'm going to talk about one of them that will affect every one of us that's in this room. The United States is no longer the world's pre-eminent financial power. This is of fundamental importance to us. The reason is that the U.S. dollar has, since World War II, enjoyed an incredible demand *as a commodity* outside the U.S. The dollar has served basically the same role as a reserve currency that gold served from, say, 1815 to the end of the 19th century, and then decreasingly from the beginning to the middle of the 20th century. As the world's most liquid, easy-to-use commodity, there's a tremendous demand for dollars—paper dollars—for use on black markets in such places as Argentina and the Soviet Union.

But also, dollars are used for financing worldwide enterprises, so-called Eurodollars. The fact that the United States has been replaced by Japan as the world's pre-eminent financial power leaves us in, I think, a very dangerous position. The last time that this happened was when the Pound Sterling was displaced. Britain was the world's leading financial power in the late 19th century. Depending upon your interpretation, sometime early in this century, it came under fire from both the United States and Germany. It took care of Germany in World War I, and so instead of the Pound being replaced by the German Mark, it was replaced by the U.S. Dollar.

What I want you to consider is what life was like in Europe during the interregnum between the two World Wars. Americans went to Europe and couldn't believe how cheap everything was. William Randolph Hearst went over and bought entire monasteries and brought them back to use as toys for his guests in San Simeon. This is when the notion of the "ugly American" arose, because Americans went over and stayed at the finest hotels in Paris, and could live like kings. We see the same thing today with the Japanese, particularly here on the west coast, where Japanese tourists are common, and even more in Hawaii. In Hawaii there are complaints about the Japanese "buying up the state." What they're actually doing is buying up real estate and raising the prices. They're buying hotels and tripling the prices of rooms, because to a Japanese tourist, paying $300 a night for a room seems like a pretty reasonable deal. To an American, $300 seems outrageous. Japanese find American prices to be too cheap to be true. I remember seeing Japanese tourists at Waikiki lined up to buy $700 Louis Vuitton purses and other ephemera of the good life. Now I realize that part of the reason for this phenomenon is that America has somewhat lower tariffs on luxury goods than does Japan, but nonetheless it is instructive that there are few Americans buying luxury goods as casually as these Japanese tourists.

"The one good thing about silver is that there's little enough of it in the world that it is feasible for a group of wealthy individuals to corner the market, as they did in 1979. You can't do that with very many commodities. But still, I don't think that the prospects for it happening are very good. The last people to try it are having their assets sold off at bankruptcy auction right now."

I think that Americans can look forward to a generally declining standard of living the next thirty or forty years. I don't think that this is something that we'll have to face as individuals, but I think that it's something that we'll all have to pay attention to. I think that right now, investing in America is something like investing in Britain in 1920. Now, it's not that there were no good investments in the U.K. in

1920, it's just that the economy in general was going down the toilet, and continued to go down until around 1980, since that time there's been something of a revival. We're going to face the same sort of problem here. Long-term investments of the fundamental sort, in real estate, stocks, etc, are not going to be as good as they have been in the past.

I don't have any really good advice to give you, especially because making investments denominated in other currencies is never easy for Americans. It's been legalized for American banks to deal in securities denominated in other currencies—in other words, you can buy CDs in Deutschmarks and Japanese Yen now, but I know from history that countries that do this because they're in economic decline have a tendency to confiscate these investments from their citizens, so I don't consider these to be low risk investments. I remember during the '60s and '70s, when the Mexican Peso was kept on a par with the U.S. dollar at a ratio of 12 to 1, Mexican banks offered accounts in both dollars and pesos. The pesos paid higher yields, and Americans would go down there and buy pesos so that they would get 12% return. Mexicans frequently put their money in dollars, where they could get 4 or 5%. Then, when the peso collapsed, the Mexican government put a moratorium on withdrawals from dollar accounts, and converted them back to pesos at the old official rate, so that the accounts that you had put money into at roughly one peso to every 8 cents American were converted back at a value of about two tenths of a cent. Mexicans with foresight were rewarded with a lower rate of interest *plus* the devaluation of the peso. Now, Mexicans who came to the United States and opened bank accounts here didn't suffer from this, which means that rich Mexicans didn't suffer, just poor ones, and especially the poor who were inclined to save.

"Almost all investment advice is nonsense. But there's a tremendous demand for nonsense. There are two reasons for this. People tend to perceive the market as a mechanism, and think that if they can learn enough about how it works, they'll be able to predict the future perfectly. And people want to avoid responsibility for their own actions, to blame someone else when things go wrong."

I'm not suggesting that everybody should rush off and get a Swiss bank account, but I do think that you should consider a little bit of international diversification.

My special area of expertise is gold, silver, and rare coins, and I will say very briefly that I consider rare coins to be an extremely risky, highly leveraged venture. I would recommend that people put no more than 5% of their portfolio into rare coins, and I don't consider rare coins to be an essential component in any portfolio.

I disagree with Doug about silver. I think that the supply situation on silver has changed radically enough that the outlook for silver is not good. The one good thing about silver is that there's little enough of it in the world that it is feasible for a group of wealthy individuals to corner the market, as they did in 1979. There's only something like 700,000,000 ounces on the New York Comex, so simple arithmetic says that at $5 an ounce, 3.5 billion dollars would buy every bit of silver that could be delivered on the exchange. You can't do that with very many commodities. But still, I don't think that the prospects for it happening are very good. The last people to try it are having their assets sold off at bankruptcy auction right now.

Gold I see as a pretty safe investment at the moment. I don't see it as a way of making big money. My recommendation historically has been to tell people to put 10% of their assets into gold, more as an insurance policy than as an investment. You might want to up that to 15% right now, partly because gold is a good way of internationalizing your holdings without leaving the United States or going to a lot of trouble. Also, when you open a foreign bank account you have to report it to the IRS. This is obnoxious, and I suspect that when the IRS reviews your return for audit potential, this is one of the factors they look at.

I do want to mention the one aspect of real estate that I do think has potential, although it's awfully expensive to get into. This is Hawaiian real estate, since the Hawaiian real estate market is driven almost entirely by the strength of the Japanese economy. Buying land in Hawaii is therefore more akin to buying land in Tokyo than buying it in the U.S. So far, the Japanese have limited themselves to buying land on Oahu, and a few hotels elsewhere. I think there's a potential for profits there, although I don't expect spectacular profits.

I'd like to close with a quick question for Doug. Doug, you recommend that we sell short fraudulent enterprises. I wonder if you can tell us how we can sell short the United States government.

Casey: You know, they say the common stock of the United States is its currency, so as a speculation over the long term, if you're not too leveraged, I'd recommend going short Treasury bonds.

Stroup: Bill said that I'd been added to the panel to harass the investment advisors, so I'll do my best. It does seem to me that investment advice, if it's explained—in other words, if the kind of thinking that went into it is explained to you—might actually be useful, in the same way that arithmetic might be valuable to the investor. Accounting, economics, all these things might be valuable tools. They might not be very valuable in terms of telling you what to do, but they would help you to understand the world a little better. The kind of thinking that both these guys do might be useful and might have some sort of insight. Other than that his caveats were well stated.

Unlike Doug Casey, I don't worry about the problem of figuring out what five billion people are going to do tomorrow. Only if you're trying to figure out some retail trend would five billion people count that much. Almost all stock prices, it seems to me, are determined by what the most optimistic tiny percentage of all investors think about that particular market. In other words, any particular gold stock is held by that minute fraction of all investors who are most optimistic about that particular gold stock. The real prob-

lem is to figure out what that tiny percentage is going to do over the next day, week, or year. Now that does relate back eventually to what five billion people want to do at retail, but the connection is a little tenuous. A question every economist might be asked is, if you're so smart, then why ain't you rich? Most economists aren't all that smart. At least I'm not, and that's probably why I'm not rich.

The Casey theory, the AK-47 theory of investment, I have to question that a bit. I mean, even if Lee Iacocca or some other fascistic type person becomes President, it seems to me that it takes years to run down the infrastructure of a country so badly as to send us grubbing for roots and berries. That seems pretty unlikely, except in the event of nuclear war, or if Louis Farrakhan gets the bomb, or something of that sort.

The discussion of Third World real estate was one of the more interesting things that was talked about. I'm tempted to say, "Would you buy Third World real estate from this man?" Futures on Third World real estate do strike me as a fairly chancy investment.

Bill Bradford's advice struck me as so honest and straightforward that, well, what can you say? He doesn't pretend to much, so he doesn't make much of a target. The fact that Bill has found out, through the publication of his newsletter and *Liberty* that appealing to the aquisitive instincts of investors is more profitable than appealing to the taste for liberty on the part of readers does not strike me as overly surprising. Would that it were the other way around.

Friedman: I do have a couple of comments on what Bill said. First, Eurodollars are not part of the demand for dollars. They are things denominated in dollars, but it does not take any paper dollars or deposits with the Fed to keep them in existence, so whether or not there are lots of Eurodollars out there does not affect the exchange rate. How many paper dollars foreigners choose to hold does affect the exchange rate.

It may be true that the dollar is going to cease to be the international currency, but I think that we can overestimate the importance of that, I do not know how many paper dollars are out there. Obviously there would be some shift in the exchange rate if people who were holding paper dollars started sending them back, because that would enter into the supply and demand for dollars on the currency market, which is where the exchange rate is determined, but I find it hard to believe that the effect would be large enough to matter for more than a few years.

Of course, if the country is run into the ground, that will lower the demand for U.S. assets, but whether the country is well run is not the same question as whether the dollar is the major international currency. Consider Belgium. The Belgian franc is not a major international currency, but Belgium is still a nice place to live and probably a good place to invest. If the U.S. follows reasonably sensible policies, the only effect on most of us of the dollar ceasing to be the world currency will be that if we are travelling abroad and plan to trade on the black market, we'll have to carry yen instead of dollars.

Bradford: I'm embarrassed to admit that my inclusion of electronic dollars as opposed to paper dollars comes from the assumption that it's too simple-minded to limit one's definition of the dollar to paper currency. I thought I was making a concession to people like David who are professional economists. It's my understanding that dollars in bank accounts are also a part of the money supply.

The immediate thought comes to my mind when David says that only paper dollars count is that we'd all better hope that the war on drugs is a failure, because right now the biggest demand for U.S. paper dollars comes out of the international drug market. There was a time, before the government put restrictions on money-laundering, that the net outflow of paper dollars in the Miami Federal Reserve subdistrict was greater than all the rest of the United States put together. Nowadays, because of legal harassment of people who deal in cash, money laundering activity is scattered across the country, and we don't have that convenient figure to measure the effect of the drug trade on demand for paper dollars.

"The environmental problem is getting very much more serious, I think—not that the environment itself is getting worse, but that environmental policy is getting so much worse. That could screw things up for the standard of living."

I dare say that most of the people in this room have all the paper dollars they own in their pocket, and they probably don't add up to more than $100 each. There is a very large amount of U.S. paper money in places where it's actually illegal. I know that historically the value of a $100 dollar bill in the Soviet black markets fluctuates between 105 and 125 $1 bills, on the simple theory that it's easier to hide a $100 bill than 100 $1 bills. This was more or less the case all over Eastern Europe.

Friedman: Explaining the economics of exchange rates would take more time than we have available, so I will go on to another issue. Rick posed the question to economists, "If you're so smart, why aren't you rich?" One of the nice things about being an economist is that it's one of the few professions that has an answer to that question.

Bill commented earlier that in investing you can't just go to an advisor and get all the answers. If you actually go to an expert, a reputable academic economist, and ask him about investing, the answer you will get will be some variant of the "random-walk" theory of the stock market. What the economist will tell you is that there aren't any things out there that cost $10 and are obviously going to be worth $20 next month, because if something was obviously going to be worth $20 next month, the guy who has it wouldn't sell it to you for $10. That is a very abbreviated version of the efficient-market theory, which holds that all publicly-available information is embodied in existing prices. One implication of that is that when an advisor tells you that something is going to go up a lot you should not believe him.

Let me give you an example. The form of the advisor's argument is usually the following: something, say silver,

sells for $5. Here are the obvious reasons why it should be worth more than that. Since it should be it will be, so buy it now.

One example is an argument that was given by Doug: silver should be worth more than it now is because it has been worth more for almost all of the past ten or fifteen years; it is hard to believe that when it has usually been that high, it can continue to be this low. Another example, another way of arguing for the same conclusion, is to argue from the fundamentals, the factors determining production and consumption, and to say "Look, with silver at only $5 an ounce not very many mines will produce, consumption is increasing, so at this price supply will be less than demand, so the price is about to go up."

"Rick posed the question to economists, 'If you're so smart, why aren't you rich?' One of the nice things about being an economist is that it's one of the few professions that has an answer to that question. The economist's answer is, simply put, 'Economic theory tells you that there are no easy ways of making lots of money on the stock market.'"

The problem with these arguments is that everybody else in the market also knows what the price of silver used to be, and lots of other people in the market also know that at the current price some mines will shut down. There has to be something missing from your analysis or silver wouldn't be selling for $5 an ounce. You have to put on one side of the balance the various bits of evidence that silver ought to be worth more than and then say "Yes, but the fact that it's at $5 is not just random error, it's very strong evidence that I am missing something."

Casey: That's why straw hats cost less in the winter than they do in the summer. It's the same way with many investments. You just have to figure out when it's winter and when it's summer.

Friedman: Silver has a rather low cost of storage compared to hats. If you can prove that it costs this much today and that it's going to be worth much more tomorrow, it doesn't cost very much to buy some today and hold on to it until tomorrow.

What I am getting to is that the economist's answer to "If you're so smart why aren't you rich?" is "Economic theory tells you that there aren't easy ways of making lots of money on the stock market. Economic theory tells you that the prices out there on the market already reflect all the easy information, and therefore even if you are quite smart, there are no easy ways of getting rich on the stock market."

Well, actually there is one way, but it's fraudulent. Here's how you do it. Of course, I'm only telling you this because I know that nobody in this room would ever engage in such an activity.

First, get a list of a thousand people who are interested in investing. Second, write up a newsletter. You write it up very carefully. It should consist almost entirely of very bland advice that isn't going to be very right or very wrong—except for one thing. You pick one very risky thing —let's say the Peso, which might or might not be devalued this month. In five hundred of your newsletters, you say very confidently it's going to go up, with lots of good reasons—and in the other five hundred you say it's going to go down, again very confidently and with lots of good reasons. You keep track of who you mail out these newsletters to.

After a month or so it either goes up or it goes down, and you throw away half the names. You then prepare another newsletter (only five hundred copies this time), and in this edition you pick another very risky investment that you're pretty sure will go either up or down this month and you repeat the procedure, this time throwing away 250 names.

After you have done this three times, there are 125 people out there who know that you have called three long shots with perfect accuracy. You now sell them subscriptions for $300 a year for the next several years and get yourself another list of a thousand people.

Bradford: I did see an Alfred Hitchcock television show in which that exact method was used, except that instead of conventional investments, it used bets on horse-races.

All this talk about the issue of "If you're so smart why aren't you rich?" reminds me of a comic book I read as a kid. Huey, Dewey and Louie have bought a book entitled *How to Get Rich Collecting Clam Shells* or something like that. They follow all the advice in the book and make no money. They go to Uncle Scrooge and he explains that the way you get rich collecting clam shells is to write the book.

Friedman: Economists can give some useful investment advice—just not advice about how to get rich fast. The first standard piece of investment advice from any economist is to hedge. Let me give you a simple example from my life that you can apply to yours.

For six years my wife was an oil geologist for Shell. Once it was clear that she was going to be that for a while, we sold all our oil stocks. Why? Because, like most people, I am risk-averse.

I would rather have a certainty of a $50,000 income than a 50% chance of $100,000 and a 50% chance of zero. Given that she was an oil geologist, if the oil business in America was booming she would have a high income and we would have a high family income and oil stocks would go up. If the oil business was doing badly, she would have a low income and oil stocks would go down. We did not want to be overinvested in oil by having both half of our human capital and a chunk of our financial capital in oil. I wasn't willing to hedge by getting rid of my wife, so we sold the stocks instead.

The circumstances will vary with each one of you, but the trick is to ask "What are the events that would make me short of money, due to the nature of my own professional activities?" and then to say, "Fine, what are the stocks that will go up if that sort of event takes place?" When things are happening that will make me rich on my regular income, I'm willing to tolerate having my stocks go down.

That was the first piece of investment advice from an

economist. The second is, when you're playing the stock market, use inside information. Inside information is not limited to the sort of information that it is illegal to use. It includes any kind of special information or expertise that you have and most people don't that gives you a basis for disagreeing with the market.

My favorite example is that when the Macintosh computer came out, I had been using a microcomputer happily for two years. It seemed clear to me, looking at the first Macintosh computer, that it represented a major improvement in microcomputers. It was also pretty clear, reading *The Wall Street Journal* and other papers, that the market didn't agree with me. There were a few people like me who thought it was a great invention but most of the market was pooh-poohing it. So I bought stock in Apple Computer.

If I had been braver I would have bought more when it fell to a little more than half of what I'd bought it for, but I did hang on to what I had, and I think that my stock is now about three, maybe four times what I bought it for. That was an investment based on something that was not inside information in the legal sense, but was a kind of expertise or special knowledge that I happened to have.

From the audience: I'd like to know if the other panelists agree with Bill Bradford that we're going to see declining living standards in the U.S. over the next 40 years.

Stroup: Given the technology trends, it's hard for me to believe that living standards will go down, but one exception here, one thing that strikes me is that it may be that Bradford's right and Friedman's wrong about the value of the dollar and the value of the dollar to foreigners. David gave the example of Belgium. Without any seigniorage, without any use of their currency abroad, to speak of, they're doing okay. That's fine, but if we go from a situation of very heavy seigniorage where huge numbers of people, drug dealers and others, are holding paper dollars, to a situation where they have less faith in the U.S. and more faith in other currencies, and those dollars come home, you get two bad effects. One is a temporary effect, a tremendous havoc and inflationary pressure. The second is a long-term permanent effect—a loss of what amounted to interest-free loans. When people hold dollars abroad, it's like they're giving us an interest-free loan of the amount held.

Then, as well, we've got the environmental problem, which is getting very much more serious, I think—not that the environment itself is getting worse, but that environmental *policy* is getting so much worse. That could screw things up for the standard of living for sure.

Friedman: I think it unlikely that standards of living will go down—not impossible, but unlikely.

With regard to the comment Rick just made, I suggest a simple calculation. The present currency stock is in the hundreds of dollars per capita for the U.S. population. I don't know the exact figure, so I'll make a very rough guess and say it's $200 per capita. Let us take the most favorable possible assumption for Rick's argument about who holds the money—assume that every single one of those paper dollars is held abroad.

In that case we are getting an interest-free loan of $200 per capita per year. Let's also suppose for convenience that the relevant interest rate is 5%. That means that the increase in our national income due to foreigners holding our money comes to $10 per capita. I do not believe that removing that will have a significant effect on the U.S. GNP.

Bradford: If I said that American standards of living were going to decline, I certainly didn't mean it. The parallel I drew was with Britain, and I certainly don't mean to suggest that the average person in Britain in 1970 had a lower standard of living than the average person in Britain in 1910. What I meant was that relative to the rest of the world, the average person in Britain lived better in 1910 than later. I seem to recall that around 1980 there was some fear that the British standard of living had fallen below that of Italy, and was something like 17th on the continent of Europe.

"I think the standard of living is going to go down in absolute terms over the next couple of years. We're in for a depression—a period of time in which most peoples' standard of living drops significantly."

Casey: I'd agree with what Bill said, but I'd go further. I think that it's going to go down in absolute terms over the next couple of years as well. I think we're in for a depression. One definition of a depression is a period of time in which most peoples' standard of living drops significantly. There are other definitions, but that's a good one.

Friedman: I'd like to say that the [original] title of this panel—"Investing in Liberty"—seems to be somewhat different from what we have been talking about. There is a broader sense in which you could talk about investing in liberty. That is, you can talk about spending your time and energy and money on things that you think will not only produce financial returns, but which you think will nudge the world in the right direction.

To give one example, one of my current projects is a computer game. I hope that it will bring me money and fame and such, but one of the nice things about it is that it teaches some economic lessons, and perhaps even some libertarian lessons, since one of the ideas implicit in the game is that coercion is not the only foundation upon which organizations can be built. They can also be founded on mutual consent.

I think it is good for libertarian investors to ask themselves, "Of all the things which I might do and which might make me money, are there any which might also nudge the world in what I consider to be the right direction?"

Casey: I agree with that, but what has constrained me from talking about it is that, to my mind, you have to separate ideology from investment. If you make this or that investment because it's a good Christian investment or because it's a good libertarian investment, you're looking at factors other than its investment potential, and that will tend to reduce its potential to make money, which is, after all, the whole point. ❑

Explanation

Why Is Anyone Virtuous?

by David Friedman

Some people will steal if faced with an opportunity to do so with only a negligible chance of being found out. Yet the vast majority will not. Why are they honest? Is there any explanation aside from altruism?

One fundamental question in moral philosophy is why people should act virtuously. Another is why they do. One answer occasionally offered to one or both of these questions is that virtue is in the (enlightened) self-interest of the virtuous. We survive, after all, as part of a complicated network of human interactions. If I lie, cheat, and steal when dealing with others, they may do the same when dealing with me, making all of us worse off.

As stated, the argument does not carry us very far. In a large society, my behavior has very little effect on the behavior of others, so unless my gains from cheating others are very small or my losses from being cheated by others are enormous, my decision to cheat should make me, on net, better off. I can make that even more likely by adding hypocrisy to the list of my sins—preaching virtue, in the hope of persuading other people to be virtuous, while quietly practicing vice.

A number of more or less metaphysical solutions to this dilemma have been proposed, based on concepts such as "the categorical imperative" or "man qua man." An alternative approach, and one that I find more interesting, is to observe that most human interactions are, to a considerable extent, voluntary. My dishonesty may have a very small effect on the moral tone of the society in which I live, but it has a large effect on how attractive I am as a potential employee, employer, spouse, business partner, or friend. If my behavior is seen to impose costs (or benefits) on those who associate with me, other people will take that into account in deciding whether to do so. Honest employees are more valuable for most jobs than dishonest ones, hence likely to make more money. In this situation, at least, it would seem that honesty pays.

This argument implies that quite a lot of virtuous behavior follows from rational self interest; a lot, but not *all*. Suppose I have an opportunity to cheat or steal, can receive a considerable benefit from doing so, and believe that I am very unlikely to be caught. The argument seems to imply that each such situation should be evaluated on its merits.

Many years ago, when I was a college student arguing with Objectivist friends, I took considerable pleasure in pointing this out to them. They firmly believed that in such a situation I should nŏt steal, but they never came up with a justification for that belief that I found satisfactory. Eventually they asked me to stop coming to their meetings—giving me the distinction of having been purged from an organization of which I was not a member.

I think I may have have found the answer they couldn't. It is an entirely amoral answer—it does not tell us what one ought to do, what acts are virtuous or why one should act virtuously. It does, however, provide a plausible explanation of why people do act virtuously—why, for instance, many people will decline an opportunity to steal even if they are confident they will not be caught.

To put it a little differently, it is an explanation of why the sort of behavior that we usually describe as virtuous is, for many people, a result of acting in their individual interest, narrowly defined. Still more precisely, it explains why and in what sense it is in my interest to behave, even when nobody is watching, in a way that makes it in other people's interest to associate with me.

I start with two observations about human beings. The first is that there is a substantial connection between what goes on inside and outside of

their heads. Facial expressions, body positions, and a variety of other signs give us at least some idea of our friends' thoughts and emotions. The second is that we have limited intellectual ability—we cannot, in the time available to make a decision, consider all options. We are, in the jargon of computer science, machines of limited computing power operating in real time.

Suppose I wish people to believe that I have certain characteristics—that I am honest, kind, helpful to my friends. If I really do have those characteristics, projecting them is easy—I merely do and say what seems natural, without paying much attention to how I appear to outside observers. They will observe my words, my actions, my facial expressions, and draw reasonably accurate conclusions.

Suppose, however, that I do not have those characteristics. I am not (for example) honest. I usually act honestly because acting honestly is usually in my interest, but I am always willing to make an exception if I can gain by doing so. I must now, in many actual decisions, do a double calculation. First, I must decide how to act—whether, for example, this is a good opportunity to steal and not be caught. Second, I must decide how I would be thinking and acting, what expressions would be going across my face, whether I would be feeling happy or sad, if I really were the person I am pretending to be.

My Objectivist friends firmly believed that I should not steal—even when I could not get caught—but they never came up with a justification for that belief that I found satisfactory. Eventually they asked me to stop coming to their meetings—giving me the distinction of having been purged from an organization of which I was not a member.

If you require a computer to do twice as many calculations, it slows down. So does a human. Most of us are not very good liars.

If this argument is correct, it implies that I may be better off in narrowly material terms—have, for instance, a higher income—if I am really honest (and kind and . . .) than if I am only pretending to be, simply because real virtues are more convincing than pretend ones. It follows that, if I were a narrowly selfish individual, I might, for purely selfish reasons, want to make myself a better person—more virtuous in those ways that others value.

The final stage in the argument is to observe that we can be made better—by ourselves, by our parents, perhaps even by our genes. People can and do try to train themselves into good habits—including the habits of automatically telling the truth, not stealing, and being kind to their friends. With enough training, such habits become tastes—doing "bad" things makes one uncomfortable, even if nobody is watching, so one does not do them. After a while, one does not even have to decide not to do them. You might describe the process as synthesizing a conscience.

This is probably easier when we are younger. Parents who want their children to be happy and who believe, for purely practical reasons, that honesty is the best policy, may choose to train them to be honest. If some virtues are behavior patterns hardwired into us by our genes, the same process may take place at an even earlier stage. If honesty pays, people who are genetically inclined to be honest will be more likely to survive and reproduce, and genes for honesty will increase.

The genetic explanation also suggests why people show their thoughts and feelings on their faces. No doubt a human being could be designed with no facial expressions at all—but who would do business with him? Who would marry him? Just as honesty is valuable in our associates, so is being a bad liar.

I believe that I have now answered my initial question. I have shown how, starting with rational self interest narrowly defined, one gets to virtuous people—people who do not steal even when they are sure that nobody is watching. I have not, in doing so, answered any normative questions. In particular, I have not shown that you should not steal—to do that, I would first have to show that you should pursue your self-interest narrowly defined. But I have given a possible answer for the positive version of the question—an explanation for the existence of virtue.

No doubt a human being could be designed with no facial expressions at all—but who would do business with him? Who would marry him?

It may occur to some readers that virtue is not all that exists. My argument seems, at first glance, to imply that everyone should be virtuous, which does not fit casual observation.

In fact, that is not what it implies; if my analysis is correct, we would expect to observe a world where many people were virtuous, but not all. To see why, consider the situation not from my standpoint but from that of my potential friends, employers, spouses, et. al. It is in my interest to be honest only if they are watching—not merely watching my individual acts to see if I act honestly, but watching my face, listening to my voice, observing in a thousand ways whether I am actually honest, whether I am the sort of person who would act honestly even if nobody were watching.

All of that watching is costly—it consumes some of the time and attention that they might otherwise spend on other things. In a society where everyone is honest, it is also unnecessary. So in a society where everyone was honest, nobody would bother to watch people to see whether they were honest—making dishonesty very profitable.

The answer to this apparent paradox, as to similar problems in game theory and evolutionary biology, is a mixed solution. Some people are dishonest, suffer the costs of being (some-

times) recognized as such, and receive the benefits of sometimes succeeding in their dishonesty. Because some people are dishonest, most people spend time and effort monitoring those they deal with—trying to determine both whether they are acting honestly and whether they are honest people. Because of that, many other people find it in their interest to be honest. The outcome is an equilibrium in which just enough people (selected from those best qualified—the most skillful liars) are dishonest to produce just enough monitoring to make it in the interest of everyone else to be honest. Extend the argument to all virtues—more precisely, to all of the patterns of behavior that are valuable to our associates and sometimes costly to ourselves—and you have a plausible explanation of the world we see around us.

Before ending this discussion, there are two more points to be made. The first is that although I have presented these ideas as my own, I am far from being the only one to have thought along these lines. The argument I have sketched here is worked out in much greater detail by Robert H. Frank in *Passions Within Reason* (W. W. Norton, 1988).

The kind of outline I have described is called an *Evolutionarily Stable Strategy* in the context of sociobiology and a *Nash Equilibrium* in game theory.

My second point is that a similar analysis can explain some apparently irrational vices as well as some apparently irrational virtues. Consider, for example, what a psychiatrist would describe as an aggressive personality—someone who picks a fight with anyone who does not treat him with adequate respect and deference. In the short run this seems like a losing strategy, since the stakes are rarely worth the cost of the fight.

In the long run, however, the results may be more attractive. The aggressive personality is someone who has trained himself to behave in a certain way—and that fact can be observed by others. Since, in most cases, the things at stake are not worth a fight, the other people usually back down and the bully gets his way without having to fight for it—which makes his strategy a profitable one.

Why are we not all bullies? For much the same reason that we are not all virtuous. The more bullies there are the more often one bully encounters another—and, since they are both following the same strategy, must fight him. As the number of bullies increases, being a bully becomes less attractive, until we reach a point where the gain of usually getting your own way is just balanced by the cost of sometimes having to fight for it. In sociobiology, this is called a hawk/dove equilibrium—named after the hawks and doves one finds in politics, not the kinds one finds in the wilderness.

Readers interested in a somewhat more lengthy treatment of the economics/game theory of the aggressive personality will find it in the game theory chapter (Chapter 11) of the second edition of my book *Price Theory: An Intermediate Text*. That chapter is not in the first edition, which is also still being sold. ❑

Reason Papers

A Journal of Interdisciplinary Normative Studies

Essays to Commemorate the 250th Anniversary of the Completion of David Hume's *A Treatise of Human Nature*

Edited by Stuart D. Warner

Articles

Discussion Notes

Book Reviews

REASON PAPERS is published at the Department of Philosophy, Auburn University, AL 36849. Send orders ($7.00 per copy in US and Canada, $8.00 elsewhere; make checks payable to Reason Papers) to Professor Tibor R. Machan, *Reason Papers*, Department of Philosophy, Auburn University, AL 36849. Manuscripts should be accompanied with return postage and envelope.

Polemic

Death in the Sands

by Sheldon L. Richman

The U.S. sent its army to Saudi Arabia out of the best of motives: to prevent further aggression by a power-mad dictator. What could be wrong with that?

At this writing in mid-September, there is no telling how many parents will lose children, and children parents, in the savage sands of the Middle East. All we can say is that the chances are very good that Americans and Arabs will die.

As bad as Saddam Hussein is, he cannot hurt the American people. As Joseph Sobran has pointed out, it makes no sense to argue that Saddam wants oil so he can sell it to the oil-consuming West so he can get money to buy nuclear weapons so he can destroy the oil-consuming West. The term madman is being thrown around fairly promiscuously, but nobody is using it *that* literally.

As a matter of fact, people seem undecided about which would be worse: Saddam's selling the oil or *not* selling the oil. But there's nothing to worry about here. According to economist David R. Henderson, even under the worst assumptions, which are most unlikely to transpire, Saddam could barely touch the U.S. economy. Imagine, Henderson wrote in *The Wall Street Journal*, that Saddam holds Kuwait and takes Saudi Arabia and the United Arab Emirates. That would give him most of the Middle East oil. Total Middle East production per day before the invasion was 12.3 million barrels. The revenue-maximizing level of output in the Persian gulf fields is 8.3 million barrels a day—"a 4 million barrels per day production cut," Henderson writes. This may sound like a lot, but the world's daily output is 60 million barrels. So the cut is only 6.7%. For the short run, "adopting the grimmest end of the economists' range of estimates of elasticity, a 6.7% cut in world production would cause a 33% rise in price, to about $27 per barrel from the pre-crisis price of $20." Now if the United States were to continue importing 8 million barrels a day, without substituting domestic oil or reducing consumption, we would pay an additional $56 million a day, or $20.5 billion a year. That is less than one-half of 1% of the United States' $4 trillion GNP. This is a threat to our way of life? (Henderson estimates that the pump price of gasoline, under the worst conditions, would increase by 17 cents, or less than $80 per year per American.)

Since the $20.5 billion cost of doing nothing is based on a worst-case scenario, the actual cost will almost certainly be considerably less. Compare this to the cost of Bush's adventurism. Defense Secretary Dick Cheney says it will cost about $15 billion for the next fiscal year, assuming that open warfare doesn't break out. In other words, this is his *best-case scenario*. And that figure does not include the $7 billion in loans to Egypt that the U.S. will forgive in exchange for Egypt's support, nor the $4.5 billion in loans to Israel that it now appears will also be forgiven.

In addition, the Bush action has not kept the price of oil down: as a matter of fact, as I write these words, the cost of a barrel of oil is $30.95 per barrel—higher than it would be if we had done nothing. Add the higher cost of oil to the military expenses and the cost of forgiving debts to our "allies" and you get a total of $58.7 billion.

So the cost of the *worst-case* scenario for doing nothing—$20.5 billion—is far less than half the *best-case* scenario for Bush's plan. And this does not include the proposed aid to "front line countries."

Defending the Undefendable

What about the protection of Americans abroad? This is *Reason* magazine's defense of Bush's policy. There is the inconvenient detail, however, that our intervention is what endangers the Americans in Iraq and Kuwait. Saddam's refusal to let the American men go (let's not forget that the women and children have been getting out) is wrong, but so is the obvious American threat to the Iraqis, a threat the American hostages are intended to deter. There is a difference between taking hostages to deter an aggressor and taking them to facilitate aggression. Regarding the *Reason* editorial, one cannot coherently advocate limited

government while granting the state the power to defend citizens abroad.

Americans are free to travel, and they are everywhere. The power to defend citizens abroad logically requires worldwide police powers with all the domestic intervention that implies.

Laws and Threats

When Bush prattles about international law, it is hard to keep a straight face. Nothing undermines international law more than a policy of invoking it only when convenient and flouting it at all other times. Bush did not seem terribly interested in international law when he invaded Panama and when Ronald Reagan was trying to covertly overthrow the Sandinistas in Nicaragua. Our devotion to international law in the Middle East is laughable.

When Israel occupied Palestinian, Egyptian, and Syrian territory, it was okay with us. When Israel invaded Lebanon (remaining there to this day), it was okay with us. When Syria went into Lebanon, it was okay with us.

When Israel occupied Palestinian, Egyptian, and Syrian territory, it was okay with us. When Israel invaded Lebanon (remaining there to this day), it was okay with us. When Syria went into Lebanon, it was okay with us. When Iraq invaded Iran, it was okay with us. But when Iraq invades Kuwait, suddenly it ain't okay with us.

When Iraq invaded Iran, it was okay with us. But when Iraq invades Kuwait, suddenly it ain't okay with us. On the contrary, we organize a worldwide embargo, put up a unilateral blockade, and send troops to Saudi Arabia, although this all endangers the lives of 3800 American civilians.

What's the difference? Two things are worth mentioning: first, the invaded state is a compliant oil sheikdom that deferred to the United States in all important things. So is the next possible victim. Would there have been a tear for the legitimate government (read: feudal monarchy) of Kuwait had there been no oil there or in neighboring Saudi Arabia?

Second, an awesome threat was looming—to the U.S. military budget. A House committee had just cut $24 billion from the budget, including money for the Stealth bomber and the strategic defense initiative. The Senate had threatened cuts too. The Iraqi invasion came not a moment too soon to save the military-industrial complex from those who thought history had ended. It's enough to make one think that Saddam Hussein is on the CIA payroll.

New Garrisons for Old

Our newest ally in the Middle East is Syria's Hafez Assad. His army has been in Lebanon for years. No American sanctions. No American deployment. Are there fine distinctions here or simply evidence of hypocrisy? You'll recall that American policy favored Saddam during the Iran-Iraq war. That was when Saddam was the bulwark against Muslim fundamentalism. Days before the invasion of Kuwait, the administration was pushing food credits for Saddam's country. Now he's Hitler, and we're urged by the neoconservatives, Israel and others to destroy his regime and military power with a starvation blockade—an act of war under international law (incidentally, it was a starvation blockade during and after World War I that helped create the original Hitler.) Having meddled in the balance of power before, thereby building up Saddam, we are now at it again—building up Assad in the process. Is there a drunk driver running the government? In a few years we will be told that we must intervene to stop Assad from threatening our way of life. Or we will have to oppose an Iraqi Ayatollah Khomeini. The Shi'ites in Iran have already picked a fundamentalist successor to Saddam if the U.S. kicks him out. Does anyone (besides Henry Kissinger, I mean) seriously think the U.S. government can manage conflict in the Middle East?

President Bush actually mentioned the real reason for the intervention when he said before a joint session of Congress, "Out of these troubled times, a new world order . . . can emerge: A new era . . . . A world quite different from the one we've known." Right. Washington, D.C., which has such a sparkling record of creating economic and social order within our borders, will now proceed to impose order on the whole world in partnership with the Soviet Union—another master of domestic order! With the cold war over, the U.S.-led United Nations can finally realize its ambition. A friend wryly suggested that the most horrible nightmare of the John Birch Society seems to be coming true: a Rockefeller Republican allied with the Soviet Union is setting out to run the world.

The cost of the worst-case scenario for doing nothing—$20.5 billion—is far less than half the best-case scenario for Bush's plan.

In your heart you know who's right — It will be interesting to hear what will be said about the Kuwait affair by the various groups of intellectuals who believe that an isolationist foreign policy is essential to the pursuit of liberty. Which action will they think more evil, and more likely to be productive of future evils: Iraq's intervention in a neighboring country, to which Iraq happened to be heavily in debt, for the purpose of looting its public and private property and annihilating its existence as a country; or the intervention of the United States and numerous other nations, at the invitation of the invaded country's exiled government, for the purpose of making Iraq return to the status quo ante?

—Stephen Cox

The first victim — Those who have read the Constitution know that it gives Congress the power to declare war. Those who have observed events during the past 45 years know that this provision of our fundamental law is a dead letter. Although the United States has been involved in two major wars and scores of lesser engagements, not

When you cut through the nonsense, you discover what Bush has in mind. From now on, change must be approved by the United States. This puts the country with the most revolutionary heritage in the world on the side of the status quo. Unless we say so, borders arbitrarily drawn by presumptuous colonial powers will remain unchanged and feudal monarchs will stay in power. In a sense, Saddam Hussein did threaten Saudi Arabia, but not militarily. His unseating of Kuwait's Sabah dynasty imperiled by example the pro-American feudal and authoritarian regimes in the other Gulf states, as well as in Egypt and Jordan. That was contrary to the interests of the American government, though not of the American people. An imperial power cannot allow satellite states to leave their orbits without emasculating itself.

By the way, there is something unattractive in all the bellyaching about our allies not sharing the burden of the Gulf operation. The congressmen and other officials engaging in this sorry display want to be superpower big shots, but they snivel that our former conquests (Japan and Germany, whose American-imposed constitutions preclude militarism) won't help foot the bill. The only good thing that can come of this is the removal of American troops from Europe and Japan—the sooner the better.

But I don't expect it to happen. On the contrary, what we will get is an additional permanent foreign garrison. U.S. troops will be in the Middle East for a long time. Even if Saddam leaves Kuwait, he will always be seen as a threat. It's his "backyard." And even if we knock him off, there will be other threats. The ratchet of expanding government power will work in this instance as it does in all others.

If you want to know what else drives our policy, listen to the renewed talk of the need for an energy policy and control of prices. This is the long-term domestic threat of the Bush adventure. Nothing has been learned from the 1970s, when price controls and other intervention created the last energy crisis.

A friend wryly suggested that the most horrible nightmare of the John Birch Society seems to be coming true: a Rockefeller Republican allied with the Soviet Union is setting out to run the world.

Finally, let's hear it for "isolationism." In a tribute to the power of ideas, the warmongers among us are quaking at the threat posed by the few people who object on principle to our intervention in the Middle East. No smear is too extreme; for some neoconservatives, opposition is evidence of anti-semitism. They indict themselves by their hysteria. ❑

once has Congress declared war since World War II. In fact, increasingly the President and his inner circle refuse even to inform the Congress of a *fait accompli* in committing troops to foreign conflicts.

When the Bush administration decided to send a massive force to Saudi Arabia and its environs, Congress was out of town for the August recess. No matter. The legislators would have been by-passed in any event. Eventually congressional leaders were informed of the administration's decision, but, as *The Wall Street Journal* reported, they "were not asked for their views."

Insofar as the commitment of military force abroad is concerned, the U.S. government is as much a military dictatorship as any government on earth.

—Robert Higgs

Doing something right — Events in the Near East stir up the isolationist instincts of libertarians. What business do we Americans have playing world policeman? Why are we defending kings and emirs? Why should Americans risk their lives for oil-company profits?

I, too, want a world safe for isolationism. But we must begin from current realities. Rightly or wrongly, the United States over many years has drifted into a position that imposes special responsibilities. If we are to shed them, we should work for a safe transition.

Already, among themselves, many countries have now achieved a position that offers a lesson for the whole world. War is nowadays almost inconceivable among Norway, Sweden, Denmark, Iceland, Finland, the United Kingdom, Germany, Belgium, the Netherlands, Luxembourg, France, Switzerland, Austria, Spain, Italy, Canada, the United States, Australia, New Zealand, and perhaps a few other countries. They must be doing something right.

The Iraqi regime stands in glaring contrast. It has occupied Kuwait by armed force and has kidnapped foreigners innocently living there. The victims even include passengers on an airliner making an intermediate stop there at just the wrong time. The invaders have forcibly cut the U.S. embassy off from electricity, food, and water. The United States cannot simply walk away from such outrages without sending a signal that will impair chances for a peaceful world order.

Worry about defending unelected monarchies seems more a rationalization than a valid reason for copping out. Democracy is not an ultimate end in itself, not something worth making a fetish of. It is a political method, more suitable for certain countries or stages of development than for others. What libertarians value more highly is the right of individual persons to live their own lives and seek their own fulfillment in peaceful cooperation with one another at home and abroad.

Oil is no more the real issue than is democracy. The issue is peaceful relations versus predatory aggression.

If the United States still carries a special burden of leading collective action now, so be it. We can work toward lightening the burden and sharing it more fairly in the future. Meanwhile, action against the aggressor regime is justified precisely on libertarian grounds—an economic embargo if it will work rapidly enough, military action otherwise. —Leland B. Yeager

The *Liberty* Interview

Ed Crane

From 1976 to 1983, Edward H. Crane III was in effect Chief Executive of the libertarian movement. Many give him the lion's share of credit for the growth of the libertarian movement during those years, but some blame him for some of its current problems, and he was repudiated by the Libertarian Party in 1983.

For the first time in nearly a decade, Ed Crane speaks to libertarians: explaining what happened, settling old scores, sharing his strategic ideas, and explaining what he has been up to.

Ed Crane was national chairman of the Libertarian Party from 1974 to 1977 and helped manage Roger MacBride's 1976 Presidential campaign. In 1977, he founded Cato Institute, which quickly became the most important libertarian think tank. As Cato's president, he set policies that helped shape the direction of libertarian thinking. In 1980, he managed Ed Clark's Presidential campaign, the high water mark for the Libertarian Party.

But all was not peaceful in Crane's libertarian kingdom. About 1979, personal and ideological differences between Crane and Murray Rothbard, the leading libertarian idealogue, began to surface. Crane purged Cato of Rothbard and his allies in 1981. His grip on the LP began to loosen partly as a result of this falling out with Rothbard, partly because of the growing perception by party members that Crane was overly concerned with personal control, and partly because he seemed to be losing interest in the LP.

At the same time, Crane was changing the Cato Institute from an academic think tank to a public policy think tank. In 1981 he moved its headquarters from San Francisco to Washington, D.C., where today it is a respected member of the policy community.

Ed Crane remains a passionate advocate of liberty with strong opinions on a wide variety of subjects. He was interviewed by R. W. Bradford on August 27.

Liberty: You've been involved with virtually every aspect of libertarian or classical liberal activity in the last 20 years. You were involved in the foundation of the Libertarian Party and very much with its management, you've been involved with the Cato Institute, which began as an academic think tank and became a public policy institute. You published *Inquiry*, a major outreach magazine, and *Libertarian Review*, a movement magazine. Based on your experience, what kind of progress do you think we've had? Is liberty better off today than it was twenty years ago, and is the libertarian movement today better off than it was twenty years ago?

Crane: Well, I think liberty is clearly better off than it was twenty years ago. I mean, when you have the collapse of Communism and the liberation of hundreds of millions of people from that domination, then liberty is a net gainer.

Liberty: To what extent, if any, do you think that this is a result of libertarian activities?

Crane: The collapse of Communism is not the result of libertarian activities, but it is an advance for liberty. The growing sophistication of classical liberal and libertarian ideas can play a very important part in both eastern Europe and the Third World by providing a framework for a society to replace their current societies. I think there's a growing respect for the ideas in Great Britain. The Atlas Foundation has a network of classical liberal think tanks all around the world. They are not conservative think tanks. The growth of ideas internationally has been phenomenal. The situation within the United States is more problematic. I believe that there has been an underlying growth in libertarian ideas in this country, but that they don't manifest themselves in the political parties any more.

The applicants for internships and our summer programs here at Cato are really remarkable young people who are fully committed to a libertarian world. The Institute for Humane Studies has done such a good job in identifying young libertarian scholars and placing them, and it gets more applications for its scholarships from hard-core libertarians every year. There are libertarian think tanks around the country—the Pacific Institute, Reason, Heartland, Manhattan—there's been a real growth of the infrastructure.

The political situation is very complex in this country, but I think our ideas are gaining ground. Everybody talks about how contemporary liberalism in America is a bankrupt ideology, but I think that conservatism is also bankrupt. I mean, what do conservatives stand for anymore? Nothing. So it's almost as if it's the classical liberal/libertarian opportunity to go to the plate. We have the world view that has weathered the course of events. We know how the world works and why. There's a lot of work ahead of us, but conditions around the world are improving. I think, as George Gilder says, for instance, that technological developments are making it harder and harder for governments to control world events and to control people. Technology is on the side of

liberty.

Liberty: When did you first become interested in libertarian ideas?

Crane: Oh, I guess it was when I was in high school, which was a few years ago.

Liberty: When you were an undergraduate at Berkeley, were you involved in libertarian activities?

Crane: I ran for student government at Berkeley.

Liberty: How does this relate to your maxim that you should never trust anyone who ran for student government?

Crane: I ran on the platform of abolishing student government.

Liberty: I gather you didn't win.

Crane: No, I got beaten by Bettina Aptheker, actually. She pulled out her Communist Party card, which in 1964 or 1965 was a sure means to victory. I had always assumed that I would never be involved in politics because I was so out of step with the world. Then in 1972 I heard about the Libertarian Party convention in Denver, and I said what the heck, I'll go to it. As a libertarian, I had always valued diversity and the right to an alternative lifestyle, but until I walked in that room I had no idea just how many alternatives there really were.

Liberty: How many people were there?

Crane: Eighty-five, I think.

Liberty: What role did you play at that meeting?

Crane: It wasn't a very high-profile role. I helped with the statement of principles. I was in a room with John Hospers and a bunch of other people, and I participated in a floor debate over bringing the troops home from Vietnam. It was surprising the number of libertarians who favored staying and winning the war.

Liberty: Even in '72?

Crane: Yes.

Liberty: That was a rather implausible position by that time.

Crane: Yeah, it was. But in those early days it was kind of a right-wing spin-off. David Nolan ran the thing, and he was what I would call a right-wing libertarian.

Liberty: Your role in the Libertarian Party escalated rather quickly. You played a role in the '76 campaign. . . .

Crane: Actually, I played a role in the '72 campaign. If you are ever a player in a trivia game and you're asked who was the campaign manager of the first woman in U.S. history to receive an Electoral College vote, the answer is me. I ran Tonie Nathan's campaign. Then I became vice-chairman in southern California, in '72 I think. I flipped a coin with Bill Susel and I lost. I spent a lot of time driving around to all the 12 regions we had, going to meetings—I worked real hard. I remember John Hospers got 980 write-in votes for President in 1972, and I was real impressed by that. I said hell, if there are 980 people out there willing to go to the trouble of writing in a name, maybe we can make a go of it.

Liberty: When did you quit your job in the investment industry and get involved full time?

Crane: I was elected national chairman at the Dallas convention in 1974, and shortly thereafter I was made a vice-president of Alliance Capital Management in San Francisco. I opened up our first national office (it had previously been in David Nolan's living room). We rented some space across from my office at the investment firm. Instead of working late, as had been my habit, I wound up spending my lunches at the LP, leaving at 5:00 to go to the LP office, and going into the LP offices on the weekend. I finally came to realize that you couldn't do this thing unless you were doing it full time, and so one morning I just woke up and decided that I was quitting my job, packed everybody up, moved to Washington DC, and wound up running Roger MacBride's campaign in 1976.

Liberty: You were his campaign manager also?

Crane: Well, Bob Meier was the national chairman. Bob and I ran the campaign. That's all the national party did, then, aside from trying to build the state parties. I spent a lot of time making enemies in every state in America.

Liberty: I remember your memorable appearance as an actor in a spot for MacBride.

Crane: I was a reporter.

Liberty: Right.

Crane: We ran six—or maybe only five—network 5-minute spots. You know, we got a lot of inquiries from them. It helped build up the mailing list. And you know, we beat Gene McCarthy. We didn't get more votes than he did, but we got on the ballot in more states than he did. Whatever you want to say about Libertarians, they're damned good at getting on the ballot. I think we were on the ballot in 31 states. We got more votes than the American Party, so we were the third largest party in 1976.

"I voted for Ed Clark, but only with the knowledge that he was unelectable. My position was that I was going to get out of the country if he were elected President. I was afraid Alicia might blow in his ear and that might be the end of the world."

Liberty: After the 1976 campaign, according to press accounts, you started what amounted to an "Anybody But MacBride" campaign for the 1980 nomination.

Crane: Roger did a hell of a job in 1976. He put a lot of money into the campaign, he had credentials, he was a lawyer, but his views continued to rest on this tripod of issues: a strict non-intervention in foreign policy, respect for civil liberties, and a free-market economy. But when you went beyond that, he wasn't really interested. There's no reason, perhaps, why he should be, but he wasn't interested in talking about the specific issues of the day, and I thought that if the party was going to be able to grow, it needed somebody who would be ready to debate public policy issues in a more sophisticated manner than Roger wanted to—I don't want to say than he couldn't have done so, but he just didn't want to approach it that way and I thought that the party needed that. That's why we went with Ed Clark.

Liberty: Were you involved in the Clark '78 campaign in California?

Crane: Yes. I was a kind of unofficial advisor to David Boaz and Bob Costello and some of the people who were doing the nitty-gritty work. That was the campaign that really established the potential of the party. I had come back from the '76 campaign in early '77 to San Francisco, and I had sort of done my thing for the Libertarian Party, but I was appalled

to find out that after getting MacBride on the ballot in California in '76, they were talking about a write-in campaign for governor in '78. I thought if the California party didn't continue to grow, the whole thing was going to collapse. So rather than step out of it—I had just become head of the Cato Institute—I got involved again. I talked Ed into running for governor, we got him on the ballot and he got 357,000 votes, which was 5.6% of the total. In some counties he got into double digits. It was a very serious, high-profile campaign.

Liberty: It was an independent campaign, not a Libertarian Party campaign.

Crane: No, it was independent, that's right, on the ballot, but all the literature said Libertarian.

Liberty: If he had been on the ballot as a Libertarian Party candidate, do you think he would have done worse, and if so, how much worse?

Crane: My guess is he would have gotten 3.5% instead of 5.5%, something like that.

Liberty: It seems that in most of the races in the 1970s in which libertarians got good numbers, they were running as independents. I'm thinking of Kay Harroff's race in Ohio for example.*

Crane: Yeah, Kay was a woman and an independent and she did a good job of campaigning.

Liberty: What sort of problems did you have to face in the '80 campaign?

Crane: Oh Lord, that's a tall order.

Liberty: OK, what were the biggest problems?

Crane: First, I'll give you the background of the campaign. All the people who were associated with me in the Libertarian Party will tell you that I had said from the beginning that we either accelerate or we throw in the towel, that once the party stagnates, the media loses interest because you're no longer a serious deal, you're just another gadfly third party, around to pick up your two or three percent of the vote. But, as long as you are growing, they've got to keep an eye on you.

We knew that the odds were obviously against our continuing to grow, but that it was a highly leveraged opportunity, and that we ought to give it our best shot. Clark's campaign in 1978 gave us hope that we could do something serious in 1980. There were 2000 people at the 1979 convention in Los Angeles. The Los Angeles *Times*, one of the four or five most important papers in the country, ran three front page stories on the convention while it was in progress. There was a real sense that the Libertarians, who had just received nearly 6% in the gubernatorial race, and who were nominating the same guy to run for president, were really going to have an impact. To this day, I believe that we were on the verge of success.

"My thought all along was that this was a long-shot strategy that would come to an end the day the growth levelled off. So after the Clark campaign when it became evident that the party wasn't going to go anywhere, I stepped away from it."

Then came the Anderson candidacy. It was like a body-blow to all of us. When John Anderson, this dithering Congressman who didn't have any idea what he stood for—other than, it turned out, big government—opted to run as an independent (primarily, I think, because Gary Trudeau had called him "the lonely candidate") it was devastating for those of us who had spent years building up the party. Between 1972 and 1980, I had gone to every single national committee meeting the party had held. I spent a lot of time and money trying to build it into a viable force. There were internal disputes between me and other people in the campaign, but they were just a minor irritation. The Anderson candidacy was devastating.

"The Anderson candidacy was like a body-blow to all of us. When John Anderson—this dithering Congressman who didn't have any idea what he stood for—opted to run as an independent, it was devastating for those of us who had spent years building up the party."

Liberty: You did manage to get on the ballot in all 50 states and the District of Columbia.

Crane: That was a phenomenal achievement. I had gone into the convention in '79 realizing that we had an opportunity and a problem. The problem was fundraising. There was the Federal Election Campaign Act, passed almost explicitly to shore up the two-party system at a time, after Watergate, when there was a lot of dissatisfaction with the two major parties, and particularly with the Reagan-Carter race. But anyway, the contribution limitation meant that we needed to get a wealthy person on the ticket, and that's where the idea of David Koch came up. We got him on the ticket, and he committed to spend quite a bit of money on the campaign.

The opportunity was that the networks provided 5 minutes of prime time television space—not commercial time—which they sold for about $25,000 each. The regular cost of that time would have been more than a million dollars, so it was an incredible opportunity to really get the word out to a lot of people, and we took advantage of it. The LP had an opportunity in 1980 to really establish itself as a viable alternative—to draw in the kinds of people who were going to make the thing work.

Liberty: What kind of people did you have in mind?

Crane: One of the paradoxes of third parties is that the obstacles they face are so overwhelming that the only kind of people you can get to get a third party off the ground are ideologues, people who believe so fiercely that they are willing to put up with the problems, and get only one or two percent of the vote. At the same time, once you actually do get it off the ground, it's the same ideologues who assume an exclusionary attitude. You can't be a Libertarian unless you're a *LIBERTARIAN*. It's like being pregnant—you either are or you aren't, and if you endorse 98% of our platform and reject 2%, to hell with you, go vote for one of those other guys. In the other parties, if you reject 98% of our platform and accept 2%, come on in, you're one of us. There's a happy medium somewhere, which would have allowed the party a broader

* LP activist Kay Harroff ran as an independent for the Senate from Ohio in 1972. She got 80,000 votes.

outreach than there was.

Liberty: I gather you don't think the Libertarian Party has ever found that happy medium.

Crane: No, and I think it's a moot question right now. But we were really geared to take it to the world in 1980. We had serious, dedicated people working in every state, and then Anderson came along. I believe that the media would have been hard pressed to ignore Ed Clark, who's an articulate guy, a very knowledgeable guy, Harvard Law School, senior lawyer at Arco, a terrific candidate. You had this very large percentage of the population that thought the choice between Reagan and Carter was less than good. We figured that as we ran 47 prime-time TV spots, the media would find itself in a position where they have to start reporting on the campaign. But they never did. In that entire campaign, there were only two network TV spots, which I think were human interest spots, and not one hard-news story of what Ed Clark said that day, because John Anderson filled that role as the Alternative Candidate.

Liberty: In light of the fact that exogenous factors sabotaged the campaign, were you satisfied with the total that Clark got?

Crane: I was unhappy with it. We knew what it was going to be, from state and national polls. Ed insisted on going around saying that he was going to get several million votes, which is one reason why people were disappointed when he only got 920,000. He justified that by looking up "several" in the dictionary, where it said "two or more." He said "We can get two million," and in theory we could have. We were thinking that we were going to get 1.2 million. The reason it was less than that was that we did very poorly in California. If you do an overlay of Anderson's vote in 1980 and of Clark's in 1978, you find that they were the same people. Anderson got Clark's votes in California.

Liberty: As I understand it, you played an active role in the Randolph campaign in 1982 for the governorship of Alaska.

Crane: I went up there a couple of times to help him. They did a heck of a job. What did they wind up with, 16%?

Liberty: Something like that. However, people's expectations were that he'd do much better. The Republican candidate, Tom Fink, was reported in the press as having said that had he lost the primaries he would have jumped ship to Randolph. Rumors were rampant that a deal had been made so that after Fink lost the Republican primary, which it was presumed he would do, he would endorse Randolph, and Randolph would give him the LP lieutenant governor nomination. Do you know if such an arrangement was in fact made?

Crane: I don't know about about that.

Liberty: In the 1983 LP convention, people arrived expecting Gene Burns to have a lock on the Presidential nomination. But Burns didn't show up. Then came one of those bitter fights that seems to characterize LP activities. The people in the party coalesced around two candidates: Earl Ravenal, who was associated with you, and David Bergland, who was associated with everyone else, or at least with everyone who was unhappy with the leadership that you had provided to the Libertarian Party.

Crane: It's an interesting story. I was on a radio show in Orlando—they called me up about two weeks before the convention and said, "Why are you opposing Gene Burns for the nomination of the Libertarian Party?" I said, "I'm not involved any more with the Libertarian Party." So they said, "Who will you vote for for President?" and I said "Well, I assume I'll vote for Gene Burns. He's clearly better than anything the Republicans or Democrats are going to nominate." And I think that Burns had been sold a bill of goods by his handlers that Crane was going to launch a sneak attack at the convention, when in fact I liked everything I had ever heard about Gene Burns. But the people who had opposed me during my long tenure in the party were so used to having me be the villain that they continued to keep me a subject of their newsletters—and, I suspect, a subject of their pep talks

"Too many libertarians assume an exclusionary attitude. You can't be a Libertarian unless you're a LIBERTARIAN. It's like being pregnant—you either are or you aren't, and if you endorse 98% of our platform and reject 2%, to hell with you, go vote for one of those other guys."

to Gene Burns. So maybe he just said "to hell with it." But then I got a call from somebody saying that Gene Burns wasn't coming. A lot of us had been involved in the party for a long time, trying to build it in the way that seemed the best to us, and even though we hadn't been involved in party activities at the national level since '81, we got Earl to run. I think that was a mistake. I think Bergland ran a terrible campaign, but I don't think that a good campaign would have made any difference. There was no money, and Earl was a scholar, so it wouldn't have done his career any good. It was just a sort of knee-jerk reaction. I regret that whole episode.

Liberty: That was your last involvement in the Libertarian Party at the national level?

Crane: It really was at the '81 convention.

Liberty: Was there a falling-out between you and the Clarks?

Crane: Well, Alicia and I never got along. Ed decided—or she decided, I don't know which—that his wife would be the best national chair, and we had a lot of problems during the campaign, a lot of it involving Alicia, so Ed kind of turned his back on the people who had worked on his campaign for the last couple of years.

I always felt, too, that Clark didn't acknowledge the role that the people who ran that campaign had played. I mean, we wrote the speeches for him, we got the press lined up for him, we got him on the ballot, told him what to say, and really worked our butts off against enormous odds, realizing that Anderson was taking all this away from us anyway. The men and women on his campaign worked seven days a week, late into the night. It was incredible, the effort, yet there was never any acknowledgement on Ed's part. Even the book we put out as part of his campaign.* He took all the credit for that, even though he didn't write a word of it.

Liberty: Who did write that?

Crane: Oh, several people. I think David Boaz wrote the bulk of it, but there were half a dozen people who had input into it. It was almost as if being a candidate for President got to him. He started thinking that he was someone terribly im-

* *A New Beginning*, Caroline House, 1980.

portant because he was a Presidential candidate. I guess it's a corrupting thing, to have people put microphones in your face all the time. I certainly think it's one of the reasons that all these people inside the Beltway are so self-infatuated. But anyway, it was one thing not to acknowledge all these people who had worked so hard for him, but then when he wanted Alicia to run the thing—and Alicia was not a competent administrator and had no vision other than that she wanted to contact the "grass roots," which meant God knows what—I think the party fell apart fairly rapidly. Then there was the unseemly firing of Eric O'Keefe and all that nonsense. It was through Ed that all this happened, so I guess you could say we had a falling-out.

Liberty: There were rumors at the '87 convention that because the party had come to its senses and nominated a real-world person like Ron Paul, you were about to return. Was there any substance to these rumors?

Crane: No.

Liberty: You know, you have kind of a mythic status in the Libertarian Party.

Crane: I have tremendous respect for people who want to stay with the Libertarian Party. I beat my head against that wall for a long time and I know what's involved. I know that the people in the party are passionately committed to liberty. I just decided that it's not the strategy for me. It wasn't that I decided it on a certain day. My thought all along was that this was a long-shot strategy that would come to an end the day the growth levelled off. So after the Clark campaign, when Alicia became chair and it became evident that the party wasn't going to go anywhere, I stepped away from it. I never had any intention of going back to it. As for the Ron Paul thing . . . I think Ron Paul's got the wrong image for the Libertarian Party anyway.

Liberty: What do you mean?

Crane: I think he's got a right-wing image. You know, a lot of New-York-bankers-controlling-the-world, conspiracy stuff. I think the constituent element for the Libertarian Party is the independent element, which he turns off.

"The true radical is the one who is the most effective in bringing about change in society. Waving a black flag, going up on a hill, and waving signs that say 'smash the state' isn't radical. It's just silly."

Liberty: You were accused of turning the Libertarian Party to a "low-tax liberal" party. Is that what you believe in?

Crane: In the classical sense of liberal. You know, I was attacked from all sides. The right-wingers thought I was a commie because I was a very strong non-interventionist and wanted to end the arms race. The radical caucus thought that I was a sell-out because I wanted to present ideas in a way that the public could accept. That's one of the problems with the libertarian movement: there's a sense of alienation toward the very culture and society that we're trying to win over. There needs to be a greater respect for people whose ideas we don't agree with, an acknowledgement that most people who have different ideas hold them with the best of intentions. You need to have a calmer, more mature outlook on how you present your ideas. My idea is that the true radical is the one who is the most effective in bringing about change in society. Waving a black flag, going up on a hill, and waving signs that say "Smash the State" isn't radical. It's just silly.

You've got to look at society rationally and say "How the heck do we do it?" I'm not saying that I have the best strategy, or that there's only one proper strategy. But I think that those in the Libertarian Party who felt that it must demand 100% compliance with every "T" crossed and every "I" dotted are wrong. That was counterproductive and very off-putting. If you believe that the ideology is as strong as I believe it is, then what you want to do is draw people in who are fundamentally sympathetic to these ideas. But a political party is not the institution to radicalize people. If you have a political party, it should say, "Look: if you're a Republican you believe in the free market. That's your most fundamental concern. You shouldn't have to sign off on militarism and this obsessive compulsion to conformity in the social area. Similarly, if you are a liberal and you are very concerned with civil liberties and the arms race, why should you have to be a Democrat and sign off on all this income redistribution and national economic planning? Why can't you have a party that's for free enterprise *and* peace *and* a tolerant attitude on social issues?"

Liberty: Whom did you vote for in '88?

Crane: I don't vote. It only encourages them.

Liberty: Whom did you vote for in 1980?

Crane: I voted for Ed Clark, but only with the knowledge that he was unelectable. My position was that I was going to get out of the country if he were elected President. I was afraid Alicia might blow in his ear and that might be the end of the world.

Liberty: There's a lot more to what you do at Cato than just economics or even applied economics. Your op-ed program seems to deal, for instance, with a broad range of issues. What other disciplines does the Institute do scholarly work in?

Crane: Well, of course foreign policy. You were tweaking us for not being radical enough, but if you look in the op-ed pages or on the TV, the only people who are opposed to the U.S. intervention in the Middle East are from the Cato Institute. We had an op-ed in the New York *Times*, *U.S.A Today*, we've been on C-Span, *The Oprah Winfrey Show* . . .

Liberty: Wow, who did you have there?

Crane: Doug Bandow. The other night Ted [Galen Carpenter] was on *The Larry King TV Show*, *Good Morning America* called this morning for Ted . . .

Liberty: Do you have a monopoly on opposition at this point?

Crane: I don't know of anyone else. One of the interesting things about the other libertarian think tanks, is that they're not saying anything about this. A lot of them don't do anything in foreign policy at all. I don't see how you can be in favor of human liberty and seek to promote it if you don't address the issue of war and peace. Randolph Bourne rightly characterized war as "the health of the state." Foreign policy is a serious issue, involving the deprivation of liberty.

Liberty: What are the most important policy issues with which Cato is involved today?

Crane: One primary concern is entitlements. We have tried to

develop alternatives to social security and medicare, by publishing the work of Peter Ferrara and others. We are working to develop policy options that would allow at least younger people to opt out of social security—to try to bleed the system at one end.

The second major focus of our attention is the military spending. We came out with a white paper on the military just when this Mid-East stuff started that called for a 62% decrease in military spending over time.

We also are very concerned about regulation. We publish *Regulation* magazine, which for years had been published by

"The problem with democracy is not the right to vote. The problem is that we get to vote on things we should never vote on."

the American Enterprise Institute. Catherine England is our director of regulatory studies and we're trying to demonstrate why all sorts of government regulation is harmful to economic growth (not to mention human liberties).

We have a center for Constitutional studies that Roger Pilon works on. This is an area where libertarians have not spent a lot of time, mostly I think because many have the attitude that the Constitution is an illegitimate document to begin with, so why worry about it? However, it seems to us that the Constitution is a much better document than one might think having observed the way it has been abused over the years. We're trying to demonstrate that there are economic liberties in the Constitution that need to be enforced, that there is a right to privacy, and that individual liberty is the philosophical underpinning of the Constitution.

We also have a project on global economic liberty that is drawing on the kind of economic analyses that Peter Bauer and others have developed on Third World development. In the post-Cold War era, we're trying to point out that the great threat to the Third World is no longer that of being pawns of the superpowers, but of being pawns of the IMF and the World Bank. Private property and democratic capitalism are the answers to the problems of the Third World.

I just got back from Russia. It was so refreshing to be around bright people who care about first principles. It is stimulating to be in an intellectual environment in which people who make a difference in society care about the *nature* of a free society. Then I came back to Washington, to this swamp, where you can't even say these things. Really, the contrast is incredible. Dick Randolph has said that if it hadn't been for Seward's Folly, they'd be in a a free country today.

In Russia, I awarded a beautiful bronze bust of Hayek to Yevgeny Primakov, Chairman of the Council of the Union of the Supreme Soviet. He's one of Gorbachev's top guys. In the presentation ntral Committee. I said, "It is Cato Institute's sincere hope that this bust of F. A. Hayek will rest in a prominent place in the Kremlin where it will remind Mr Gorbachev and other leaders of the Soviet Union that there are answers readily at hand for the problems of the U.S.S.R." That was really a great experience.

Liberty: Many libertarians view democracy as just another form of statism. Is Cato committed to democracy, and if so, why?

Crane: Cato is committed to private property and a constitutionally limited government. The problem with democracy is not the right to vote. The problem is that we get to vote on things we should never vote on. It's all very nice to talk about the flaws of democracy, and certainly one is not in favor of the tyranny of the majority, but on the other hand, for people who have lived under authoritarian regimes and under communism, the idea of the right to vote is very important. Particularly in the Third World, democracy is perceived as a vehicle of liberation. The emphasis in democratic capitalism needs to be on capitalism. I think that one of the problems with our government is that when it talks about international trends or what's happening in Eastern Europe, it doesn't even mention capitalism.

Liberty: What do you think of Ludwig von Mises' argument in favor of democracy as a way of avoiding social violence?

Crane: Democracy, it could be argued, is violence itself. The question is not whether people should be able to vote, it's what they should be allowed to vote for.

Liberty: Allowed by whom? After all, sovereignty is vested in the people.

Crane: In terms of dealing with the world as it exists today, the anarchist approach seems less than viable.

Liberty: Are your objections to anarchy based on its theoretcial impractibility or on its political inexpediency in our culture?

Crane: It's based on the theoretical case as I understand it. I have always felt that anbarchists from Rothbard on down have been have not taken seriously the responsibility they have to deal with criminal torts in a society without government. And in a nuclear age, the idea of neighborhood ICBMs

"The Advisory Neighborhood Council said that our building was 'too arrogant.' It was like straight out of The Fountainhead."

that anarchists will casually joke about strikes me as a problem that anarchists have not dealt with adequately. I think that the troubling points of anarchism have not been taken seriously enough by the proponents of anarchy. So I don't find it a compelling theoretical framework.

Liberty: What do you see as the proper role of government?

Crane: Government should be limited to providing a national defense against outside aggressors, a court system to adjudicate disputes (although a large number of the court cases that are taken by government today could be done by the private sector), and a police function and that's what I would limit it to.

Liberty: You said that you favor a limited government. What limits it?

Crane: Well in theory it's limited by a constitution, but in practice it's limited by an educated populace. It's an on-going process of education of convincing people that individuals have rights and that government should not infringe on those rights. And it's not an easy task. We don't live in a perfect society, or world, and until I'm convinced otherwise, I believe there is a legitimate role for government to protect rights that people bring into society before government.

Liberty: What rights do people bring into society?

Crane: Rights to life, liberty and property.

Liberty: Where do these rights come from?

Crane: Oh, come on, Bill.

Liberty: I don't want you to get too philosophical, but . . .

Crane: Some people say they come from God, some people say they are natural rights. I think intuitively that these are the rights of man. I don't find natural rights arguments particularly compelling. I don't think that anyone has been able to prove that these rights come from anywhere. I'm an administrator in the movement and maybe an entrepreneur. But I'm not the person to try to define rights. You know, I've always found the Austrian concept of unarticulated knowledge to be appealing. I think one can have an appreciation for a concept like rights and believe that it's correct and not have the slightest idea of how to prove it or defend it on a theoretical basis.

Liberty: Libertarians tend to believe in rights but often have the same qualms about anarchism that you have. Yet rights thinking seems to lead to anarchism. If you have an absolute right to life, liberty and property, what is a government there for? What can it do without violating those rights?

"There is nobody in the policy community who has come close to Cato's call for reductions in military spending. There is nobody who has done more to challenge the social security system. There is nobody who has done more to promote the legalization of drugs."

Crane: There is one school of thought that claims that the differnence between limited-government libertarians—and I mean *real* libertarians—and anarchists, is a semantic difference, that anarchists don't say that there shouldn't be government, they just don't call it government. That there would be a means of enforcing the protection of these rights, that a private police force and private court system and a private defence system—I mean a means of keeping invaders out—it's all private, but it's still government.

One problem with the word anarchy is that people think that anyone can do anything they want and that the person with the most muscle prevails in an anarchist system. In a certain interpretation of that word that is correct, which is why you form these mutual defense organizations. And that is a problem with democracy to0. It's not a questions of the right to vote, it's a question of what you can vote on. When democracy gets to the point—as it has today—where people vote on how much their neighbor can keep of what he earns, then obviously democracy is an evil institution. But if it's limited to who's going to administer the legitimate functions of institutions that protect these rights, then it's a legitimate institution.

Liberty: Probably the greatest debate among libertarians has been gradualism versus radicalism. During the '70s you were a major advocate of radicalism as a strategy. You told *Reason* in an interview in 1974, "The real threat to the Libertarian Party lies in the temptation to make the big time through compromise of our principles to gain votes immediately. The fact is that the only hope we have for continued success is to stick to our principles and never compromise. If we do that, there's nothing we can't accomplish." Yet the strategy at Cato is usually seen as a gradualist, piecemeal sort of approach, proposing policies that are more libertarian than the policies that are currently in effect but that don't reflect the radical thinking characteristic of most libertarians. Has your strategic vision changed?

Crane: There's a difference between gradualism and compromise. Compromise is giving something to the state in return for something else. At the Cato Institute, we are as radical as we can be on the issues and still be part of the debate. You can say that is selling out, or that is compromising. I don't believe it is. I think that we have put a libertarian perspective on the table of national debate, through very hard work, serious scholarship, and sophisticated packaging. There is nobody in the policy community who has come close to our call for reductions in military spending. There is nobody who has done more to challenge the social security system. There is nobody who has done more to promote the legalization of drugs. Our positions are not motivated by considerations of what they are going to do to our funding possibilities. I'll guarantee you that taking strong anti-war, anti-military positions doesn't help you get money from foundations. The same is true of our position on drugs. So I think we've done a good job of maintaining the radical edge for an institution that is strategically based to be part of the policy debate in America.

Liberty: Was Cato a public policy think tank from the start, or did this develop later?

Crane: In my mind it was. As it turned out, we had *Inquiry* magazine and we had a project called Academic Affairs, that took up the bulk of our budget in the early years, but as we jettisoned those projects, we just increased the amount of public policy work we did. I was impressed when I worked on the MacBride campaign with the success of the American Enterprise Institute and Brookings, and I thought that what we needed was a libertarian think tank. That's always what my view has been.

Liberty: How did *Inquiry* fit into your overall game-plan?

Crane: The early thinking was that "think" magazines were a highly leveraged way to get the ideas out there. It turned out to be an enormously expensive undertaking, and there were problems with the strategic approach we should take with the magazine. It just was absorbing too high a percentage of our resources.

Liberty: *Inquiry* was primarily marketed to the left, is that correct?

Crane: In the early going it was, and then in about 1981 we tried to shift it to be just a straightforward libertarian magazine without any sort of slant one way or the other.

Liberty: This was at the time that it subsumed *Libertarian Review* and became a monthly?

Crane: Yes. We renamed it *Inquiry: a Libertarian Review.*

Liberty: When *Inquiry* was still a biweekly, what kind of renewal rates did you get?

Crane: I really don't recall. They weren't that great. I think around 40%, something like that.

Liberty: I imagine that was one of the discouraging things.

Crane: That was attributable, I think, to the left spin that was on the magazine, which was probably a strategic error.

Liberty: What was the purpose in acquiring *Libertarian Review* in 1978?

Crane: That was going to be a movement magazine, something like *Liberty*.

Liberty: Why did you stop publishing it?

Crane: Cost again. I didn't want to, but the funders wanted to, so we shut it down.

Liberty: Do you get a significant amount of your funding from foundations?

Crane: Yes.

Liberty: Do you do a significant amount of fundraising with individuals?

Crane: Yes.

Liberty: What percentage of your budget comes from individuals?

Crane: Oh, I don't know. The smallest amount comes from corporations. I'd say it's around 50% foundations, 40% individuals, and 10% corporations.

Liberty: In 1987, in your interview with Bob Chitester you said that Cato was a "small two million dollar public policy institute." Was that a reference to your annual budget?

Crane: Yes.

Liberty: Is it significantly different today?

Crane: My budget for this year is $3.1 million, but it will probably be a little higher than that.

Liberty: Does that include a new building?

Crane: We're in the middle of a capital campaign for a new building. No, that is not included.

Liberty: How is that going?

Crane: We've raised about three million dollars.

Liberty: What's your target?

Crane: Ten million dollars. The fundraising has been quite satisfactory although we really haven't been out there aggressively trying to do it yet because we've been dealing with the District of Columbia Board of Zoning Adjustment and Advisory Neighborhood Council and Office of Planning and various other people who have more of a proprietary interest in the building than one might think appropriate. It's taking forever for us to get everything through, and only now have we got all the zoning permits and approvals. The first time we ran through our building, the Advisory Neighborhood Council said that our building was "too arrogant." It was like straight out of *The Fountainhead*. And so we had to go back. Finally our lawyers wouldn't let me go to the meetings anymore, because they thought that the people on the other side of the table didn't like me. I was ready to leap across the table, so I was happy to let somebody else go instead. But we've got that all done now. Construction should begin before the end of the year if everything goes according to plan. Knock on wood.

"If you are in the public policy business and you are relying on Austrians to provide you with public policy analysis, you're out of luck. Austrians are so focused on theory that it is very difficult for them to write about the real world. And that's, I think, a failing of Austrian economics."

Liberty: Murray Rothbard has charged that Cato is purely and simply the creature of Charles Koch, that he's responsible, practically alone, for funding the operation.*

Crane: The vast majority of funding comes from sources unrelated to Charles Koch. There are, for example, 40 individuals on our Finance Committee, which requires a five-figure contribution.

Liberty: Early on, Cato played a fairly important role in Austrian economics and lately it seems it has de-emphasized this, I guess as a part of de-emphasizing non-public policy scholarship in general. Is Cato doing anything with regard to Austrian economics right now?

Crane: Our summer seminar brings in an Austrian economist to explain Austrian economics from an Austrian perspective.

"I just got back from Russia. It was so refreshing to be around bright people who care about first principles. It is stimulating to be in an intellectual environment in which people who make a difference in society care about the nature of a free society. They I came back to Washington, to this swamp, where you can't even say these things."

But if you are in the public policy business and you are relying on Austrians to provide you with public policy analysis, you're out of luck. I'm interested in people who will analyze problems with government involvement in the economy, and I'd rather have a prolific, intelligent critic who was a non-Austrian than an Austrian who refuses to deal with the policy issue at hand or to learn the facts behind it. Austrians are so focused on theory that it is very difficult for them to write about the real world. And that's, I think, a failing of Austrian economics. There are other problems with Austrian economics. For instance, I think their business cycle theory is almost non-Austrian in its mechanistic approach to the structure of production. The Austrians have been too much of an exclusive club in any case. I remember one time there was an Austrian conference up at NYU early on in the mid-seventies, and Harold Demsetz had come to the conference. Now, Demsetz is a big-name economist. He's not an Austrian, he's a Chicagoite. Teaches at UCLA. But it was good for Austrian economics that this guy was there, participating and debating and therefore implicitly recognizing the importance of the Austrian ideas. There was a reception that first night, and Demsetz walked up to Rothbard and put his hand on his arm and said, "Rothbard, I have a bone to pick with you," in an obviously friendly and convivial way. Rothbard grabbed his arm away and stalked off to the other side of the room. This was a social cocktail party—it was very embarrassing. Later, I came to view this event as symbolic of some of the problems involving the Austrians. The unwillingness to pay any respect to people who disagree with them.

Liberty: Do you have an explanation for Rothbard's extremely hostile reaction to what he refers to as the "hermeneutics in-

* Charles Koch, president of Koch Industries, has long provided substantial financial support to a variety of libertarian organizations, especially those with which Crane has been involved.

vasion" of Austrian economics?

Crane: I hate to sound like I'm on Murray's side on this, but—and I'm no scholar—I don't think it makes much sense from what I understand of it. I think it's almost nihilistic. I know some of the guys over at George Mason University who are interested in it, and it seems to me yet one step further removed from Austrian economics itself.

Liberty: I've heard a theory that the hermeneutics "invasion" is purely and simply your handiwork; that you in a conspiracy with Roy Childs * imported it to take the hard uncompromising edge off Austrianism as a means of eliminating Murray Rothbard from any importance at the Cato Institute and the libertarian movement. Is there any truth to this?

Crane: [laughs] I think that hermeneutics sounds like silly stuff. I'm disappointed that the Austrians are moving in what I think is the wrong direction to the extent that they're interested in that. Bill Bartley wrote a great book, *Unfathomed Knowledge, Unmeasured Wealth.* He's a Popperian and a Hayekian and he's very critical of hermeneutics. I've become a big fan of Bartley's now. His death was a tremendous loss for libertarians.

Liberty: Yes, I think so too. He had an advantage over some of the other more-or-less Austrians in that he was a fine writer. I really think you can see his influence in *The Fatal Conceit,* which is far and away the most readable thing coming from Friedrich Hayek.

Crane: I reviewed that for *The Wall Street Journal* and was mildly critical of it, and Bartley told me that he agreed with my criticism. I think he felt that Hayek went a little too far with his cultural evolution stuff.

Liberty: Murray Rothbard once told me that a lot of people were attracted to Austrian economics because they didn't have to learn any math.

"Reagan didn't understand the significance of his own rhetoric. His lack of interest in appointments was legendary—he had people working for him who were essentially big government types. As a result, nothing fundamentally changed."

Crane: [laughs] Well, that's certainly what attracted me to it.

Liberty: What Austrians now do you think are doing interesting work, if any?

Crane: Oh, God. I don't really feel I'm up to speed on the work the Austrians are doing. I know that Jerry O'Driscoll and Genie Short are doing interesting work on financial service regulation, and they're two good Austrians, but they're engaged in the real world. I think that the guys over at George Mason at the Center for the Study of Market Processes are doing a good job of recruiting young Austrian types. I don't know what research they're doing, particularly.

Liberty: What about the work the Mises Institute is doing? Are you keeping up on that?

Crane: I'm not, really, I don't see a lot of what they do.

Liberty: What do you think of the National Taxpayers' Union?

Crane: I'm a big fan. I admire both Jim Davidson and David Keating. You know, they've been very good about criticizing the military. Most anti-tax groups stick to welfare stuff. They've been a credible source of information for the media for a long time. They worked on the balanced budget amendment, and almost got that thing through. I think they're a good group.

Liberty: Are there any other—I don't know if libertarian is the right word, but maybe libertarianist—reasonably effective groups that are engaged in the public policy debate in Washington besides NTU and Cato?

Crane: The Competitive Enterprise Institute, headed by Fred Smith, is very libertarian and very effective: a lot of energy, hard-core. They do a terrific job.

Liberty: Anyone else?

Crane: Well, there are groups that are certainly forces for good: the Institute for Research on the Economics of Taxation that Norman Ture runs. Roy Cordado is on their staff, he's a hard-core libertarian, and Norman's pretty damned good himself. There's Citizens for a Sound Economy. Wayne Gable runs that, with Paul Beckner, and they've got a lot of young libertarian people who work with them. I'm very keen, from kind of a political strategy standpoint, on circumventing the parties by using initiatives. Proposition 140 in California to limit terms is very important. The initiative in Oregon on educational choice is very important too.

"I think George Bush is going to go down in history as one of the worst presidents ever. The irony is that he's treated as a strong president when in fact it takes a strong person not to use the levers of power. He's an extremely weak person."

Liberty: I'd like to know your view of Charles Murray's work.

Crane: The work Murray did with *Losing Ground,* and even *In Pursuit of Happiness and Good Government,* is pathbreaking, radical work, even though it's not hardcore libertarianism. It is a very valuable tool in helping to combat the welfare state. I think a so-called more "radical" book would not be as effective in changing the terms of debate. I think those books are very radical tools, even though they are not very radical libertarianism. You don't buy that argument, do you?

Liberty: Actually, I sympathize with it. It seems to me there's a parallel between that and something that's happening in the libertarian movement, at least as it's reflected in the pages of *Liberty*: the debate between the consequentialists and the hard-core natural rights advocates. They differ in their reason for supporting libertarian ideas. The consequentialists believe that the world would be a better place if libertarian ideas prevailed. The natural rights advocates, in contrast, support libertarian ideas because they believe that human beings have a moral imperative to act in accordance with them. Murray is addressing those who, like the consequentialists, don't buy the "metaphysics" of libertarianism.

Crane: Exactly.

Liberty: Murray's arguments can mean something to people who are not members of the libertarian "church" . . .

Crane: And induce them to accept policies that are consistent

* Long-time libertarian writer, Roy Childs was Foreign Policy Analyst at Cato Institute in the late 1970s and early '80s.

with the libertarian "church."

Liberty: And also to induce them to reconsider some of their fundamental precepts, to consider some of the broader libertarian propositions and arguments. Sometimes it's easier to argue from the specific to the general than from the general to the specific. Most libertarians of the natural rights school see natural rights as a sort of trump card, one that you can play in any argument, and then walk away, having won the trick. Unfortunately, nobody but your brethren in the church will respect the fact that you've won. Everybody else just thinks you're a nut.

Crane: And it's the lazy way to do it anyway. It means you don't really have to learn the arguments of the other side, you don't have to learn the facts . . .

I'd rather have a prolific, intelligent critic who was a non-Austrian than an Austrian who refuses to deal with the policy issue at hand or to learn the facts behind it. Austrians are so focused on theory that it is very difficult for them to write

Liberty: To change directions, what's the U.S. Army doing in Saudi Arabia?

Crane: Well you'll have to ask George Bush. I'm appalled. It makes no sense from the standpoint of geopolitics. From the standpoint of American interests it is a horrible mistake. I think George Bush is going to go down in history as one of the worst presidents ever—everything from the S&L bailout to the Clean Air Act. And now he's a war president. The irony is that he's treated as a strong president when in fact it takes a strong person *not* to use the levers of power. He's an extremely weak person. When he sent our troops to Saudi Arabia, it was a knee-jerk cold-war reaction to a regional conflict of minimal concern to the United States.

Liberty: In 1987 you said that Americans opposed the Vietnam War because there was no perceptible national interest in our being there. I gather that you don't believe that the availability of relatively inexpensive oil from Iraq, Kuwait, the Emirates and so on constitutes a vital national interest.

Crane: Well, oil is a commodity, and it's always going to be available at a price. I don't think that Saddam Hussein conquered Kuwait so he could sit on its oil.

Liberty: What about the theory that he would act against Saudi Arabia and the United Arab Emirates?

Crane: Look, I recognize that this man is evil. But there is a historical claim that Iraq has had on Kuwait. There is no such claim against Saudi Arabia. To invade Saudi Arabia would be expanding too far south. There are limits to what Iraq can do. It is after all a Third World country in very poor condition following the Iranian war. I would have been surprised if he had invaded Saudi Arabia. But even then it would not have been in the U.S. interest to have taken a military posture against him.

Liberty: OK. Do you think that we'll see an increase in the marginal income tax rates this year?

Crane: You mean personal or corporate?

Liberty: Either one.

Crane: I don't think so. I think we'll see sin taxes, oil taxes, but I don't think they'll tamper with the personal income tax rate. I don't think that it would bother Bush to do that, but there are a lot of egos involved with the reform in the personal tax rate. Also, the prospect of war in the Middle East has made people sensitive to the prospect of a recession. As a result of this the likelihood of a tax increase is reduced. Newt Gingrich has called for a tax cut to stave off the danger of a recession. I think that some of the steam has gone out of the movement for a tax increase. That's the silver lining in the stupidity of this intervention.

Liberty: But do you think we're likely to see increases in the rates of personal income taxes in the next few years?

Crane: Yes.

Liberty: What do you think of the chances for the capital gains cut?

Crane: Good. It's the one thing the Republicans still believe in. If there is a recession—and I think there is a good chance we'll have one—that there will be a strong momentum for a capital gains tax cut. But I think on net that taxes will go up over the next few years.

Liberty: Does Cato support the capital gains cut?

Crane: Cato doesn't have a stand one way or the other. Our research indicates to us that the economy will be better off with lower taxes.

Liberty: How do you compare Bush to Reagan?

Crane: Although Reagan deserves credit for having brought some backbone to the Republican Party—he talked about reducing taxes and limited government and so on—he turned out to be very uninterested in the *process* of government. I don't think he understood the significance of his rhetoric. His lack of interest in appointments was legendary—he had people working for him who were essentially big government types. As a result, nothing fundamentally changed in Washington.

George Bush doesn't even have the rhetoric. He is a very weak president. When you have a president like Reagan who takes his time, going to bed early, not really caring what his aides are doing, or a president like Bush who is a weak person then the process of government inside the Beltway takes over, and it is a process that is continually justifying expansion and growth. I don't think as a practical matter you see a major distinction between one administration and the next—I mean there's a lot of talk about Carter as the malaise period and so on, but the trend line of government growth is pretty steady. If you didn't know who was a Republican and who was a Democrat, there would be no way to tell from the trend line. On the other hand, I think that Bush may turn out to be the worst president in a long time because he's going to be a tax *and* a war president.

"I don't think an alliance with the paleocons is a good idea. Liberty is a seamless web, and you don't achieve it by promoting this element of intolerance."

Liberty: But Reagan certainly promoted military spending.

Crane: Everybody in the Republican Party says that it was the buildup in the military that broke the back of socialism in the East. I don't believe that. I think it was just that contradictions of the socialist economies led ultimately to a meltdown and it

collapsed of its own weight. What military build-up did and the bellicose attitude towards the East did was to increase the risk of some conflict leading to thermonuclear war. I think that that sort of bellicose attitude in international affairs is exceedingly dangerous and Reagan got a lot of credit for something where he deserves a lot of criticism.

Undoubtedly the fact that so many economic resources went into the Soviet military did exacerbate their economic decline. But not to the extent that it justified the risk of war. You know, the conservatives were always saying that we underestimated the percentage of the Soviet economy being devoted to military spending, and it turns out that we did. But it also turns out that we had overestimated the size of the Soviet economy so greatly that the absolute amount of Soviet spending on the military was less than we had thought. The CIA in the early 1980s was estimating that the Soviet economy was 65% percent of the U.S. Gross National Product. I went to the Soviet Union in 1981, and I told my friends that I estimated it to be 15% of the U.S. GNP. That turns out to be

"There's always been a kind of intolerant attitude among people like Rothbard and Rockwell, on ethnic and cultural matters, and even on the question of sexual diversity. I mean, gay-baiting and racial comments, what kind of stupidity in this day and age?"

what the KGB estimate was. The disparity between reality and the CIA figure was there for everyone to see. There was no GNP in the Soviet Union. They don't produce anything. Literally. It was interesting reading in the Washington *Post* when this whole Middle East nonsense got started that what had convinced Bush of the need for military intervention was CIA economists' estimates of the impact on the world economy of a potential cut-off of oil. So, these guys, who are demonstrably inept economists, are getting the U.S. into a war.

Liberty: You have referred several times to the Gross National Product. How meaningful a concept do you think GNP is?

Crane: It is a meaningless concept. The GNP number is a non-sequitur—it doesn't mean anything.

Liberty: On another subject, what do you think of Patrick Buchanan's apparent Presidential aspirations?

Crane: For Buchanan to run and point out that Bush lied to the American people about taxes, and that this war is insane, would be a nice thing. The problem with Pat Buchanan is that he's fundamentally a conservative, and he has terrible views on social issues, and he's not even good on free trade, but at least the son of a gun is willing to challenge the status quo. He says that the emperor has no clothes. While the people over at the Heritage Foundation are fawning over George Bush, Pat Buchanan is saying "This guy's a disaster." I admire him for that.

Liberty: Have you seen Lew Rockwell's endorsement of Buchanan in his syndicated column? *

Crane: No.

Liberty: Someone sent me clippings of Rockwell's *Orange County Register* column, and it appears that Rockwell is doing whatever he can on Buchanan's behalf. A couple of days ago Murray Rothbard told me that he is enthusiastic about Buchanan's campaign. Maybe this indicates a retreat from purism for Rothbard.

Crane: Well, you've got to stay on your toes to know what the party line is with Murray. He wrote one column recently about how they met with the Paleocons out in Rockford, at the Rockford Institute. Who did this? Was it the sell-out Cato Institute? No, it was the hard-core libertarians, he and Rockwell and whoever is in their inner circle right now. I thought, "My God!" There was no explanation or anything, just that they had done it. I mean, if we had done that, all hell would have broken loose. "See, we told you these people are horrible . . ." So, they've formed an alliance with the paleocons. I think *Chronicles** has got some good stuff in it. It's had some radical anti-state articles in it these days. But these people are neo-fascist in the social area. Some of it's just horrible stuff. I don't think an alliance with the paleocons is a good idea. Liberty is a seamless web, and you don't achieve it by promoting this element of intolerance.

You know, this idea that there has to be a certain kind of cultural view, that's one of the problems I have with Pat Buchanan. He wrote a horrible column on how the U.S. should give serious consideration to inviting some of the northeastern Canadian provinces into the United States because that would reinforce our Euro-ethnic heritage. That's borderline racist to talk that way. There's always been a kind of—I don't want to say racist—a very intolerant attitude among people like Rothbard and Rockwell, on ethnic and cultural matters, and even on the question of sexual diversity. That's the way Murray was in the old days. It's silliness. It is so unnecessary, and it's like an insecurity has made them focus on that stuff; I mean, gay-baiting and racial comments, what kind of stupidity in this day and age? What kind of maturity does that reflect? A true commitment to human liberty? It's kind of sad, really. It certainly is unfair to the libertarian movement to have so-called leaders who are openly seen as having those views.

Liberty: In his long and bitter attack on you in *Libertarian Vanguard* in September 1981, Rothbard said that you had been one of his closest friends for many years. Earlier on, you had said that you considered Rothbard to be a leading economic thinker. Obviously, Rothbard's view of you has changed, and your view of him has in some sense changed, since he's no longer affiliated with Cato. Has your view of Rothbard as an economist changed?

Crane: You know, David Friedman tells the story of how he was talking with an historian and a philosopher. They were all talking about how much they admired Murray. At one point the philosopher said, "Except in the area of philosophy. In philosophy, he really doesn't know what he's talking about." Then the historian said, "Well, he's a real sloppy historian." And David said, "Well, I'm not real keen on his economics."

I don't know. I'm a little disappointed that Murray seems to be so motivated by hatred of all the enemies that he sees out there. I don't advise anybody to get on his wrong side. ❑

* Llewellyn H. Rockwell, Jr, is president of the Ludwig von Mises Institute and a close associate of Murray Rothbard. His "The Case for Paleolibertarianism," in which he argued that libertarians should ally themselves with paleoconservatives, appeared in the January 1990 issue of *Liberty*.

* *Chronicles* is the monthly magazine of the Rockford Institute.

Reviews

The Sign of the Last Days—When?,
by Carl Olof Jonsson and Wolfgang Herbst.
Commentary Press, 1987, 287 pp., $7.95.

Up from Armageddonism

Stephen Cox

When I sit down to breakfast and open the Los Angeles *Times*, I prepare myself to discover the latest urgent warnings about the destruction of "civilization as we know it." I prepare myself to read that the world is in imminent danger of death by pollution, disease, famine, warfare, economic collapse, or a terminal crisis in moral values.

I begin to recover from the visceral effect of these predictable predictions only when I recall that, fifty years ago, W. B. Yeats heard the same apocalyptic tone in the self-assured voices of his contemporaries:

> For everybody knows or else should know
> That if nothing drastic is done
> Aeroplane and zeppelin will come out,
> Pitch like King Billy bomb-balls in
> Until the town lie beaten flat.

What *I* know is that there are two types of people in this world: people who imagine that things are heading for the final catastrophe, and people who imagine that things are not. The two groups are divided not by background or ideology but by temperament.

The apocalyptic mentality and the complacent mentality are equally at home among the religious and the nonreligious, among men and women, among blacks and whites, among liberals, conservatives, and libertarians. People believe or disbelieve in threats of apocalypse because they want to believe or disbelieve.

Notice what a small role evidence seems to play in the formation of the two mentalities. As a member in good standing of the complacent club, I have often attempted to console people who spend their time lamenting the bad condition and worse prospects of the current age. Never has even one of these people permitted himself to be consoled. No triumph of science, no improvement in material well-being, no evidence of moral improvement can produce a happy tremor in the apocalyptic heart. And, to be fair, I'm sure that I have often grieved my apocalyptic friends by refusing to draw the obvious conclusion from the symptoms of catastrophe that they constantly point out to me.

I therefore recommend Jonsson and Herbst's *The Sign of the Last Days* only to my fellow complacents. It would never convert the apocalyptic folk; it would only sadden them. But complacent people—to find a nicer word, let's call them optimists—can find in this book copious confirmation of their suspicion that things are better than they've ever been, and show no signs of a catastrophic change.

The Sign of the Last Days, which is published by a small, Christian press, is a book that merits a wider readership than it will probably achieve. Nonreligious as well as religious readers should enjoy it, despite its origins in the age-old debate within Christian circles about Jesus' prophecies regarding the "end-time," the time of his second coming or "advent."

When Jesus' followers asked him, "What shall be the sign of thy coming, and of the end of the world?", Jesus answered (in part) "Nation shall rise against nation, and kingdom against kingdom: and there shall be famines, and pestilences, and earthquakes, in divers places" (Matthew 24:3, 7). Apocalyptic forecasters as various as Billy Graham, the Watchtower Society, Seventh Day Adventists, the Worldwide Church of God, and Hal Lindsey, author of the ubiquitous *The Late Great Planet Earth*, have discovered in such words a prophetic "sign" pointing directly at the twentieth century. Didn't nation rise against nation in the two world wars? Isn't there famine in Ethiopia? Isn't AIDS a pestilence? Doesn't California have earthquakes?

As the authors of *The Sign of the Last Days* observe, however, the rest of Jesus' remarks shows that he was warning against a desire to forecast exactly when his second coming would be, rather than providing such a forecast: "And ye shall hear of wars and rumours of wars: see that ye be not troubled: for all these things must come to pass, but the end is not yet." Jesus warned specifically against false and "deceitful" prophecies of his coming (Matthew 24:5, 6, 11, 23–27).

To debunk the modern prophets who have appropriated Jesus' sayings, Jonsson and Herbst assemble armfuls of evidence indicating that the twentieth century is less, not more, disaster-prone than previous centuries. We now live in "a world where 99 percent of mankind do not starve, and 75 percent are not even malnourished" (p. 41). "Mortality at all ages has steadily de-

clined during the whole twentieth century in almost every country" (38–39). And if you think that warfare in the twentieth century has killed unprecedented numbers of people, consider the wars of the past, many of which you may never have heard of. Consider the Manchu-Chinese War of 1644, which may have killed 25 million people, or the Taiping Rebellion of 1850–1864, which is thought to have killed 20–30 million, many more than were killed directly in World War I, which historians have covered with so many grim superlatives (145–47).

Rare is the healthy, well-educated, mortgage-bearing, retirement-plan-subscribing, newspaper-reading citizen who has resisted the temptation to describe the nation or the world as trembling at the edge of the abyss.

The point is not, of course, to present the twentieth century as some kind of utopia, to turn people's eyes away from the crimes of Nazism, communism, and other varieties of militarism, or to convince people not to try to do something about the serious problems that afflict them. The point is to encourage people to gain a realistic perspective on human experience, including human progress.

Every reader will be gripped by the authors' dramatic evocation of the disasters and chronic miseries of the past, and every reader who is curious about the history of the present century will be interested by their review of evidence that puts in doubt certain common impressions of its horrors. Often the authors' data are surprising; at other times, they remind us of things we know but take too much for granted. I am thinking, for instance, of the reminder that "with the exception of certain American Indian communities, such as the Pueblo Indians," North America has never suffered an extensive famine since the days of Columbus (33).

Occasionally, I believe, Jonsson and Herbst color their picture of the past a little too dark. I think they are misled by their sources when they suggest that the "Justinian plague" of the fifth century A.D. killed 100 million people (96). I wish that they did not accept so uncritically the assertion of one of their sources that "from 1860 to 1880, there was not one night along the Barbary Coast [in San Francisco] without at least one murder and innumerable robberies" (171). Not even one night? In such cases, "innumerable" does seem to be the operative word: we just can't quantify the phenomena. But the greatest part of Jonsson and Herbst's information is reliable and judiciously analyzed. Their comparison of various kinds of statistics bearing on the effects of famine and warfare is especially impressive. Their presentation of evidence is everywhere clear and to the point.

Much to be appreciated, also, is their inclusion of many hilarious examples of the apocalyptic pronouncements that they are attempting to discount. I am very fond of a passage quoted from Billy Graham's book *Approaching Hoofbeats: The Four Horsemen of the Apocalypse*:

> The terrible hooves of the four horsemen will finally trample across the stage of human history with an unprecedented intensity, bringing in their wake deception, war, hunger and death on a scale that staggers the imagination. . . .
>
> How near are the horsemen right now? I do not know! All I can say with certainty is that every sign points to one fact: the hoofbeats of the four horsemen are approaching, sounding louder every day. (7)

In their own arguments Jonsson and Herbst provide detailed empirical evidence for what cheerful optimists normally discover merely by consulting their own experience. There is, after all, a simple test for determining if unfavorable comparisons of the present with the past have any general validity. To quote our authors: "Is your life or that of people in general more plagued than was the case in [for instance] the fourteenth century? Given a choice, would we choose conditions then . . . as preferable to those in this century?" (185). I have met only one person willing to answer this question with a straightforward "yes"—an academic who informed me that he would enjoy himself more by eating roots and berries among the California Indians of, say, 1350, than by living in modern California and purchasing his daily granola at the supermarket.

But despite the existential obviousness of the superiority of life in the present, Jonsson and Herbst provide a service by acquainting us with the degree to which present conditions demonstrate humankind's ability to learn some lessons. True, we haven't learned how to control earthquakes. But we have learned how to eliminate smallpox, how to feed the vast majority of the population, and how to settle the vast majority of disputes without resorting to war.

Even our ignorance of certain things can be attributed to our knowledge of others. People in the more-or-less capitalist nations of the world have discovered how to ensure their supplies of food, leisure, and basic freedom. They now have the resources necessary to lament those ills from which they still suffer as if those ills were more serious than the nearly forgotten evils of smallpox, chronic famine, and all-slaughtering invaders. They have the resources necessary to act, in their self-imposed ignorance, as if we were los-

The apocalyptic view of life is far from harmless when it becomes the tool of religious, political, or social activism. And in these times, it's an easy tool to use; one thing that is bad about the twentieth century is its congeniality to every kind of apocalyptic expectation.

ing rather than gaining control over the various possible threats to our existence.

Jonsson and Herbst present numerous examples of what might be called the press-agentry of disaster. I particularly like their quotation of a study of crime which reports that "in a period when the incidence of violent crime declined by 2.4 per cent, newspaper coverage of violent crime increased by 11.1 per cent." Jonsson and Herbst comment: "Lawlessness, then, often increases only in the newspapers" (175–76).

To some degree, the apocalyptic view of life is harmless enough; it's merely a way of giving a dramatic flourish to otherwise dull events. But it's far from harmless when it becomes the tool of religious, political, or social activism. And in these times, it's an easy tool to use; one thing that *is* bad about the twentieth century is its congeniality to every kind of apocalyptic expectation. Repeated revolutions of modern capitalism, science, and technology have established an expectation of continued radical change. They have so effectively demonstrated the specialness of the modern world as to undermine people's interest in the worlds that existed before it. Our acquaintance with change has reduced our acquaintance with history. The thinness of our knowledge of the past is indicated by the credulous acceptance, even among "experts," of wildly exaggerated claims about the evils of the present. People who think that the AIDS epidemic poses a specially dangerous threat to the existence of the race are remarkably ignorant about the threats posed by epidemics even as recent as those of the last two generations.

Once created, modern expectations of apocalypse can be especially hard to argue out of people's heads. Remember the predictions, in best sellers of the early 1970s, about global famine and a nearly universal proliferation of nuclear weapons? These predictions relied on a popular impression that unprecedented and virtually uncontrollable events were taking place—an impression that could be dispelled only by a careful study of very complex phenomena.

It's much easier to deny the assertion that the Pope is the Antichrist, scheming to destroy Christendom, than it is to deny that the "population explosion" in the Third World will lead to a worldwide holocaust unless the political and economic system of the world is drastically revised. To discount the former, you have to know a few Bible verses and a few biographical facts about John Paul II. To discount the latter, you may need to know something about the history and sociology of large areas of the globe, something about economics, something about agricultural technology, something about socialism's effect on the production of grains, etc., etc.

Our acquaintance with change has reduced our acquaintance with history. The thinness of our knowledge of the past is indicated by the credulous acceptance, even among "experts," of wildly exaggerated claims about the evils of the present.

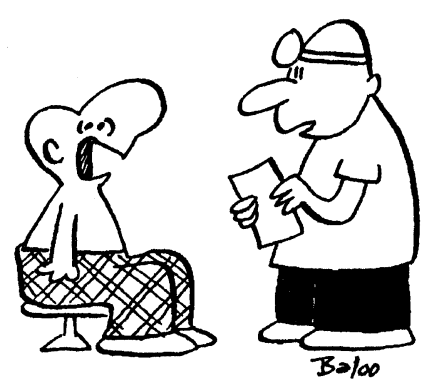
I probably don't need to drag out any more examples of apocalyptic prophecies designed to serve political ends. We hear them constantly; we may even make them ourselves. Rare is the healthy, well-educated, mortgage-bearing, retirement-plan-subscribing, newspaper-reading citizen who has resisted the temptation to describe the nation or the world as trembling at the edge of the abyss. Listeners may even expect apocalyptic threats as a sign of political seriousness.

But *general* apocalyptic expectations can lend credibility to almost any *specific* claim. People who have absorbed the routine and general assertions of the 6 o'clock news about "the world ecology" entering "an unprecedented crisis" because of "catastrophic population increase" or "the effects of uncontrolled technology" will have little trouble accepting the claim that any particular country is approaching an ecological Armageddon.

And such visions, emanating from secular as well as religious sources, can lead to both comic and tragic excesses of bad judgment. Occasionally the excesses become so remarkably excessive that they are exposed even by the media, which ordinarily work so hard to propagate an apocalyptic mind-set. The LA *Times*, the whipping-boy of my first paragraph, reported recently on a "catastrophe that never came" in Nepal. According to Bob Drogin, writing in the *Times* on September 4, "The World Bank warned in 1980 that Nepal would run out of trees by 1995. The so-called 'eco-catastrophe' made headlines around the world." Western experts, and Western money, flooded into Nepal in an eleventh-hour attempt to do something drastic to "save the Himalayas."

In fact, however, overcutting of forests afflicted only a small part of the country. Elsewhere, apparently, forests were being successfully conserved by the native people who depended on them for wood. "Indeed," as the *Times* reported, "satellite photos and ground surveys show Nepal's mountains may have more trees today than 30 years ago." Drastic action, in the form of foreign advice and aid, was unnecessary, to say the least: "In the Kabhre Palanchok district east of Katmandu, workers couldn't find a barren area for their tree nursery. So they cut down a small forest to make room."

In other words, if catastrophe isn't coming, manufacture it, either in fact or in imagination. Against this modern tendency Jonsson and Herbst offer a useful and entertaining argument. ❑



"I'm afraid it's 'Picasso's Syndrome.'"

Glenn Gould: A Life and Variations,
by Otto Friedrich. Random House, 1989, 441 pp., $24.95.

Sex, Drugs, and the Goldberg Variations

Richard Kostelanetz

When I wrote a profile of the musician Glenn Gould for *Esquire* some two decades ago, I opened by quoting his "'two stipulations. You shan't interview any of my family or friends. They won't honor your request. Second, that we do as much of this as possible over the phone.'" I opened with this acknowledgement of his conditions not only to explain how my interviewing was done, mostly over the telephone, but to protect myself. There were some secrets he wanted to keep, and it did not take me too long to find out that they revolved around those two traditional taboos—sex and drugs. Since I was writing a seven-thousand-word piece that concentrated upon his professional achievements, it wasn't necessary for me to deal with these hidden dimensions; but since Otto Friedrich has written a book-length biography, the first to appear since Gould's 1982 death, from his research he should have discovered more than I did.

However, he didn't. Of Gould in the middle 1950s, Friedrich writes in his own voice. "[Gould] brought a bulky collection of sweaters and scarves in even the warmest weather, and he brought a large assortment of pills. The scarves and pills all reflected a justifiable anxiety about his uncertain health." A few pages later, Friedrich quotes Martin Mayer's testimony about interviewing Gould at the time: "He went to the bathroom and opened an attaché case, which opened up into a triple layer of medications." What were all those pills? Rather than investigate medical or pharmacological records, Friedrich initially resorts to speculation: "As for Gould's use of pills, it is worth recalling that this was the era of Miltown, a time when the newly discovered tranquilizers and energizers seemed to provide everyone with a harmless method of dealing with the stresses of life." Friedrich continues by citing a letter Gould wrote at the time, recommending that another pianist consider Nembutal, Luminal and, at times, Bevutal. And that's it.

Hold on, you say, this scarcely accounts for those three trays! Perhaps because I'm a decade younger than Friedrich and first met Gould in the late 1960s, it always seemed to me that he was "a head," as we said at the time, and that much of the superhuman energy displayed not only in his performances but in his conversations stemmed from the use of uppers. I have no more visible evidence than skeptical observations (including my own report of his "glassy-eyed demeanor" and now the record of Gould's auto accidents reported in Friedrich's book). When the sprint champion Carl Lewis commented upon the erratic performance of his competitor Ben Johnson, the Canadian who was able to beat him only some of the time (when he took drugs), I thought of his fellow Canadian Gould, whose basic interpretive devices involved radically shifting tempos—to play pieces either much faster or much slower than they had ever been done before. Though Friedrich explains how Gould died just after his fiftieth birthday—from a small stroke followed by a massive one, both probably caused by high blood pressure—he does not consider what any pathologist or pharmacologist could have told him: a principal cause of terminal strokes in younger people is excessive amphetamines or cocaine.

These questions about drugs are neither frivolous nor scurrilous. A recent biography of Jean-Paul Sartre noted how much of the practice and even the style of his writing depended upon amphetamines, while Allen Ginsberg has often remarked what drugs informed different poems of his. With these examples in mind, it is not unexceptional to wonder if psychotopic pills can radically affect acts of performance, even the performance of classical music. The music critic Tim Page is quoted as discovering Gould "definitely drugged in his later years," and others speak of the kinds of visible physical deterioration that could have come from an excess of uppers. Nonetheless, in the final year of his life Gould recorded, not at Columbia Records but in the privacy of his own studio, a second *Goldberg Variations* no less brilliantly than before. With those facts in mind, it is reasonable to ask whether Gould's ability to perform under adverse circumstances depended upon new medications or the ones he used before. If these hypotheses are credible, then it could be said that Friedrich has blown the chance to analyze the professional metabolism of the first truly *contemporary* classical musician.

Perhaps because I first met Gould in the late 1960s, it always seemed to me that he was "a head," as we said at the time, and that much of the superhuman energy displayed not only in his performances but in his conversations stemmed from his use of uppers.

Finally, in sharing the pianist's symptoms with doctors who did not know Gould's identity, Friedrich reports their conclusions that he "'was experimenting on himself in a pseudo-scientific way,'" while ignoring the full implications of that attitude. Simply by failing to consider such possibilities for Gould, I wonder whether Friedrich discovered more than he's telling or perhaps his text was changed between original draft and final copy. (What suggests the latter possibility is the publish-

er's publicity sheet, which is sometimes written prior to typesetting—it speaks of Gould as "addicted to a wide variety of pills." However, in the book the epithet "addicted" is used not by Friedrich but only by someone he quotes.) After exposure of Ben Johnson's drug use a friend suggested that there should be two Olympics—one for those taking additives, and another for those without. Need we have two art worlds as well?

Friedrich suggests that many women found Gould attractive, especially in Canada where he was a celebrity, but admits to finding no one who actually slept with him. The option that is not mentioned, though it seems obvious to me, is that no one did.

About sex, the truth was opposite but no less hidden. It seemed to me quite clear that Gould was an ascetic who resisted touching people perhaps out of a neurotic fear of contaminating his body. (How did he deal with the perspiration, and smell, that must have accompanied his preference for heavy clothing? There is nothing in this biography about his odor.) Friedrich quotes his mother's gratification that even in his young twenties Gould hadn't discovered girls and then adds that this only child lived with his parents until his late twenties. Gould spoke to me of a special relationship with a woman he thought to be psychic but didn't say anything about sex. It was not difficult for me two decades ago to discover who she was—the wife of a fellow musician. When I met the woman in passing, she acknowledged the relationship but coyly refused to speak about it. Though Friedrich does not identify her by name, he adds what I did not know before (and don't entirely believe) — that "she rented a place near his apartment on St. Clair Avenue, and she lived there for four years. . . . Gould wanted very much to marry her, she recalls, but she finally decided against it." Friedrich then suggests that many women found Gould attractive, especially in Canada where he was a celebrity, but admits to finding no one who actually slept with him. The option that does not occur to Friedrich, though it seems obvious to me, is that no one did.

In contrast to most commentators on Gould, Friedrich acknowledges the radio programs that Gould produced initially for the CBC. Extraordinary montages of speech and sound (including music), mostly about other musicians or isolation in Canada, these features rank among the best of their kind, even though they are rarely broadcast down here and are largely unavailable on record. (The only one currently available appeared initially on the 1980 *Glenn Gould Jubilee* Album [CBS]. Perhaps because of its different origins, Friedrich does not connect it to the others.) However, because his knowledge of contemporary music composition is so limited, Friedrich is blissfully ignorant of their importance.

As I've pointed out elsewhere, in the last fifteen years of his life Gould devoted as much attention to those intricate audiotapes as he did to his pianistic recordings, because they represented a peculiarly contemporary way of realizing the kind of composing career he always envisioned for himself. As no less an authority than John Cage put it,

> I can distinguish three ways of composing music nowadays. The first is well-known—that of writing music, as I do. A new way has developed through electronic music and the construction of new sound sources for making music by performing it, rather than writing it. And a third way has developed in recording studios, which is similar to the way artists work in their studio to make painting. Music can be built up layer by layer on recording tape, not to give a performance or to write music, but to appear on a record.

By this last route, Gould was drawing upon all the competences he developed from editing audiotapes of his own piano performances, plus his growing interest in language composition. All this was discussed in a radio feature on "Glenn Gould als Horspielmacher" that I did for Westdeutscher Rundfunk in 1984; some of my text appeared in the semi-annual *Boulevard* in spring 1987. Though Friedrich quotes from my earlier profile (more often than he explicitly acknowledges) and then recommends it in his bibliography, he seemed not to know about these more recent considerations.

Glenn Gould: A Life and Variations is described as an authorized biography, which is to say that Friedrich was chosen by attorneys who required him to sign an agreement.

> The Glenn Gould Estate also promised to help open whatever doors need to be opened to whatever friends and relatives I wanted to interview. Despite the estate's involvement, however, [the attorney's] contract promised me that this would be my book, and that all the judgments in it would be my judgments. 'Subject to the foregoing,' as the document declares, 'it is understood that the final decision on the content of the Biography will be yours. . . .' The contract called for my manuscript to be sent to [the attorney] for his inspection, it gave him the right to point out anything he considered inaccurate or defamatory, and it required that I 'act reasonably in considering any such notice.' That is the extent of our agreement.

Perhaps, but perhaps not, the origins of this book account for why certain secrets were left for later biographers to expose. ❑

Microcosm: The Quantum Revolution in Economics and Technology, by George Gilder. Simon & Schuster, 1989, 426 pp., $19.95.

The Microcosmic Mind of George Gilder

Alexander Tabarrok

Reading George Gilder's *Microcosm* is frustrating. Like a Shakespearean hero, it is tragically flawed; yet its virtues are so great that we wish it were not so.

Although George Gilder is often original and insightful, he is no great theorist; his great skill is as a popularizer and expositor of ideas, much like Isaac Asimov. Among his better known books are *Men and Marriage*, which infuriated feminists by arguing that patriarchy was a requisite for a stable society, and *Wealth and Poverty*, a moral and economic defense of laissez-faire capitalism. *Wealth and Poverty* was a bestseller that influenced public policy and rhetoric during the Reagan years. In *Microcosm*, Gilder argues that the computer chip is ushering in a new era of freedom. This thesis was presaged in the speeches of Ronald Reagan, perhaps because Joshua Gilder, George Gilder's son, was a presidential speech writer. Since the publication of *Microcosm*, Gilder's thesis has become the stuff of newspaper and magazine commentaries. It looks like *Microcosm* will enjoy the success and influence of *Wealth and Poverty*.

Microcosm is a peculiar book, particularly in its first and last chapters, where Gilder attempts to delineate a relationship between quantum mechanics, the microcosm, the computer chip, and God. He begins with the "overthrow of matter" and what he calls the "superstition of materialism." Science, he argues, no longer supports the materialist dogma that everything from the orbits of the planets to the thoughts in one's head are reducible to the deterministic laws of matter and its motion. In physics, for example, the quantum revolution has replaced the materialist view of Newton with one of immaterial waves of probability interconnecting throughout the universe.

If physics, once thought to be materialism's greatest achievement, no longer supports materialism, it's not surprising that the life sciences don't either. Gilder discusses the work of neuroscientist Wilder Penfield, who explored the brain with electrical probes. By stimulating different parts of the brain he could cause a subject to turn his head, blink his eyes, move his limbs and a host of other things. But though he could make the patient's hand move he could never make the patient feel that he had *willed* the hand to move. "Penfield found that the content of consciousness could be selectively altered by outside manipulation. But however much he probed, he could not enter consciousness itself. He could not find the mind and invade its autonomy" (p. 372).

Those in the Aristotelian realist tradition in particular will find useful leads to works in the new science of mind. Unfortunately, Gilder never develops a realist view of consciousness as an emergent order. Instead, he replaces Marx's materialism with a Hegelian Idealism, theorizing that reality consists ultimately of thought and mind.

Gilder's idealism seems clear. He writes, for example, of the "primal power of mind and spirit" (382). And he argues that "At the root of all the cascading changes of modern life . . . is the overthrow of matter" (12). "Thought is paramount," he continues, "even at the heart of matter itself" (13). This thought at the root of the universe guides what Gilder calls the "logic of technology" and the "logic of the microcosm."

Gilder argues that "the logic of technology, the logic of the microcosm, . . . is becoming the logic of history" (369). This sounds a bit odd coming from a philosophical idealist. In this context "the logic of technology" sounds a lot like the "laws of production." Is Gilder a crypto-Marxist? He claims not, because the "logic of technology" is not materialistic. The logic of technology, he argues, is dependent upon the logic of the microcosm which is dependent upon the logic of the quantum world. And the quantum world is governed not by interactions of bits of matter but by waves of probability.

This view is still materialistic, but—and this is where God enters the picture—the quantum world is one of thought. "Quantum physics" makes sense, Gilder argues, only if "it is treated in part as a domain of ideas, governed less by the laws of matter than the laws of mind." While mass "is always conserved, opposing thoughts can cancel each other out; sympathetic ideas can resonate together in the mind. The paradoxical stuff of the microcosm . . . seem[s] to represent the still mysterious domain between matter and mind, where matter evanesces into probability fields of information and mind assumes the physical forms of waves and particles" (29).

In the final pages it becomes clear that this thought in quantum physics is the thought of God. In quantum physics and the microcosm, says Gilder, "is the secret of reconciliation of science with religion. The quantum vision finds at the very foundations of the material world a cross of light . . . In this light, we can comprehend the paradox of the brain and the mind, the temporal and the divine, flesh and the word, freedom and fatality" etc.

Frankly, quantum physics may be strange but it's not *that* strange. Physics is still science and, Gilder's rhapsodies to the contrary, the quark is no cross of light. Quasi-theologians of all kinds have often attempted to find God in a microscope. Gilder's attempts are no better than those "Newtonians" who claimed, in exact opposition to Gilder, that the extreme order and *lack* of uncertainty in the universe was proof of God's wisdom and powers of design.

Gilder's mysticism may save him

from the charge of naive materialism, but it does not save him from determinism. He and Marx are, in this respect, two sides of the same coin. Marx, the materialist, denies the human mind in favor of the eternal logic of production. Gilder, the idealist, denies the human mind in favor of the eternal logic of the mind of God. This is not an improvement.

Marx, the materialist, denies the human mind in favor of the eternal logic of production. Gilder, the idealist, denies the human mind in favor of the eternal logic of the mind of God. This is not an improvement.

Happily, except for one or two issues, Gilder's mysticism does not interfere with the great body of his work. The best part of *Microcosm* is an exciting and beautifully written history of the microchip and its creators. What Gilder did for entrepreneurs in *The Spirit of Enterprise* he does here for physicists, electrical engineers, computer scientists (and, of course, more entrepreneurs). His prose sparkles as he tells the stories, the ambitions, and the lives of these fascinating people.

He tells of Andrew Graf "lying face down in the wet furrows of a muddy field somewhere near the boundary between Hungary and Austria." Graf is hard of hearing but he remembers "the yelp of dogs, the tromp of soldiers on a nearby road, the maundered words of a hunchbacked smuggler who had taken his money in exchange for directions to the border. He cannot turn back; in Budapest, they are arresting his friends" (83). Graf escapes as the suppression of the 1956 Hungarian revolution swallows his country; he comes to America and becomes Andrew Grove, president of Intel Corp., perhaps the most important company in the history of American microelectronics. As Gilder notes, Grove's rise to the top is one of the "implausible yet regularly repeated sagas of individual achievement which explain—in all cold realism—the triumphs of Silicon Valley..."(85)

The geniuses who created and exploited the microcosm are, as they should be, the focusing element in Gilder's book. But along the way there are some well placed attacks on government, which has tended to slow the revolution by interference and ineptitude. In the late 1950s and early 1960s, Fairchild and Texas Instruments were leading the way into the microcosm. They had virtually no government assistance but their competitors who continued to try to improve the dead technology of vacuum tubes had millions of dollars in subsidies and grants. If semiconductors had not been far superior to vacuum tubes, the new and superior technology might have lost the battle to the inferior-but-subsidized technology. Semi-conductors were far superior; "when the government needed a way to miniaturize the circuitry for its Minuteman missiles and its space flights, it did not use micromodules or any of the other exotic technologies it had subsidized. It turned first to Fairchild . . ." (80)

A similar story is told of the Japanese microcosm pioneers. The heroes this time were three Tom's: Tom Kubo, Tom Kamo, and Tom Kodaka, who built Tokyo Electron Laboratories—destined to become Japan's fastest growing company and the key capital supplier for Japan's microcosm revolution—with hindrance, not help, from Ministry for International Trade and Industry (MITI), the much eulogized "central planners" of Japan.

MITI officials, writes Gilder, "wax warm and expansive to the American intellectuals and politicians who come to learn of the marvels achieved in Japan simply by giving power to intellectuals and politicians," but such policies have little to do with the growth and dynamism of the Japanese economy.

In loving detail, Gilder explains the science behind the function and evolution of transistors, semiconductors, integrated circuits, parallel computers, artificial intelligence and much more. He also explains the fundamental ideas that have allowed us to explore and exploit the power of the microcosm. Among the skillfully handled subjects are information theory, Boltzman's probability analysis of entropy, Von Neumann vs Mead computer architecture, and analog vs digital systems. He makes these arcane subjects intelligible to the lay reader, building understanding developed in earlier sections to forecast the revolutionary effect microcosm technologies will have on business, society and politics. But one need only understand the broader themes, not the intricate details, to appreciate these chapters.

These forecasts, which range from geopolitics to SDI to music, are delightful. Gilder's destruction of the HDTV myth, for example, is powerful and riveting. Television, Gilder prophesies, is dead and HDTV stillborn. Since the television was introduced it has changed remarkably little. We now have more television channels, color, and better picture quality: but television is still the same passive, couch-potato medium that it was forty years ago. The microcosm will change all this. The cost of computing power, speed, and memory is plummeting while the quality continues to grow at an enormous pace. Soon, this revolution will create the reasonably priced technology necessary to transform television into a dynamic medium. Fast chips and large memories mean that television pictures can be manipulated by computers. This means not only a much higher picture quality than HDTV, but also real-time interaction.

Quasi-theologians of all kinds have often attempted to find God in a microscope. Gilder's attempts are no better than those "Newtonians" who claimed, in exact opposition to Gilder, that the extreme order and lack of uncertainty in the universe was proof of God's wisdom and powers of design.

To illustrate this, consider a play that is currently popular in Los Angeles. The play takes place in an old house, but instead of passively watching the action, the audience follows a character throughout the house. Audience members may follow any

character they choose and they can follow different characters whenever they want. By the time the play ends it's possible for everyone to have viewed what is, in effect, a different play. The real television revolution is not HDTV, but this type of dynamism and interaction that computers will soon make possible.

A government industrial policy designed to compete with the Japanese on HDTV will not only fail (the Japanese are at least 10 years ahead on HDTV technology), but may also distort and slow the eventual triumph of dynamic television.

Some of the changes in society that Gilder sees as emanating from the microcosm revolution, however, are exaggerated. He repeatedly speaks about the "great divide" that the "overthrow of matter" represents. Before the microcosm revolution, he asserts, wealth came from the "brute force of things" while today the "ascendant nations and corporations are masters not of land and material resources but of ideas and technologies" (17).

The trouble with all this is that wealth has *always* been a product of the human mind. Gilder writes about oil and iron and steel as though they were simply given to us, but, as Sheldon Richman has noted, "Nature, strictly speaking, does not provide resources: it provides materials. A resource is a product of man's mind; a material stamped with man's purpose." Gilder seems to think that if you can touch something it isn't a product of the human mind *because you can't touch the mind.* He is plainly wrong: the intangible mind produces many tangible products. If one is to take Gilder at his word, iron, steel and locomotives are not products of the human mind, while computer software is.

Gilder's mind/matter dichotomy abandons economics for technological determinism. His argument suggests that the Soviet Union and other planned economies did (and can continue to) function reasonably well as long as all that is being produced is material goods like trucks, steel, and railways. Socialism is now crumbling, he argues, because such material goods are no longer as important in the world economy as they used to be. This argument is ludicrous, but it has been taken up by otherwise-perceptive writers. Tom Bethell and Warren Brookes have already adopted this new vision as gospel.

Brookes has written that totalitarian nations "cannot survive in the information age." Going even further than Gilder, Brookes compares the breaching of the Berlin wall with electron tunneling. The true credit for the demise of socialism must go, he asserts, to physicists like Richard Feynman. Surely you're joking, Mr. Brookes! Bethell is slightly more reserved, but he too gushes about finally understanding why socialism is crumbling around the world.

Technology does not shape the state of liberty; liberty shapes technology. In the Soviet Union the internal combustion engine was used to create tanks and limousines for the apparatchiki who oppressed the masses. In the United States, the same technology became the American automobile, the most liberating and individualist product of the material age.

What Gilder and these other writers fail to see is that socialism was tried for 70 years and didn't work. Socialism *did not* produce the cars, trucks and other material goods the citizenry wanted. Even though the Soviet Union has more raw materials than any other country on the globe, the average Soviet citizen lived and continues to live an impoverished existence. The battle cry of *perestroika* is not "give me silicon chips, semiconductors and artificial intelligence systems," it's still "give me peace, land and bread." Centralized economies don't work because they lack two essential elements: free minds and free markets. Without these, innovation, growth and progress are impossible. Indeed, as Ludwig von Mises proved in the early 1920s, rational economic planning of any sort is impossible under socialism.

"Quantum technology exalts the one domain the state can never finally reach or even read: mind," Gilder writes. "Thus the move from the industrial era to the quantum era takes the world from a technology of control to a technology of freedom" (353–354). This confidence that microtechonology will free entrepreneurs from interference by states and bureaucrats is naive, to say the least. Technology has little to do with the prospects for liberty. Freedom and tyranny have existed side by side in pre-industrial ages (Athens and Sparta), in the industrial age (Great Britain and Tsarist Russia), and in all likelihood will exist in the post-industrial age. It may be true, as Gilder puts it, that if the state were to expropriate the means of production in an information age, most of what they would get would be sand. But there are other ways to shackle enterprise—the state is already regulating international finance even though the tools of this trade are computers and information flying at the speed of light down fiber optic lines.

Gilder's sanguineness has its origin, I suspect, in his philosophical presuppositions. Because he believes he has a hold upon the "logic of history," he can write without qualification that "The global microcosm has permanently shifted the world balance of power in favor of entrepreneurs" (358). But men have free will, and are not determined or predestined to accept liberty or tyrrany. As Ludwig von Mises put it, "Everything that men do is the result of the theories, doctrines, creeds, and mentalities governing their minds. Nothing is real and material in human history but mind" (*Money, Method, and the Market Process*, Kluwer, forthcoming, p. 289). How could Gilder, who writes of the "primacy of mind and spirit," disagree with this? Recall that in Gilder's system it is not the human mind that has primacy and efficacy but God's mind, as manifested in quantum physics and the microcosmic technologies quantum physics makes possible.

But worse yet, his view of the relationship between technology and liberty is not only wrong—it completely reverses the true causal connection. Technology does not shape the state of liberty; liberty shapes technology. In

the Soviet Union the internal combustion engine was used to create tanks and limousines for the *apparatchiki* who oppressed the masses. In the United States, the same technology became the American automobile, the most liberating and individualist product of the material age. In closed societies the ability to store immense amounts of data in a compact form is used to document and control thousands of people. In open societies, the same technology has created the compact disc walkman.

Despite these problems, *Microcosm* is a fascinating panoply of physics and metaphysics, science and religion, history and forecast. One has to admire the scope, if not always the content, of Gilder's vision. Early on in the book he describes Carver Mead, the prophet of the microcosm. Mead's approach, he writes, was "a lifelong effort to escape the momentary claims and crises of his field and to see the thing whole: to transcend the common sense of the day, the dense traffic of convention, the ways of the wealthy wisemen of the Valley, and uncover the deeper meanings . . ." (39) Gilder has approached his writing the same way, from *Men and Marriage* to *Wealth and Poverty* to *Microcosm*. ❑

***Nuts and Bolts for the Social Sciences*, by Jon Elster. Cambridge University Press, 1989, 184 pp., $11.95.**

Rational Man and All the Rest

Robert Higgs

Do people act rationally? And if we say either that they do or that they do not, what exactly do we mean? Differing answers to these questions establish the foundations of competing explanatory paradigms in the social sciences.

One approach is to say that everybody always acts rationally. Some people may look as if they are crazy, but if you could get inside their own (twisted) minds, you would see that, given their beliefs, they are choosing the means best suited for the attainment of their chosen ends. This approach regards the idea of irrational action as self-contradictory. If I stamp my feet and shriek upon entering my house to ward off evil spirits, well, who are you to say I'm acting irrationally? It works for me.

Ludwig von Mises took this position, maintaining that rationality relates "only to the suitability of means chosen for attaining ultimate ends." He added that "the choice of ultimate ends is in this sense always irrational." Mises warned, however, that "error, inefficiency, and failure must not be confused with irrationality. . . . The farmer who in earlier ages tried to increase his crops by resorting to magic rites acted no less rationally than the modern farmer who applies more fertilizer. He did what according to his—erroneous—opinion was appropriate to his purpose." In Mises's judgment, "the fundamental thesis of rationalism is unassailable" (*Theory and History*, 267–269).

Near the beginning of *Nuts and Bolts for the Social Sciences*, Jon Elster seems to embrace this point of view when he emphasizes that "the rational person can choose only what he believes to be the best means" (25). It soon becomes apparent, however, that Elster is convinced that people may act irrationally and they may do so in many distinct fashions. Irrational action is not just random; it can be modeled as systematic in its own (suboptimal) ways.

Although this theme is recurrent, the book has a much wider scope. Elster's ambition, which he achieves to a remarkable degree for such a short volume, is to survey and criticize the major explanatory mechanisms employed by social scientists—not the technical details but the logic.

So, for example, when Elster explains the rational choice model, he tells us that "what explains the action is the person's desires together with his beliefs about the opportunities" (20), and the beliefs may be mistaken. He moves quickly to indicate that preference orderings can be converted into utility functions, then to re-express the model as one of utility-maximizing action, and finally to conclude that because "all factual beliefs are a matter of probabilities" (26), the model becomes one of action aimed at maximizing mathematically expected utility, perhaps using subjective probabilities to arrive at the expected values. Next comes a presentation of the basic game theory setup, an explication of the Prisoner's Dilemma, and the conclusion that "rational choice is defined for an individual, not for a collectivity of two or more individuals" (29). All this is presented clearly and satisfactorily in a mere 17 pages.

We might have expected such mastery from Elster, who could be described either as a philosophically minded social scientist or as a philosopher interested in the methods of the social sciences. Since bursting onto the intellectual scene in the late 1970s, he has been a virtual whirling dervish as a writer. A recent catalog of the Cambridge University Press lists thirteen books with Elster as author or editor—and Cambridge is not the only publisher he has dealt with. Not just an author, he has occupied research and teaching positions in Norway and at the University of Chicago. The range of his interests and the acuteness of his intellect are impressive.

Nuts and Bolts, which he suggests might be subtitled "Elementary Social Science from an Advanced Standpoint," reflects his command of diverse subjects. Besides the materials on rationality and irrationality, the book includes discussions of altruism, emotions, social selection, and reinforcement, all under

the heading of human action. Under the rubric of interaction we find discussions of unintended consequences, equilibrium, social norms, collective action, bargaining, social institutions, and social change. Each topic receives consideration in a chapter of about ten pages of clear prose aided by a few simple diagrams. Anyone who wants to find out how social scientists explain human action in society could do much worse than to start here. Even readers already familiar with the social sciences can enjoy Elster's expository skills and his succinct evaluations of the strengths and weaknesses of different models.

For me, the most interesting chapters are the fourth, "When Rationality Fails," and the fifth, "Myopia and Foresight." There Elster argues that people frequently act irrationally and, in particular, go astray because of what he calls "weakness of will." With respect to irrationality in general, my own position is similar to Lincoln's on fooling the people: I believe that some people act irrationally (almost) all the time, and all people act irrationally some of the time.

So Elster gets no disagreement from me when he observes, for example, that "beliefs can be subverted by the passions they are supposed to serve" (37), as happens when people indulge in wishful thinking. Nor do I object to the claim that "especially when dealing with statistical matters, our minds are subject to cognitive illusions and fallacies" (38)—indeed, this has been pretty well documented by experimental psychologists. Elster thinks it is not unusual for people to "attach excessive importance to personal experience and current events, at the expense of impersonal sources and past events" (38), and hence to act irrationally. No doubt.

One approach regards the idea of irrational action as self-contradictory. If I stamp my feet and shriek upon entering my house to ward off evil spirits, well, who are you to say I'm acting irrationally? It works for me.

I balk, however, when he makes his argument about weakness of will. This is one of his favorite topics; he has discussed it in previous books and lectures. I accept that something we might agree to call weakness of will does exist, but cannot accept his account of it.

Weakness of will, in Elster's view, gives rise to irrational action, "the frustrating experience of doing what, all things considered, [one] would rather not do." It "arises when the discounting of the future takes a special form, which prevents us from holding consistently to past decisions" (45). For example, I resolve to become a nonsmoker because I believe that over the long term, all things considered, I'll be happier—in social science argot, I expect to get more utility—as a nonsmoker. Notice that my decision amounts to a commitment to a series of actions: not to smoke tomorrow, not to smoke the day after tomorrow, and so forth throughout an indefinitely long future. If, when tomorrow comes, I should fail to keep my commitment, Elster would view my action as irrational and as illustrative of weakness of will because I was "unable to stick" to my decision (45).

"The explanation of this inconsistent behavior," according to Elster (following the psychologist George Ainslie), "is that the future does not decay—that is, lose its value, from the point of view of the present—at a constant rate as it moves away from the present. Rather, it first decays very rapidly and then more slowly" (46). "The person's preferences at a given time are derived from a comparison of the present values of the options at that time: he prefers the one that has the largest present value. His intention at that time about what to choose later is based on that preference: he intends *now* to do *then* what he now prefers most" (46–47). Weakness of will manifests itself when the person subsequently experiences "preference reversal" (47). This means, for example, that when Tuesday comes, having a smoke offers him greater utility than refusing to smoke and thereby sticking to the commitment, made on Monday, to refrain from smoking until Wednesday.

Elster is juggling three distinct concepts: preference, intention, and action, especially the action of choosing among current alternatives. We can see more clearly what is at stake by reconsidering a statement quoted above, placing the emphasis differently so that the verbs rather than the adverbs are highlighted: the person *intends* now to *do* then what he now *prefers*.

Intentions are unconstrained: nothing precludes my intending to slay all my enemies in the year 2000. Intentions are solely mental commitments, futures contracts with oneself, so when we adopt them we bear no cost by foregoing a valued alternative—surely that's why the road to hell is paved as it is.

Notice that to intend something is not an action at all, at least not an action in the same sense as doing something. Intentions are unconstrained: nothing precludes my intending to slay all my enemies in the year 2000. Intentions are solely mental commitments, futures contracts with oneself, so when we adopt them we bear no cost by foregoing a valued alternative—surely that's why the road to hell is paved as it is. Likewise, we get no benefit from our intentions except the expectation that we shall get utility later when we act according to our (previously adopted) intentions.

Instead of saying that a person "prefers the [future option] that has the largest present value," Elster should have said that a person now expects to later prefer the future option that has the largest present *expected* value. The actual costs associated with an action must coincide in time with the act of choice among options. Preferences can apply only to one's ranking of the options from which one is currently choosing. Preferences divorced from

actual choice have no substance, because such free-floating valuations, although they may give rise to intentions, have no necessary consequences. For them, so to speak, there is no price to pay.

Of course, we make many choices, in a sense all of them, prospectively. The point is that we do so in view of the benefits and costs we anticipate we will attach in the future to the objects of our current choice. When tomorrow comes, we may evaluate the benefits and costs differently than we previously expected that we would. This alteration of valuations, in my view, reflects no inconsistency, no weakness of will, no irrationality. People learn, they change their minds—no problem.*

As I see it, weakness of will occurs when we violate a plan for a long-term course of action, a plan that seemed optimal when we embarked on it and, as such, continued to seem optimal at every subsequent time. Our deviation arises not because peculiarities in our discounting of future options give rise to preference reversal. Our deviation represents nothing more than a present choice with respect to one (present) element in a sequence of imaginatively linked actions, but this choice just happens to break the mental chain.

Suppose I set out to be a nonsmoker ten years ago. Day after day I adhered to my commitment faithfully. Now, today, I light up. My action has nothing to do with anticipations of the future. It has everything to do with the net benefit, as I perceive it, of a smoke right now. When I choose to have a cigarette now, I am not choosing among long-term plans. If I were making a prospectively inescapable commitment, I might prefer the nonsmoking plan just as I did before. Of course, having a single smoke now effectively sets aside the long-term plan to which I committed myself ten years ago. But present actions arise from present evaluations of benefits and costs. Weakness of will signifies nothing more than the dominance of the present as we make our choices from moment to moment.

Mises characterized such behavioral fluctuations as reflecting "irresoluteness with regard to the choice of ends. Wavering between various incompatible goals, the actor vacillates in his conduct of affairs. Indecision prevents him from marching straight toward one goal." Mises appealed to Freudian notions, especially rationalization, to account for the apparent "irresolute-

* New evidence: in an article on "Preference Reversals," *Journal of Economic Perspectives* [Spring 1990], Amos Tversky and Richard H. Thaler report the results of experiments indicating that "people do not possess a set of well-defined preferences for every contingency. Rather, preferences are constructed in the process of making a choice or judgement."

Classified Advertisements

Classified Advertising is available for $0.25 per word, plus $1.00 per insertion. 10% off for six or more insertions. Payment must accompany order. Please specify classification.

Books

Free list of used books for sale. Subjects include Ayn Rand and H. L. Mencken, First Editions, Anarchism, Atheism and Capitalism. Lists issued irregularly. Dunn's Libertarian Books, 251 Baldwin Ave, Meriden, CT 06450.

Strategic Action. New book reveals powerful moves to keep you winning. Effective tactics work anytime, anywhere: business, politics, war, sports, games, general life. Nothing else like it. indispensable! Written by successful corporate director, West Pointer, libertarian. Makes protecting yourself supereasy. $10. Moneyback guarantee. Bahr, 1196-L1 Citrus, Palmbay, FL 32905.

Competitive co-existing governments, wave of the future (Multi-governments, many chiefs, Panarchy, etc). The Primer LeGrand Day's **A New Dimension of Freedom** now in paperback: $6.00. MG Publications, Box 2108, Reseda, CA 91337-21-8.

Literature

Don't Procrastinate! Stop the anti-drug insanity now! The 10 page personal freedom report that shows you how is now only $2. Meyer's-7 Box 166979, Irving, TX 75016-6979.

Free-Market Environmentalism offers ways to protect the environment without adding to the power of the state. To learn more about it, write Jane Shaw, Political Economy Research Center, 502 S. 19th Avenue, Bozeman, MT 59715.

Libertarian Anti-Abortion arguments: $3.00. (Information only: SASE) Libertarians for Life, 13424 Hathaway Drive, #22, Wheaton, MD 20906.

Directory of Libertarian Periodicals, updated latest edition, lists around 150 titles, all believed to be presently publishing, all with addresses, much other information. Includes lists of organizations and persons. $3.00 postpaid, $4.00 overseas. Jim Stumm, Box 29-LB, Hiler Branch, Buffalo, NY 14223.

Inside the Men's Club: Secrets of the Patriarchy. Ruling class sex & violence in secret societies (56p.) $5.00. AND/OR FREE ruling class research catalog. A-A, Box 20273, Ferndale, MI 48220.

Looking for good strong independent thinkers to read and challenge a bright new American philosophy. Please ask for Announcement letter. Bill Copeland, 95 Peaceful Way, Tiverton, RI 02878.

Merchandise

"READ OUR LIPS" —Yellow Vinyl Bumper Stickers: $2.00 ea, $1.75 5–9, $1.50 over 10. Check/money order. M Davies, 3434 Burch Ave, Cincinnati, OH 45208.

Christmas 1990 Gift for the man who has everything. Definitely not a gag gift, genuine, documented Berlin Wall artifacts handsomely plaque-mounted, suitable for office, den, or study. Call (214) 699-8913 or send SASE for photo and more information to: DOW Enterprises, PO Box 516021, Dallas, Texas, 75251.

Organizations

Always looking for good libertarian fiction? Join the Libertarian Futurist Society and help us choose the annual Prometheus and Hall of Fame awards. Subscription to **Prometheus**, $8/yr. Basic memberships $10/yr. LFS, 89 Gebhardt Road, Penfield, NY 14526.

Periodicals

Bigger print now in **The (Libertarian) Connection**, open-forum magazine since 1968. Subscribers may insert one page/issue free, unedited. Lots of stimulating conversation. Eight issues (one year) $20. Strauss, Box 3343Z, Fairfax, VA 22038.

From New Age Technology to Islamic Fundamentalism — Religion Watch objectively monitors over 1,000 U.S. and foreign periodicals for trends in religion. ". . . packed with information vital for people watching new currents in American culture."—Utne Reader. Money back guaranteed if dissatisfied. Free subject index included. Send $17.50 (11 issues) or $8.75 (5 issues) to: Religion Watch, PO Box 652, North Bellmore, NY 11710.

Personals

Pro-life, pro-animal-rights Libertarian would like to exchange ideas with likeminded persons. PO Box 254, Calpella, CA 95418.

ness." He observed that because the human actor is so often "a victim of illusions and wishful thinking," human history is "by and large a series of errors and frustration" (*Theory and History*, 280–282).

In my view, avoiding this sort of weakness requires that we attach greater value to what becomes in our own minds a commodity in its own right, namely, sticking to the long-term plan. That so many people routinely stick to such plans in so many ways testifies, I think, to the power of personal identity maintenance in determining people's behavior. One does not refuse a cigarette now because one would not enjoy it, all (present) things considered, but because one still wants to be the kind of person who does not smoke.

Elster's allegation of irrationality in connection with weakness of will illustrates the difficulties inherent in his unusually stringent conception of rationality. He supposes that an action cannot be rational unless it arises from three optimal decisions: "First, it must be the best means of realizing a person's desire, given his beliefs. Next, these beliefs must themselves be optimal, given the evidence available to him. Finally, the person must collect an optimal amount of evidence—neither too much nor too little. That amount depends both on his desires—on the importance he attaches to the decision—and on his beliefs about the costs and benefits of gathering more information" (30).

With respect to irrationality, my own position is similar to Lincoln's on fooling the people: I believe that some people act irrationally (almost) all the time, and all people act irrationally some of the time.

Like Mises, most people who define rationality require only the first of these conditions. Adding the other two creates all sorts of trouble, not the least of which is the indeterminacy created by the mutual interdependence of optimal beliefs and optimal evidence. No wonder Elster finds so many types of irrationality loose in the world.

Still, his observations and arguments challenge us to reconsider the nature of rationality and irrationality. This is more complicated stuff than many of us appreciate. *Nuts and Bolts*, with its excellent bibliographic essay, provides a provocative point of departure for those who would like to think more deeply about how we can understand human action and interaction. ❑

Reid, "Smokes, but No Peace Pipe," *continued from 35*

of smugglers will go down. After all, life is cheap on the reserves. The Indian community as a whole has the highest rates of alcoholism, drug abuse, and suicide in the country, to say nothing of the worst educational and health-care systems. The average Indian dies eight years younger than the average White Canadian. Infant mortality rates rival those of Third World countries. Under such conditions, it is questionable whether the increasing risks of involvement in cigarette smuggling will have the same discouraging effects that they would on a comfortable suburbanite.

If the federal and provincial governments really want to do something to improve the situation, they could start by drastically cutting tobacco taxes. These have traditionally been regarded as relatively painless "sin taxes," and have been a favorite target of cash-starved governments. Now that the real costs are more evident, they should be rolled back to more realistic levels (there is, of course, no hope of abolishing them). While they're at it, the politicians might want to consider alternatives to paternalism. If the bulk of the aid which the Indians presently receive were delivered to individuals rather than to bureaucrats and band leaders, individual Indians would gain a great deal of much-needed independence.

Along the same lines, why not take the money currently being donated to Indian leaders for use in land claims, and divide it up among the Indian population as a whole? If individual Indians judge that it is to their advantage to pursue specific claims, they will be free to do so. This would bring to an end most of the plainly silly claims presently being launched on government by leaders who know that their political futures rest on being perceived as the radical pursuers of even the most tenuous claim. That this would be a critically important reform is demonstrated by the fact that the claim of the Kanesatake Mohawks to the Oka golf course, pursued with such vigor, has been thrown out of court repeatedly in a string of decisions that date back to 1912. So, in one sense, the whole mess has been for nothing. But it would be nice to avoid future messes. ❑

Notes on Contributors

R. W. Bradford is editor of *Liberty*.

Douglas Casey is an active investor and the author of *Investing in Crisis*, the best-selling investment book of all time.

Stephen Cox is Associate Professor of Literature, University of California, San Diego.

Leslie Fleming is a farmer living in Hitchcock, Oklahoma.

David Friedman is an economist, philosopher, poet, and the author of *The Machinery of Freedom*.

Robert Higgs is Thomas F. Gleed Professor of Business Administration in the Albers School of Business, Seattle University, and the author of *Crisis and Leviathan*.

David Hudson is a free-lance writer who lives in Hilo, Hawaii.

Richard Kostelanetz has written extensively on music and the arts. His most recent books include *On Innovative Music (ian)s* and *Conversing With Cage*.

Ronald F. Lipp is an author and lawyer residing in Sacramento.

Keith Lofstrom is an engineer living in Oregon. He recently attended the *Liberty* Editors' Conference, which took place in Seattle, *not* Port Townsend.

Loren E. Lomasky is Professor of Philosophy at Bowling Green University, and author of *Persons, Rights, and the Moral Community*.

Rex F. May is the *real name* of "*Baloo*," the *nom de plume* trademarking his cartoons that appear in *The Wall Street Journal* and other publications.

William P. Moulton is a journalist and historian, with a special interest in modern conservatism.

Bob Ortin lives in southern Oregon, where he moved sometime back to get away from the "insiders" of the state.

Scott Reid is editorial assistant at *Liberty* and a non-smoker.

Sheldon Richman is senior editor at the Institute for Humane Studies at George Mason University.

James S. Robbins has received only one doctorate from the Fletcher School of Law and Diplomacy, Tufts University.

Jane S. Shaw is a writer and former Economics Editor of *Business Week*, now living in Bozeman, Montana.

Richard Stroup is professor of Economics at Montana State University and a senior associate at the Political Economy Research Center.

Alexander Tabarrok is contributing editor to the *Austrian Economics Newsletter*.

Leland B. Yeager is the Ludwig von Mises Distinguished Professor of Economics at Auburn University.

Coming in *Liberty*

- **In Search for the Historical Gorbochev** — Jim Robbins digs into Gorby's life before he became the darling of the news media and politicians and learns that . . . well . . . that Gorby is *not* a very nice man.
- **Wall Street Revisited** — Douglas Casey stands Wall Street wisdom on its head: in his view, Mike Milken's a hero, corrupt management is in bed with regulators, and White Knights wear the black hats.
- **On-Line Education** — David Friedman shows how computers can be more than expensive, bulky books.
- **Murray Rothbard and His Critics** — Chris Sciabarra considers criticisms of Rothbard's thought from socialists, conservatives, Objectivists and Hayekians, and finds surprising commonality among them.

Plus: The influence of Ayn Rand on Gilligan's Island and Mr Ed, two startling views of Robert Anton Wilson, dancing with Emma Goldman, and Karl Hess on teaching.

Terra Incognita

America

Novel way to protect the nation's wild stream beds, as reported in *Audubon* magazine:

> Members of the Water Too! subsidiary of Earth First! have proposed planting Claymore mines in creek beds to discourage hikers from disturbing the natural flow of creeks.

Detroit, Mich.

Suggested prerequisite for Supreme Court justices, from A. Hughes in the Detroit *Free Press*:

> "I oppose President Bush's appointment of David Souter to the U.S. Supreme Court. The American people cannot expect an impartial position or decision to support or uphold legislation that benefits American workers. Driving a foreign car creates a tendency to defend your purchase and certainly not to react to preserving jobs for America's work force."

Kansas City, Mo.

16,000 points of light in Kansas City, as reported in *The Arizona Republic*:

> Volunteerism has been made mandatory for the 16,000 students in the North Kansas City School District. All students will be required to complete 36 hours of "community service."
>
> "It's time to put the 'me' generation behind us," said Superintendent Gene Denisar when he announced the mandatory volunteerism on August 28.

Dublin, Calif.

Progress in the War on Ugliness in the Golden State, as reported by the Chicago *Tribune*:

> Dublin, California, has passed an "anti-ugly" ordinance, providing fines of $500 to homeowners whose houses or yards are ugly.

Flossmore, Ill.

Retreat in the War on Ugliness in suburban Chicago, as reported by the Chicago *Tribune*:

> After losing a lawsuit by a local resident, Flossmore has repealed its law prohibiting possession of pick-up trucks. Residents are now allowed to own pick-up trucks provided they park them only in garages.

Maine

Latest measure in the War on Something, as fought in the Down Easter State, as reported by the *Associated Press*:

> Effective September 1, the sale of juice or other beverages in aseptic soft-sided paper cartons is illegal in the state of Maine.

Fountain Hills, Ariz.

New hope for the aesthetic partisans of khaki, as reported in *The Times of Fountain Hills and Rio Verde*:

> The Committee on Architecture of Fountain Hills has announced that it will no longer allow "bright colors" on the exterior of homes. The standard acceptable color is "Navajo White," with a reflectivity of 78; colors that are either "brighter" or "whiter" are barred.

Omaha, Nebr.

Evidence that neither death nor taxes is as certain as widely believed, as reported in the Minneapolis-St Paul *Star Tribune*:

> The U.S. attorney's office announced that it may request that the body of Ehsanolla Motaghed be exhumed so that it can verify that he is actually dead. According to the IRS, Mr Motaghed owes $156,000 in back taxes, and may have died to avoid paying them.

Lansing, Mich.

The new zoology, by a resident of America's Heartland, as reported by the Detroit *News*:

> A lawsuit was filed against Lansing Police and the Ingham County Sheriff by "I am the Beast Six Six Six of the Lord of Hosts in Edmund Frank MacGillivray Jr. Now, I am the Beast Six Six Six of the Lord of Hosts. I am the BeastSassotlohiefmjn. I am the Beast Six Six Six Lord," who had changed his name from Edmund Frank MacGillivray Jr.

National City, Calif.

Professional ethics of law enforcement officers, as reported by the Los Angeles *Times*:

> Eleven National City police officers were caught cheating on a promotion exam. No disciplinary action was taken against them, a city official said, because they were never instructed not to cheat.

Washington, D. C.

Impressive track record of the agency responsible by law for protecting our nation's natural treasures, as reported in the Detroit *Free Press*:

> Twenty percent of the works of art and historic artifacts that belong to the Interior Department are missing, and many of the art works that can be found have been mistreated, according to an audit by the Inspector General. A $5,000 Apache basket was found in use as a trash can; several valuable Navajo blankets have been nailed to office walls, and a painting worth several thousand dollars was found by auditors in a wastebasket. "Misery of the Trail of Tears," by noted Indian artist Joe Tiger, was on display at the Interior Department headquarters when auditors first visited, but was missing when investigators visited a second time. It is valued at $50,000.

Boston, Mass.

Solemn promise of Marjorie A. Clapprood, candidate for Lieutenant Governor of the Bay State, as reported in the Boston *Globe*:

> "We are going to get the ship of state back on solid ground."

Germany

Unforeseen complication of German reunification, as reported in the Detroit *News*:

> As part of its liquidation sale in anticipation of German reunification, the East German Stasi (secret police) is offering for sale paper shredders, powerful searchlights, coffee pots and after-shave.

(Readers are encouraged to forward news clippings or other documents for publication in *Terra Incognita.)*

Morgan Silver Dollars . . .

. . . Pre-1900, at $18.50

Morgan silver dollars in Mint condition are currently available at historic low prices, offering the astute investor an excellent opportunity for profit.

The Morgan silver dollar is the most popular silver coin with collectors. And it's easy to see why collectors love these coins—they are big, and they are beautiful! No other coin approaches the classic Morgan silver dollar in terms of beauty, rarity, and collector appeal. Morgan silver dollars are the perennial "blue chip" of rare coin investments.

A short while ago, a huge auction of Mint State Morgans panicked many dealers and investors into liquidating large quantities of Morgans, at a time when dealers were strapped for cash. As a result, prices dropped to the lowest level for Morgan dollars in more than a decade.

And now, you can take advantage of the situation, by acquiring Mint State Morgan silver dollars.

During the past month, we have been busy bargain-hunting, acquiring quality Morgan dollars at prices so cheap that we can scarcely believe our good fortune.

While our supply lasts, we offer Mint State Morgan dollars at the unbeatable price of just $370 per roll of 20 coins—that's just $18.50 per coin!

And to make the deal even better, the Morgan silver dollars we offer are all minted in the 1800s! As anyone who has acquired silver dollars has learned, the overwhelming majority of silver dollars available are dated 1921 and later and are relatively low grade. Early date Morgan dollars of this quality are difficult to locate in any quantity.

Each Morgan dollar we offer is in Mint State, personally graded by Allan Beegle, our chief numismatist. And all are backed by our exclusive guarantee: you may return any coin for a full, 100% refund for any reason, at any time within 15 days of when you receive them.

Warning: This situation will not last long. The sudden increase in the supply of high grade Morgans, combined with the softening price, has created a unique opportunity. As dealers sell off the coins they purchased, the available supply of Morgan dollars will get smaller, and the demand from dealers needing to build their inventories will increase. As a result, the price of these dollars may shoot up quickly.

Act Today: Orders will be filled on a first come, first served basis. This offer is limited to stock on hand. Telephone today to confirm your purchase, and to lock in today's price.

To reserve your purchase, please call the LCS trading desk toll-free at 1-800-321-1542. Michigan residents call 1-517-351-4720. Or return the coupon below. No sales tax on sales delivered outside Michigan.

Half Roll . . .	10 Coins	$187.50	($18.75 *each*)
Full Roll . . .	20 Coins	$370.00	($18.50 *each*)

YES!

Please send me the mint-state **Morgan Silver Dollars** I've indicated below. I understand that all coins were minted in the 1800s, and that I can return any coin for a full refund at any time within 15 days of my receiving them.

____ Half rolls (10 coins) @ $187.50 each = ____

____ Full rolls (20 coins) @ $370.00 each = ____

Postage & handling: $5.00

Total: ____

NAME

ADDRESS

CITY/STATE/ZIP

PHONE

Liberty Coin Service
300 Frandor Avenue
Lansing, MI 48912
(800) 321-1542

L20

"Give Me Liberty or Give Me Death." —Patrick Henry, 1776

Old Pat really was an extremist . . . especially when it came to Christmas presents! The odds are good that your friends are less fussy about the gifts they receive . . . And chances are excellent that they would genuinely appreciate a gift of *Liberty*!

This winter, why not give a special friend the sheer pleasure of individualist thinking and living . . .

. . . the state-of-the-art in libertarian analysis . . . the free-wheeling writing of today's leading libertarians . . . the joy of pulling the rug out from under the illiberal establishment.

These are a few of the little pleasures we provide each issue. Wouldn't it be fun to share them with a friend?

In the past year, *Liberty* has published the writing of Karl Hess, John Hospers, Richard Kostelanetz, Sheldon Richman, Mark Skousen, Bill Kauffman, Ron Paul, Stephen Cox, Jane Shaw, Robert Scheaffer, Thomas Szasz . . . The most exciting libertarian writers providing a feast of good reading!

You pay a compliment when you give the gift of *Liberty*. Send us your gift list today, and we'll send your greeting with every issue! We'll also send a handsome gift card in your name to each recipient.

Special Holiday Rates!

To encourage you to give gifts of *Liberty* this holiday season, we offer gift subscriptions at a special rate: the lowest price subscriptions we have ever offered!

First Gift (or your renewal) . . .	$19.50
Second Gift	$17.00
Each Additional Gift	$15.00

(foreign orders add $3.00)

Act Today! These special rates are available only thru December 31, 1990. And remember, your own subscription or renewal qualifies as one of the subscriptions.

Use the coupon below, the special reply envelope inside, or a separate sheet of paper, if you like.

Yes! Pat Henry was right! Please send *Liberty* to my gift list as directed below.

- ❑ Please renew my subscription
- ❑ No renewal for me now, but please send *Liberty* to the people on my list.
- ❑ I enclose my check (payable to *Liberty*)
- ❑ Charge: ❑ VISA ❑ Mastercard

signature

account # expires

Name _____

Address _____

City _____

State _____ Zip _____

Name _____

Address _____

City _____

State _____ Zip _____

Send to: Liberty Gift Department, PO Box 1167, Port Townsend, WA 98368.