

# Liberty

April 2002

\$4.00

Marisa Tomei  
versus  
Ayn Rand

## The Bush Budget

Get Ready for Big Government

*by Chris Edwards*

## There Had to Be an Enron

*by R. W. Bradford, Tom Isenberg, and William Fielder*

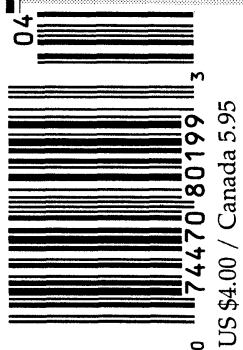
## Don't Bank on Me, Argentina

*by Steve H. Hanke*

## The Death of Money

*by R. W. Bradford*

Also: *Ron Capshaw* peers into the mind of Osama, *Bruce Ramsey* looks at how Americans felt about interning Japanese-Americans in 1942, *Jeff Riggenschach* finds truth in crime fiction . . . plus other articles, reviews & humor.



*"Above all things—Liberty!" — John Selden*

# Declaring and Waging War: The U.S. Constitution

by Jacob G. Hornberger



Excuse me for asking an indelicate question in the midst of war, but where does President Bush derive the power to send the United States into war against another nation?

It is important to keep in mind that our system of government was designed to be unlike any other in history. First, the federal government was brought into existence by the people through our Constitution. Second, the Constitution is the supreme law of the land that controls the actions of our public officials in all three branches of the federal government. Third, the powers of the federal government and its officials are not general but instead are limited to those enumerated in the Constitution.

Fourth, the government is divided into three branches, each with its own enumerated powers, and one branch cannot

exercise the powers of another branch. Fifth, the Constitution expressly constrains democratic, majority rule. Sixth, public officials are not legally permitted to ignore any constitutional constraint on their power but must instead seek a constitutional amendment from the people to eliminate the constraint.

Why did the Founders implement such a weak, divided government? One big reason: they clearly understood that historically the greatest threat to the freedom and well-being of a people comes not from foreign enemies but instead from their own government officials, even democratically elected ones. And they understood that that threat to the citizenry was always greatest during war.

Consider the words of James Madison, the father of our Constitution: "Of all the enemies to liberty war is, perhaps, the most to be dreaded, because it comprises and develops the germ of every other. War is the parent of armies; from these proceed debts and taxes; and armies, and debts, and taxes are the known instruments for bringing the many under the

domination of the few."

What does our Constitution say about war? Our Founders divided war into two separate powers: Congress was given the power to declare war and the president was given the power to wage war.

What that means is that under our system of government, the president cannot legally wage war against another nation in the absence of a declaration of war against that nation from Congress.

Again, reflect on the words of Madison: "The Constitution expressly and exclusively vests in the Legislature the power of declaring a state of war [and] the power of raising armies. A delegation of such powers [to the president] would have struck, not only at the fabric of our Constitution, but at the foundation of all well organized and well checked governments. The separation of the power of declaring war from that of conducting it, is wisely contrived to exclude the danger of its being declared for the sake of its being conducted."

What about the congressional resolution that granted President Bush the power to wage war against unnamed nations

and organizations that the president determines were linked to the September 11 attacks? Doesn't that constitute a congressional declaration of war? No, it is instead a congressional grant to the president of Caesar-like powers to wage war, a grant that the Constitution does not authorize Congress to make.

Therefore, when a U.S. president wages what might otherwise be considered a just war, if he has failed to secure a congressional declaration of war, he is waging an *illegal* war — illegal from the standpoint of our own legal and governmental system. And when the American people support any such war, no matter how just and right they believe it is, they are standing not only against their own principles and heritage, not only against their own system of government and laws, but also against the only barrier standing between them and the tyranny of their own government — the Constitution.

*Mr. Hornberger is founder and president of The Future of Freedom Foundation ([www.fff.org](http://www.fff.org)) in Fairfax,*

## THE FUTURE OF FREEDOM FOUNDATION

11350 Random Hills Road, Suite 800  
Fairfax, VA 22030

Phone: (703) 934-6101 • Fax: (703) 352-8678

Email: [fff@fff.org](mailto:fff@fff.org)  
[www.fff.org](http://www.fff.org)



## We Don't Compromise.

**Visit our website:**  
**[www.fff.org](http://www.fff.org)**

- ◆ More than 2,000 essays!
- ◆ Short Audio Commentaries
- ◆ Video Lectures
- ◆ Free Email Update!

and

**Order:**  
**One-year (12 months)**  
**subscription**  
**to *Freedom Daily***  
**(FFF's monthly journal**  
**of libertarian essays)**  
**at \$18**

# Liberty

R.W. Bradford  
*editor & publisher*

Stephen Cox

John Hospers

Jane S. Shaw

*senior editors*

Brien Bartels

David Boaz

Alan Bock

Douglas Casey

Eric D. Dixon

Brian Doherty

David Friedman

J. Orlin Grabbe

Bettina Bien Greaves

Leon T. Hadar

John Haywood

Gene Healy

Robert Higgs

Bill Kauffman

Dave Kopel

Bart Kosko

Richard Kostelanetz

Loren E. Lomasky

Sarah McCarthy

Wendy McElroy

William E. Merritt

Robert H. Nelson

Randal O'Toole

Ross Overbeek

Durk Pearson

Dyanne Petersen

Bruce Ramsey

Jeff Riggenbach

Scott J. Reid

Sheldon Richman

Timothy Sandefur

Sandy Shaw

Tim Slagle

Fred L. Smith, Jr.

Martin M. Solomon

Clark Stooksbury

Thomas S. Szasz

Martin Morse Wooster

Leland B. Yeager

*contributing editors*

Kathleen Bradford

*managing editor*

Andrew Chamberlain

Elizabeth Merritt

*assistant editors*

John Bergstrom

S.H. Chambers

Rex F. May

*cartoonists/illustrators*

Jon Kalb

Jim Switz

*computer consultants*

Caroline Evanger

*assistant publisher*

# Inside Liberty

April 2002

Volume 16, Number 4

**4 Letters** After you, of course.

**7 Reflections** We get loaded on Super Bowl ads, bring home a pet inmate for little Timmy, discover politicians who would spend \$7.2 quadrillion to avoid supporting the free market, swap stories about Johnny Taliban, and wage war on the menace of Cinnabon.

## Features

**19 The Enron Mess** The collapse of Enron has revealed a tangled web of fraud and corruption, and set off a new round of attacks on the free market. *R. W. Bradford, Tom Isenberg, William Fielder, and Sheldon Richman investigate.*

**23 Good Rhetoric, Bad Budget** Is there any federal program whose budget George W. Bush won't increase? *Chris Edwards* dissects the budget.

**27 The Death of Money** *R. W. Bradford* exposes a frightening new tool that will let the government dispense with that annoying privacy stuff, once and for all.

**31 "Seize All West Coast Japs"** *Bruce Ramsey* examines the infamous Japanese internment — from the vantage of 1942.

**35 The Libertarian Return** A streak of bad luck for British right-wingers has brought good luck for libertarian ideas there. *Adam Hume* reports.

**37 Argentina's Fall From Grace** When Argentina's economy went to hell in January, everyone blamed the country's currency board. *Steve H. Hanke* shows how everyone was wrong.

**41 Liberty Gains in Costa Rica** Costa Rica's libertarian Movimiento Libertario ran an ambitious campaign for congress last year. *Raúl Costales* shows how it paid off.

**42 Cutting Back the State in Canada** The new government of British Columbia is delivering big tax cuts. But, *Paul Geddes* argues, it's not yet time to apply for immigration papers.

**43 Szasz and Mises** Did the 20th century's greatest economist misunderstand the human mind? *Bettina Bien Greaves* and *Thomas S. Szasz* debate.

## Reviews

**47 Boredom In the Bedroom** Would the critically acclaimed film survive Ayn Rand's criticism? *Erika Holzer* finds out.

**50 Lincoln the Jeffersonian** Was the Great Emancipator also a great proponent of individual rights? *Timothy Sandefur* examines the evidence.

**54 Government as Criminal Conspiracy** *Jeff Riggenbach* explores the surprisingly libertarian novels of James Ellroy.

**59 The Mind of Terror** Are terrorists oppressed idealists — or politically ignorant thugs? *Ron Capshaw* looks at the record.



**57 Notes on Contributors** Our very own ultimate resource.

**62 Terra Incognita** Maybe we'll stay in bed today.

# How to Subscribe to

## Liberty

**Liberty takes individual freedom seriously . . . and the status quo with more than one grain of salt!**

Every issue of *Liberty* brings you news you can't miss, opinions you won't find anywhere else, and the best libertarian writing in the world.

*You won't want to miss a single issue!*

## Act Today!

*Liberty* offers you the best in individualist thinking and writing. So don't hesitate. You have nothing to lose, and the fruits of *Liberty* to gain!

Use the coupon below or call:

**1-800-854-6991**

Please enter my subscription to *Liberty* immediately!

☐ 12 issues (One Full Year) \$29.50

☐ 24 issues (Two Full Years) \$56.00

Add \$5 per year for foreign subscriptions.

name \_\_\_\_\_

address \_\_\_\_\_

city \_\_\_\_\_ state \_\_\_\_\_ zip \_\_\_\_\_

☐ I enclose my check (payable to *Liberty*)

☐ Charge my ☐ VISA ☐ MasterCard

signature \_\_\_\_\_

account # \_\_\_\_\_ expires \_\_\_\_\_

Send to: *Liberty*, Dept. L,  
P.O. Box 1181, Port Townsend, WA 98368

# Letters

## Good, But Not Good Enough for My Friends

Andrew Chamberlain's "Enron: Death by Free Market" (March) was an excellent article. I was moments away from recommending that my friends buy a copy of *Liberty* just for that article. But then he bashed Ayn Rand.

If people have honest criticisms of Ayn Rand to offer, I will calmly appraise those criticisms. When Chamberlain uses Rand's name as a means of hollowly asserting his superior intellect, I have a problem. Jumping at any perceived chance to disparage Rand, far from demonstrating his ability to think independently, makes Chamberlain come off as an insecure, ungrateful little child.

Now I fervently wish for none of my friends to happen upon the article. I'm happy to say, it is exceedingly unlikely.

Michael Passaloukos  
West Lafayette, Ind.

## It's the Tax Law, Stupid!

Enron's employees are not suffering because of the failure of capitalism. They are suffering because of the failure of 401(k)s — a creation of government that allows workers to put off paying taxes on a tiny portion of their wages.

K. V. Keeley  
Oakland, Calif.

## Down With Corporations

Andrew Chamberlain missed the mark. The stockholders did not take Enron out into the street and shoot it. The executives of Enron and Arthur Andersen did the shooting and it was the stockholders and employees that did the bleeding. The average investor is not sophisticated and needs a little protection since he cannot easily sit in on meetings or understand reports.

Allowing corporations to rape and pillage is not what makes us free. Corporations must be controlled. Our

Founding Fathers fought British corporations like the Hudson Bay Company. They put sundown clauses into their state constitutions so that our corporations would not end up ruling the people as we have it today, unfortunately.

Noel Carrico  
Imperial, Calif.

## No Foreigners Allowed on Our Socialized Property

I was a little disappointed that, in responding to Ken Schoolland's piece on libertarians and immigration ("Open Minds, Closed Borders," January) his critics focused on utilitarian issues, all but ignoring the ethical arguments that formed the bulk of the original article. This might leave the reader with the impression that, to be a consistent libertarian, one must support free immigration. This is not the case.

For instance, Schoolland's argument that libertarian ethics requires that government-owned land and infrastructure be open to homesteading, and, therefore, open to immigrants, is flawed. These resources have been in continuous use by Americans for a long time. Isn't that homesteading? Yes, land and infrastructure ought to be privatized, but there is no reason for its current users to be penalized for their government's unwillingness to recognize their prior claim.

In a fully libertarian society, the only restrictions on a person's movement would come from property owners. At that point, Schoolland and immigration opponents like Hans-Herman Hoppe agree with each other. The question is what to advocate in the meantime. What is our "second-best" option? No matter how committed we are to natural rights, our second-best choice must always be utilitarian: What policy will best preserve our rights, limited as they are by the presence of the state? The only way to protect everyone's liberty is to abolish the

*Liberty* (ISSN 0894-1408) is a libertarian and classical liberal review of thought, culture and politics, published monthly by the Liberty Foundation, 1018 Water Street, Suite 201, Port Townsend, WA 98368. Periodicals Postage Paid at Port Townsend, WA 98368, and at additional mailing offices.

POSTMASTER: Send address changes to *Liberty*, P.O. Box 1181, Port Townsend, WA 98368.

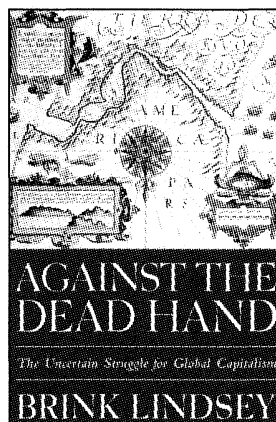
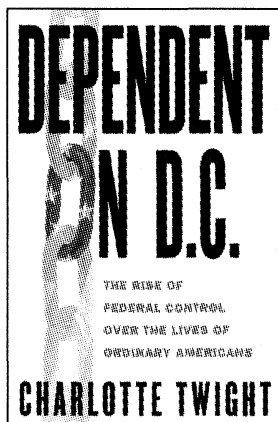
Subscriptions are \$29.50 for twelve issues. Foreign subscriptions are \$34.50 for twelve issues. Manuscripts are welcome, but will be returned only if accompanied by a self-addressed, stamped envelope (SASE). A writer's guide is available: send a request and an SASE.

Opinions expressed in *Liberty* are those of the authors and not necessarily those of the Liberty Foundation. Copyright © 2002 Liberty Foundation. All rights reserved.



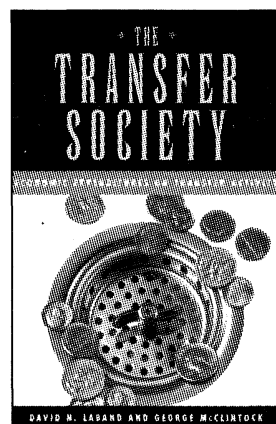
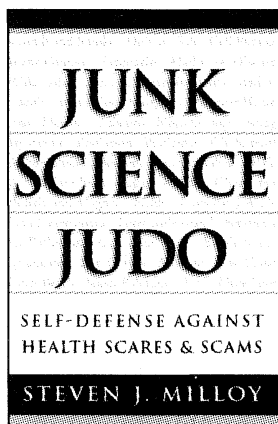
# Important Reading from the Cato Institute

**T**his book combines economics and history to show how political elites have brought about the growth in federal power. 448 pp./Cloth \$26.95 ISBN 0-312-294115-8



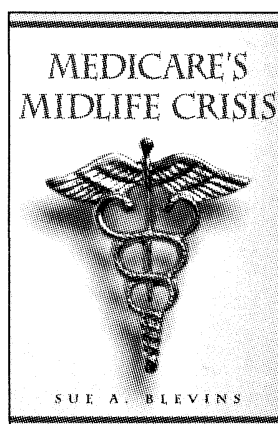
**T**rades the rise and fall of the century-long dream of central planning and top-down control and its impact on globalization—revealing the extent to which the “dead hand” of the old collectivist dream still shapes the contours of today’s world economy. 325 pp./Cloth \$29.95 ISBN 0471442771

**S**cared by all the news of risks to your health from food, consumer products, and the environment? Fear no more. This book de-bunks numerous health scares and scams and shows you how to defend yourself. 216 pp./Cloth \$18.95 ISBN 1-930865-12-0



**F**rom locks to lobbyists, Americans spend more than \$400 billion a year on either taking someone else’s wealth or protecting their own. A significant contribution to both political science and economics. 100 pp./Cloth \$19.95 ISBN 1-930865-10-4/Paper \$8.95 ISBN 1-930865-11-2

**S**ue Blevins examines Medicare’s origins, its evolution, and ways to reform it, especially since it costs far more than originally estimated. 136 pp./Cloth \$16.95 ISBN 1-930865-08-2/Paper \$8.95 ISBN 1-930865-09-0



**S**wedish journalist Tomas Larsson takes the reader on a worldwide journey from the slums of Rio to the brothels of Bangkok and shows that global markets help those struggling to get ahead. 165 pp./Cloth \$18.95 ISBN 1-930865-14-7/Paper \$9.95 ISBN 1-930865-15-5

**CATO**  
INSTITUTE

Available at fine bookstores, or call 1-800-767-1241 (12-9 eastern, Mon.–Fri.)  
Cato Institute • 1000 Massachusetts Ave., N.W. • Washington, D.C. 20001

[www.cato.org](http://www.cato.org)

government, and that's not on the table right now.

The primary and most intractable problem created by immigration under current circumstances is not social, but political. Simply put, the vast majority of people in other countries support a significantly more active government than do Americans. Foreigners will routinely vote for whichever major party offers them bigger government. This leads to two trends. First, the size and power of the government will expand, and, second, this power will increasingly be placed in the hands of foreigners. It should be clear to any libertarian that this will constitute a serious violation of the rights of Americans. It is neither practical nor ethical to subject Americans to that kind of risk.

Nathaniel Krause  
Chicago, Ill.

## No Time for Hysteria

I'm been following the immigration debate in recent issues of *Liberty* with great interest, and I have to wonder why so many libertarians think that a free market cannot accommodate free immigration. Where is the evidence that a few million immigrants would cause a collapse of the American economy? Granted, welfare for immigrants is a bad idea; all the more reason to abolish it completely. Why is it bad that the border states may soon have a Hispanic majority? Considering how my fellow Anglos have wrecked California, it may be a change for the better.

We recognize that the drug war has had far-ranging negative impacts on the privacy and liberty of the whole population, including the majority that doesn't use drugs. Immigration laws are no different. We are expected to

prove our identity and our "right to work here" in the U.S., as though this is really a privilege. We are expected to verify the legal status of people we employ, and are legally bound to discriminate against those without proof of citizenship. We give extraordinary, unconstitutional powers to the INS, Customs, and the Border Patrol. Perhaps most importantly, immigration control requires millions of tax dollars that could otherwise stay in our pockets.

We need to get the facts on immigration, and not succumb to the hysterical doomsday scenarios that the media would have us believe. It seems to me that the burden of proof should be on those who support government restrictions, rather than the other way around.

Vaughn Treude  
Phoenix, Ariz.

## Cultural Chauvinism

Sarah McCarthy's "Radical Sheik" (February) adds nothing new to the discussion and merely repeats well-known defects of multiculturalism and its radical chic roots while omitting key facts that would be of interest to many libertarians.

McCarthy writes about "... criminal defense of permanently aggrieved American Black Panthers who were so oppressed that the only way out was to blow up the city." The criminal charges against the Black Panther Party were fabricated by the state to unjustly deprive the Panthers of their life and liberty. The fact that knaves used these charges to delude fools is of secondary importance.

Later, McCarthy writes, "The burning and trashing of stores in their own neighborhoods, especially Jewish stores, and then Korean grocers, is a baffling fact of black cultural life." Thomas Sowell has done a great deal of good work on this subject. Quoting his *Knowledge and Decisions* instead of Alice Walker's terrifying tale of throbbing stumps and helpless white women would have helped to explain this and also have made her indictment of Spike Lee even more telling, though it would not have supported her Kultur-Kampf agenda quite as well.

In her attack on the perfidious deni-  
*continued on page 43*

## From the Editor . . .

Super Bowl XXXVI (or is it XXXIV?) has passed into history (i.e. trivia) and the contrived sports, games, beauty contests, and scandals of the Winter Olympics will soon end, letting Americans return to the National Pastime: public affairs.

Sports may have pushed public affairs off the front page, but they haven't diverted *Liberty's* attention from the follies of the polis. Indeed, we have so much to say about what's happening in the world that we've had to postpone publication of three much-anticipated articles: Gordon Tullock's critique of Darwin, Tom Szasz's critique of F. A. Hayek, and our special report on state and local taxes. We hope to include all three in our May issue.

First things first. Having defeated the Taliban, Americans are turning their attention to a new "Axis of Evil," with George W. Bush planning ways of eliminating it. Several of our writers are, well, skeptical about the project. The president has also discovered a novel way to cut back the size of government: increase government spending across the board. That's what Chris Edwards discovered when he examined the new budget.

Meanwhile, the collapse of Enron has touched off an orgy of congressional posturing and leftist attacks on the market, all of it idiotic. Tom Isenberg, William Fielder, Sheldon Richman, and yours truly set the record straight.

Bruce Ramsey celebrates the 60th anniversary of a liberal administration's incarceration of Japanese-Americans by looking at how Americans viewed the issue in 1942. There may be a lesson here for people afflicted with the anti-terrorism hysteria of 2002. Your humble editor warns of a new tool that invites the state to penetrate even more deeply into our intimate lives. (Don't worry, only Europe proposes an end of privacy right now.).

Steve Hanke describes how Argentina's economy and polity have gone to hell, and how they can return. There's better news from Costa Rica, Canada, and even Mother England, as Raúl Costales, Paul Geddes, and Adam Hume report.

Our review section features Ayn Rand, Marisa Tomei, Abe Lincoln, Thomas Jefferson, James Ellroy, and the nature of terrorists.

As always, we whet your appetite with "Reflections."

*R. W. Brulford*

# Reflections

**Super Bowl, super bunk** — Each year, the Super Bowl features some of the most interesting (and expensive) advertising on television. This year, however, viewers were subjected to numerous annoying anti-drug ads. Every time you use drugs, say the ads, you contribute to terrorism, destabilization of Third World governments, and poverty.

Let's put the blame where it belongs. Drug users are no more responsible for terrorism than sugar users are responsible for the destruction of the Everglades. Just as a government-imposed tariff that denies Americans access to low-cost foreign sugar promotes high-cost sugar farming in Florida, the government's War on Drugs is what is supporting the terrorists and other evils caused by high-cost cocaine and other drugs.

— Randal O'Toole

**Luge the whales** — At the opening ceremonies of the Winter Olympics, the Olympic flag was carried in by people representing the "five" continents of the world and the three ideals of the Olympic movement — sport (well, yes), culture (huh?), and the environment (you've got to be kidding). I mean, it's pretty hard to imagine that every time an Olympic contestant puts on his jockstrap, he's supposed to be doing good for "the environment." It's still harder to imagine that it's for the sake of "the environment" that people turn mountains into ski resorts and bulldoze homes to build Olympic stadiums.

But I suppose it had to happen. Half the world worships sports; the other half worships "the environment." So why not do what the ancient world did whenever it found that it had too many gods (Zeus and Jupiter, Athena and Minerva) — simply interpret them as essentially the same thing? Then, to add a peculiarly modern touch, you can throw in "culture"; i.e., whatever's too dumb to call by any other name.

— Stephen Cox

**This American life** — Driving home from work recently, I heard talk show host Mike Reagan (the former president's son) explain patiently to his listeners why it is important to search their children's rooms for illegal drugs. I began to wonder whether he searched his dad's room . . .

I switched to *Talk of the Nation* on National Public Radio,

and heard a debate on whether the move to eliminate soft money (i.e., money that people voluntarily donate to the politicians of their choice) in political campaigns should be coupled with partial taxpayer financing of elections, or complete taxpayer financing of elections (the full range of options offered) . . . I begin to wonder what nation this is the talk of. Surely not one with a Constitution protecting free speech.

I immediately switched to the FM "classic rock" station. The Beatles are playing "Back in the USSR" — the most insightful political commentary I've heard all day.

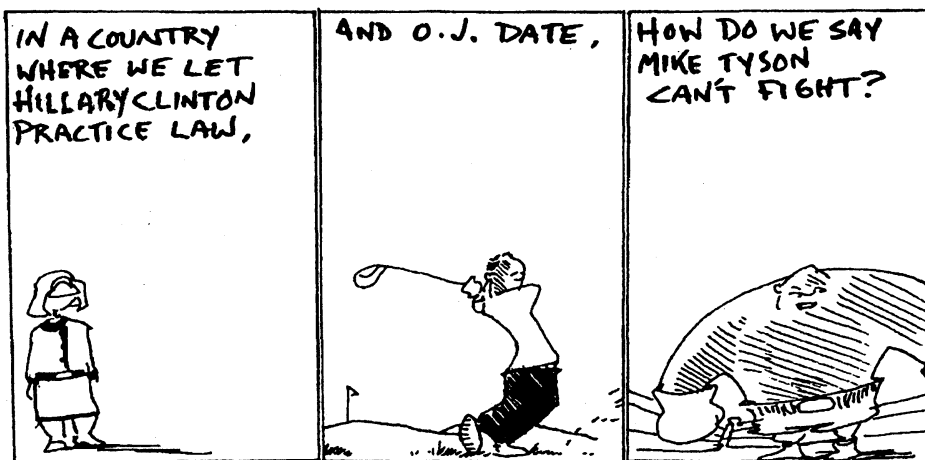
— Ross Levatter

**A bad tax break?** — Bush's health-care proposal offers a tax break to anyone who has to buy his own health insurance up to \$3,000. I'm not normally one to gripe about a tax break, but this one seems a little biased. Shouldn't the same break be offered to someone who puts money away in

a medical savings account? Those who have the foresight to manage their risks with savings are truly the "self-insured." The old adage is that insurance is like gambling, and betting against yourself. Giving tax breaks for insurance premiums is like allowing lotto tickets in your 401(k). On second

thought, after watching the Enron debacle, maybe that wouldn't be such a bad idea.

— Tim Slagle



PHIL WITTE 2002

**Axis of stupid** — How can we explain George W. Bush's call for action against Iran, Iraq, and North Korea, the "Axis of Evil"? The notion that Iran, Iraq, and North Korea form any kind of axis is preposterous on the face of it, as has been pointed out by any number of observers. Iran and Iraq are traditional and very deadly enemies and North Korea seems to exist in an isolated fantasy world comparable only to that of José Gaspar Rodríguez Francia ("el Supremo"), whose rule of Paraguay in the early 19th century prohibited people and goods from entering or leaving the country.

I suspect that Bush's otherwise goofy pronouncement is a product of his discovery of the wisdom of Randolph Bourne's maxim "War is the health of the state." As head of state, he naturally wants it to be healthy. We've had a nice little war to vanquish the Taliban with hardly a single American casualty. That war made the state more popular,

enabling the president to increase taxes and the power of the state. But that war is over. For the state to continue to grow more health, new opponents must be found.

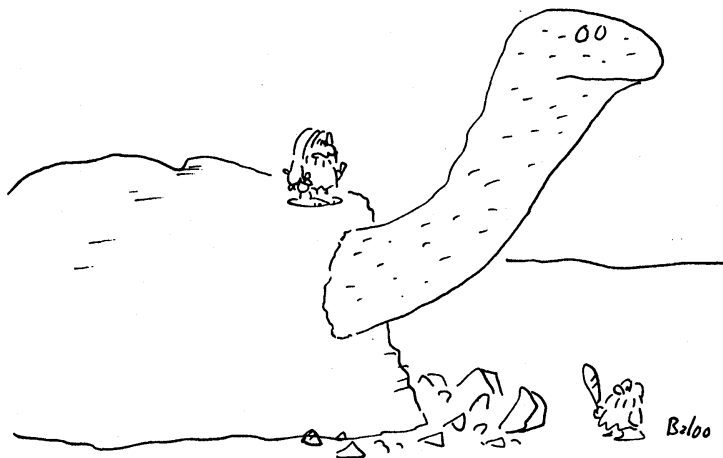
What Iran, Iraq, and North Korea have in common is governments that are immensely disliked (and with good reason) by most Americans — disliked enough, I suspect Bush believes, that Americans will be happy to wage war against them.

I am not so sure that Bush is right about this. Americans were good and mad about the terrorist attacks of Sept. 11, and accepted the view that Osama was behind them and that the Taliban were harboring Osama. But during the last ten years, neither Iraq nor Iran nor North Korea has done the U.S. any more harm than did el Supremo, and none show any inclination to try to do so. Historically, Americans have never had much enthusiasm for wars against countries that do not threaten us, especially once there are casualties. And — unlike the Taliban — Iraq, Iran, and North Korea are certainly capable of causing casualties.

When I was a teenager, I read Latin American history voluminously. I remember one episode to this day. Some time in the 1860s, a mob in one of Bolivia's capitals stormed the British embassy, grabbed the ambassador, stripped him naked, and paraded him through the streets so that locals could spit on him. The news was brought to Queen Victoria along with a proposal for Britain to recover its honor by invading the Andean country. Victoria rejected the proposal, choosing instead to issue a command that Bolivia no longer appear on maps issued by the British government.

For all I know, the story is apocryphal. But even a fable can contain an important lesson. — R. W. Bradford

**Adopt a killer** — Columbia Law professors recently completed a study that concludes that more than seven out of ten death-penalty cases were reversed because of procedural errors. I'm not sure whether this reflects anything more than the ability of picayune defense attorneys to work more diligently on capital offenses. The study recommends that "If we are going to have the death penalty, it should be reserved for the worst of the worst." Which is how I thought the penalty was applied.



"This is taking forever — can't we go hunting without a decoy?"

I think we should replace the death penalty with an adoption program. We could assemble a list of people who oppose the ultimate penalty and believe that every life is sacred. When a person is convicted of a capital offense, he would be helium-arc-welded into an inescapable titanium cage. We then load up a flatbed full of these cages and deliver them on the doorsteps of all the people on the list. "Here's your sacred life Mr. Cuomo, do you want him in the front yard or back?" — Tim Slagle

**The menace of sticky buns** — Let's face it, we're too damn fat, and this is America, so someone should be sued! Professor Marion Nestle at New York University provided the target: "The function of the food industry is to get people to eat more, not less. It's not fair."

It's Big Chocolate, in short, no different than Big Tobacco. Either way, as professor Nestle sees it, it's not our fault: We're the dumb pawns, somebody's got deep pockets, and it's time to call in the lawyers. "There are a lot of people who benefit from people being fat and sick, and the whole setup is designed to make people eat more," says Nestle. "The response to the food industry should be very similar to what happened with the tobacco companies."

George Washington University Law School professor John Banzhaf told FOX News much the same thing: "As we're getting more and more figures saying just how dangerous obesity is, people are wondering if tactics used against the tobacco industry very successfully and other problems such as guns less successfully could be used against the problem of obesity."

At ABC News, reporter Geraldine Sealey seemed to be recommending some affirmative action by the government when it comes to filling the slots in America's vending machines: "So we're fat — 61 percent of us. Potential regulations could include requiring 'equal time' for junk food and healthy food in vending machines."

Tom Farley at the Tulane University Law School went further, suggesting that we should just demonize the machines: "I want to get to the point where people are in the hallway and see a vending machine and say, 'That's bad, that shouldn't be there,' in the same way as if they saw a cigarette vending machine."

In his First Inaugural Address, Thomas Jefferson put forth a vision of a people "free to regulate their own pursuits of industry and improvement." A lot has changed in the past two centuries. — Ralph Reiland

## Next up, synchronized bong-hitting

— The second annual Olympic snowboarding competition got underway in Salt Lake City without the attendance of Nagano's gold medalist, Canadian Ross Rebagliati. If you remember the 1998 Olympics in Japan, scandal erupted when Ross tested positive for cannabinoids and was forced to forfeit his medal. The award was restored upon appeal because there was no clear rule stating marijuana as a banned substance. He wanted to come and watch this year's events, but United States Customs stopped his entry into the country. They cited an obscure law that forbids entry to anyone who has admitted to using illegal narcotics. Curiously, Ross actually denied using marijuana, and

claimed it probably got into his blood second-hand at a party. Even stranger is how the law has been selectively applied. If other countries enforced such a law, Bill Clinton would have never been allowed out of the United States. There was no immigration ban imposed on unrepentant, convicted marijuana addict Paul McCartney, who recently sang at the Super Bowl. One might suspect a case of youth discrimination. I believe it was just an attempt by authorities to hide a gold medalist that smokes marijuana. Nothing lessens the impact of a perfectly good "Drugs Kill" campaign than a pothead who is also a world-class champion.

— Tim Slagle

### *We can't catch Osama, but we can catch cancer patients*

— On Feb. 12, the day John Ashcroft and the FBI warned that the danger of a new terrorist attack was especially acute, the Drug Enforcement Administration decided that the best possible use of scarce federal agents was to raid a medical marijuana distribution center in San Francisco. Three people were taken into custody and face charges that could bring them 40-year sentences.

DEA honcho Asa Hutchinson had already been scheduled to give a speech at San Francisco's Commonwealth Club that evening. Presumably, the raids were timed to demonstrate that the new administration is going to be tough on people who use marijuana for medical reasons, which is legal under California state law. Instead of warming Hutchinson's welcome, angry protesters filled the street in front of the club to protest the raid, which was also denounced by San Francisco DA Terence Hallinan and half the board of supervisors. Inside, the audience was also packed with people who objected to it. Despite the Commonwealth Club's policy of trying to present speakers with half friendly and half hostile questions, no one in the audience asked a friendly question.

Now, San Francisco is not America. But federal drug warriors cannot be comforted that this anger came only from stoned-out dregs from Haight-Ashbury. Every poll shows that 60 to 70% of Americans want marijuana to be made available by prescription. The Institute of Medicine report commissioned by Hutchinson's predecessor showed that, contrary to what Hutchinson claims to believe, the scientific evidence of marijuana's benefits in some maladies is accepted virtually unanimously, and researchers are excited about promising new therapies that could be developed from intensive studies of the herb. The drug warriors are bucking science, compassion, and public opinion because the self-referential, parochial crowd inside the Beltway still thinks "weakness" in the Holy War is political poison.

— Alan Bock

*The value of life* — "If it saves just one human life, it's worth it." That's how opponents of free markets have justified hundreds of environmental and safety regulations. And sure enough, studies by scientists and economists suggest that the regulations implemented on this rationale sometimes save lives at the cost of tens of billions of dollars each. For example, according to risk assessment scholar W. Kip Viscusi, OSHA's regulation of formaldehyde costs consumers and taxpayers \$76 billion for every life it saves.

Cynical political observers have long suspected that proponents of such measures don't really value human life as much as they hate the free market. Now there's evidence that what the cynics have suspected is true. A little article in *The Wall Street Journal* (Feb. 14) reports that the Bush administration is "considering whether to recommend" a change in the law making it a crime for a person to sell a kidney or other body organ so it can be transplanted into the body of someone whose life depends on it. The change would allow payments if they were "understood as a thank you" and "not a bribe," so it wouldn't quite legitimate the hated free market. And substantial opposition remains. The boss of the United Network for Organ Sharing, a "non-profit" group that "coordinates transplants for the federal government," opposes the measure on the theory that paying someone for an organ would be "unduly coercive to certain segments of the population."

Why are the Bush administration and the American Medical Association considering this proposed reform? The reason is that every year 5,500 Americans die while waiting

---

*Over the past 18 years, more than 100,000 Americans have died simply because politicians and various puritans hate the free market.*

---

for an organ to be transplanted. This indicates that since payments for organs were outlawed 18 years ago, more than 100,000 Americans have died simply because politicians and various puritans in the medical community hate the free market.

OSHA regulators are willing to force people to spend \$72 billion to save a single life, which suggests that they'd be willing to spend \$7,200,000,000,000,000 — about what the federal government's total spending for 3,500 years would amount to at current levels — to save the 100,000 lives lost because it is illegal to pay for organs for transplant. But how much would it cost to save these lives if organ sales were legal? The article says that payments would range from \$300 to \$3,000 each.

Okay, which would you rather do? Save 100,000 lives at a cost of \$30 million to \$300 million, by allowing the marketplace to operate freely? Or spend \$72 quadrillion to save those same lives, by regulating the market?

The bottom line is this: Hostility to the free market runs so deep that thousands die needlessly each year because of it. Even Republicans, who claim to be defenders of the free market, are only "considering" getting rid of the anti-market regulations — and saving 5,500 lives every year.

— R. W. Bradford

*A fair trade* — The Pacific Research Institute's *Washington Bulletin* — accepting reluctantly that the War on Terrorism will involve restrictions on freedom, inconveniences, and outright hardship — suggests that the government offset new restrictions with the elimination of old,



useless, and tiresome restrictions. Specifically, it calls for amending ridiculously low speeding laws, reducing the puritanical drinking-age laws to 18, and eliminating all anti-smoking laws that affect private places. None of these nuisance restrictions has anything to do with security. Eliminating or amending them might serve as a concrete symbol that we really are fighting for freedom rather than for a larger government.

Is anyone surprised that neither the Bush administration nor any freedom-loving congressional Republican picked up on the idea?

— Alan Bock

## *To boldly go where one guy has gone before*

— Russia plans to send the second space tourist up to the space station, South African Mark Shuttleworth. NASA is again furious. The bureaucrats who run our space program do not understand free markets, and believe the only fair way to get promoted up to astronaut is through seniority. I find myself uncomfortably in agreement. I resent that the kid going up is younger than I am.

— Tim Slagle

**PC terrorism** — Only days after the attack on the World Trade Center, I was solicited to join a terrorist group. I do not exaggerate — I was asked to contribute to, or to join, a fanatical leftist terrorist organization, recruiting not in some dark alleyway, but on the campus of my university. That group, of course, was Greenpeace, an organization since described by one of its co-founders as “a band of scientific illiterates who use Gestapo tactics” in enforcing their vision of environmental purity. There are groups far worse than Greenpeace, though, including the Earth Liberation Front, whose spokesman, Craig Rosebraugh, recently testified before Congress — or, rather, hid behind the Fifth Amendment rather than answer Congress’ questions. In written testimony, Rosebraugh “fully praise[d] those individuals who take direct action, by any means necessary, to stop the destruction of the natural world and threats to all life. Long live all of the sparks attempting to ignite the revolution!”

Ecoterrorism has been a growing concern for several years. Terrorists have destroyed university laboratories and genetically modified test crops. Incidents of “tree-spiking,” intended to cause injury or death to lumberjacks date back over a decade. And then, of course, there was the Unabomber, whose murder by mailbomb earned him a skit on Saturday Night Live, presenting him as the Cute Wacko at his college reunion party. (Curiously, SNL made no similar elbow-in-the-rib jokes about Timothy McVeigh.)

Terrorism isn’t just part of the environmental movement. The terrorist tactics of political correctness have been chroni-

cled by many journalists — college students are encouraged to shout down speakers who dissent from the “acceptable” line on affirmative action or multiculturalism. I myself once received death threats for an article I wrote in college likening the racism of Louis Farrakhan to that of the Nazis. One reason I suspect the John Walker Lindh story has raised emotions to such a pitch is the discovery by many parents that their children are being essentially taught that such tactics are acceptable, so long as they are in the service of leftist causes. Immediately following Sept. 11, Professor Richard A. Berthold of the University of New Mexico sparked outrage

## *Only days after the attack on the World Trade Center, I was solicited to join a terrorist group.*

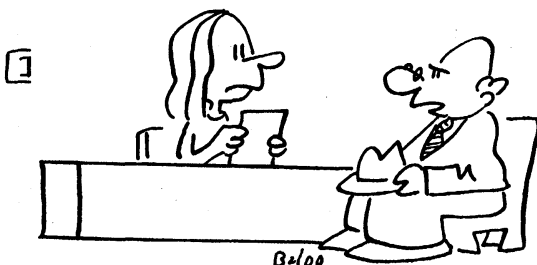
among parents when he said “Anyone who can blow up the Pentagon would have my vote.” The terrorists who disrupt every meeting of the WTO — smashing the windows of Starbucks or McDonald’s — are college students whose professors have taught them to accept such “activism,” or even encouraged them to participate in it themselves. As a matter of fact, in February, an 18-year-old named Sherman Austin was found to be hoarding bomb equipment — and posting bomb-making instructions on a website — while he protested at the World Economic Forum. “Taliban,” we are told, comes from a word for “scholar.” It really is a small world after all. — Timothy Sandefur

**Word watch** — It is always interesting to see the effect of public events upon our language. The case of Sept. 11 and its aftermath is especially interesting, because the effect has been — what shall I say? — curiously abstract.

Take the name of the event itself: “Nine Eleven.” It’s impossible to think of a less inherently meaningful designation of an historical event. It’s like calling America’s day of independence “Seven Four.” The closest analogue is the famous “days” of the French Revolution (e.g. “9 Thermidor”), but they don’t consist *entirely* of numbers.

There are several reasons for the abstractness of the name for what-happened-last-September. The terrorist attacks took place in several locations, so a name can’t be built on “New York.” And if you called what happened “The Terrorist Attacks,” you would miss part of its meaning. As perceived by the American populace, the event was a cause of regret (for the great loss of life), but it was also a cause of celebration (of the courage of the victims and rescuers).

A less successful naming is “Ground Zero,” for the site of the former World Trade Center. The name responds adequately to the problem of locating a concise phrase for a long, messy concept. “The Site of the Former World Trade Center” clearly wouldn’t do. “Ground Zero” suggests, however, that the place is like a bomb site — any old bomb site — which it clearly isn’t. The phrase is too open-ended, and at the same time too erroneously specific, since the obvious associations of “Ground Zero” are with World War II.



“I know I can’t take it with me, but I was hoping to keep enough for a decent funeral.”

"Ground Zero" will always be nothing more than default terminology.

"Fighters" is a locution that did not begin with Sept. 11 but has been immensely popularized by its aftermath. There are no more "soldiers" left in the world; they are all either highly specific "American Special Forces operatives" or highly generalized "Islamic fighters." Use of "fighters" responds, no doubt, to the difficulty of deciding whether those guys in Afghanistan are really in an army or what, dude, but it also responds to the movement for social equivalency that gave us "worker," as in "sex worker" and "home worker" (for "prostitute" and "housewife," respectively), not to mention "shooter" (for "murderer," or "terrorist" or "assassin" or "crazed postal worker" or "policeman"), the bottom line of which is simply "anyone who shoots a gun."

Much more inspiring are two foreign additions to our vocabulary, both of them abstract enough to have immense expressive possibilities. One is the syllable "bin," from "Osama bin Laden," which has now acquired the meaning of "fanatic in some creepy, foreign way"; thus, "Johnny bin Laden" (John Walker Lindh) or Janet bin Reno (Janet Reno). The other is "Taliban," a word that Americans gladly adopted without even caring to have it translated. All they needed to know was the abstract concept — some bunch of self-righteous weirdos trying to boss everyone else around. Since nobody cares what the word originally meant or how it was originally used or even whether it was supposed to be singular or plural, one can say with impunity, "He is a Taliban," but also, "The Taliban fight on." And the satiric potential is enormous. It's easy to see that everyone from NOW to MADD to those grasping relatives of yours can quite amusingly and accurately be called the Taliban. The word isn't quite as useful as some words popularized by earlier wars ("spam" immediately comes to mind), but it will do, and do nicely, when those relatives come around.

— Stephen Cox

***Holiday in paradise*** — Michael Diven, my local representative in the Pennsylvania legislature, raised a few eyebrows around town with his idea of a trip to Cuba to check out the market for the state's farm products and pharmaceuticals.

"Odd" is how *Pittsburgh Tribune-Review* reporter Brad Bumsted put it on Jan. 20: "There's nothing wrong with what Michael Diven is trying to do. It's certainly legal. But during my two-and-a-half decades as a reporter in Pennsylvania, few things have struck me as being this odd."

On the same day, Jake Haulk, president of the conservative Allegheny Institute for Public Policy in Pittsburgh, pointed out in a newspaper commentary that it's anti-entrepreneurial collectivism, not the U.S. embargo, that has laid waste to the Cuban economy: "What Cuba actually needs is to abandon its Stalinist command economy that keeps out all but a trickle of foreign investment and prevents the natural, entrepreneurial, growth-oriented economic climate that existed pre-Castro from returning."

Well, I agree with all three. I think Diven should go; I know it's odd; and it's true that Stalin was a blockhead when it came to economics.

And as for tossing Cuba's Stalinism on the ash heap of history, I suspect that U.S. trade restrictions have had the

effect of propping up Fidel Castro's regime, providing his loudspeakers with the phony excuse that it's the U.S. embargo, not the unworkability of communism, that's keeping his regime from delivering the goods.

Here's a list of helpful travel hints for Rep. Diven:

- Don't flash around big wads of cash. "Unduly wealthy" individuals can have their money confiscated, either legally by the Cuban government or on the street by freelancers.

- Watch out for the Soviet-trained Cuban secret police. "Cuban authorities," warns Human Rights Watch, "continue to treat as criminal offenses nonviolent activities such as meeting to discuss the economy or elections." Run-of-the-mill "contempt for authority" (*desacato*), for instance, can bring three to five years in jail.

- Comply with the "duty to denounce" (*el deber de denunciar*). If my Spanish is right, it's "*él arbusto es malo hombre*" (Bush is a bad man). Practice up.

- Forget about bringing cigars back. At the max, it's ten years and \$50,000; at the light end, confiscation by U.S. Customs.

- It's "*¿Dónde está la cerveza?*" ("Where's the beer?").

- And remember the tips by Michael McGuire, associate travel editor at the *Chicago Tribune*: "Allow extra time for finding your way. Maps are scarce."

"Avoid night driving." Lights are scarce. "Scan the road for potholes." Asphalt is scarce. "Fill up your tank at every opportunity." Gas is scarce. "Carry with you basic medicines, such as aspirin." Pills are scarce. "Take all supplementary liability insurance available." Smooth sailing is scarce.

---

*U.S. trade restrictions have propped up Castro's regime, providing him with the excuse that it's the U.S. embargo, not the unworkability of communism, that's keeping his regime from delivering the goods.*

---

"Pick up all the Cubans you can at bus stops and along the highway." Cars and buses are scarce. "Take cigarettes and soap — Cubans love to receive gifts." Marlboros and Dial are scarce.

And don't make scary faces at the wrong people. "Dangerousness" brings up to ten years — no crime necessary, just jail for looking like a hazard.

¡Buena suerte!

— Ralph Reiland

***Draft evasion: \$10,000, smoking marijuana: \$25,000, living in a civil society: priceless*** — Criminal penalties are not prices.

Occasionally the idea surfaces that the schedule of penalties for felonies and misdemeanors is a price list. By implication, people are welcome to commit an offense if willing to pay the price (or, more exactly, to risk having to pay if caught and convicted). Steven Landsburg, an economics professor at the University of Rochester, expresses this idea in *The Wall Street Journal* of Feb. 11. "Speeding," he writes, "is bad when

the cost (measured by the threat you pose to other drivers) exceeds the benefit (measured by the size of the fine you're willing to pay). At other times, speeding is good. If you're willing to pay \$500 to do 25 mph in a 20 mph zone, you ought to be speeding."

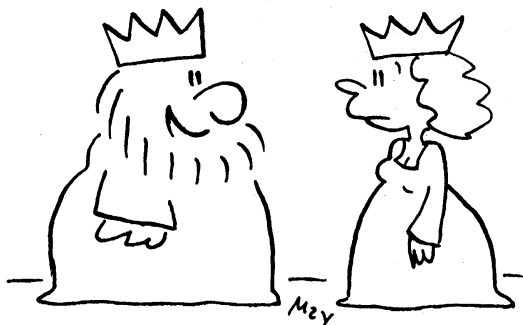
Landsburg complains in particular about traffic fines scaled (as in Finland) to the offender's income. I agree on this narrow point, as on the perversity of trying to scale the prices of ordinary goods and services to the buyer's income. Furthermore, traffic offenses are a poor test of the notion of penalties as prices; for it is easy, even without bad intent, to overstay a parking limit or to creep above a speed limit, especially when everyone else is exceeding it and enforcement is lax.

But the penalties-as-prices principle is, in general, monumentally perverse. A free and prosperous society could not endure (although here is hardly the place to explain why not) unless most people regarded certain actions as downright wrong, morally wrong, along with even a readiness to calculate the personal benefits and probabilistic personal costs of committing them. Even obedience to the law as such, apart from exceptional cases, is morally required; or so I could argue. Penalties scaled to the perceived seriousness of offenses do not thereby become prices that offenders are welcome to pay if they calculate that incurring them is personally worthwhile. Instead, scaled penalties remind people of the relative seriousness of crimes. Furthermore, they realistically take account of prosecutors' and juries' reluctance to convict offenders of crimes carrying disproportionate penalties.

The penalties-as-prices principle fits into the mindset of certain economists who regard success on "the market," in a stretched sense of the word, as a test of desirability or excellence. But "the market" is no superhuman entity passing definitive judgments about good and bad, desirable and undesirable, right and wrong. The market is a metaphor for the myriad voluntary interactions of individual persons, who are responsible for their own behavior and whose very tastes are legitimately open to appraisal and criticism (though not to coercive suppression). The notion of "the market" as God, including the notion of penalties as prices, ignores and casts discredit on the quite different and valid case for a free society.

— Leland B. Yeager

*¡Sex talk, sí; political talk, no!* — Back in a different era — one that seems touchingly innocent now — people used to argue, sometimes almost sincerely, about



"I'm bored, too — let's go inflict some hardship on the poor."

whether the First Amendment was really written to protect such things as pornography and nude dancing. Those with a hankering to control the impure or shocking argued that the Founders clearly intended for "freedom of speech" to apply only to speech about political matters, which is essential to a politically free society and deserves protection. Dirty words or pictures of boobs hardly rise to the level of public discourse we might deem essential to keeping the public dialogue open and uncensored.

That was then, this is now. By passing the Shays-Meehan bill, the House of Representatives has explicitly tried to ban certain kinds of explicitly political speech. To say this does not require that we equate political contributions with political speech — though they are, and U.S. courts have consistently held that they are. Shays-Meehan goes far beyond limiting contributions by banning certain corporations, unions, and issue groups from sponsoring or broadcasting certain kinds of "issue ads" within 60 days of a general election and 30 days of a primary. That is an explicit prohibition on relevant political speech at precisely the time when you might suppose anybody genuinely interested in democracy

---

*A more thorough subversion of the intent of the First Amendment can hardly be imagined.*

---

or self-rule would be encouraging as much political speech as possible. It converts political speech into a crime.

A more thorough subversion of the intent of the First Amendment can hardly be imagined. Indeed, when Rep. Gephardt proposed a similar ban a couple of years ago, he was honest enough to admit that it might require some tinkering with the First Amendment, but it was worth it to move toward the Holy Grail of clean elections unscathed by dirty money.

Most of the media celebrated the passage of Shays-Meehan, running glowing profiles of the sponsors and supporters, lauding the persistence and tenacity of the determined reformers. One dirty little secret is that restrictions on campaign contributions and political advertisements increase the relative power of the media to set the political agenda, because the media (so far) can't be regulated. Whether a frontal assault on the one purpose of the First Amendment everybody agrees is central to it will end up nullifying the amendment and the media's freedom is a good question. It might not, so long as the media remain, as they almost all do, the lap dogs of the establishment.

The other dirty little secret is that campaign finance reform is really about entrenching and solidifying the power of the state — the establishment, the insiders, old boys, powers that be, whatever term you prefer — and protecting it from anything so messy or upsetting as a genuine expression of democracy or a genuine manifestation of the people's will.

The old theory of democracy was that the government served the people and embodied their will as expressed through political action. Now that government openly regulates politics, that theory is exposed as the sham it always

was. The only gain is a modest gain in candor — at least the old boys no longer feel the obligation even to pretend that they care a whit for the opinions of the people. — Alan Bock

**The new recycling** — The John Locke Foundation reports that North Carolina is using some of its tobacco lawsuit money to subsidize a tobacco processing facility in Nash County. How appropriate! I wonder when states will realize where their new interests lie and begin television advertisements urging kids to start smoking so that the tobacco money keeps rolling in? — Randal O'Toole

**Silence of the peasants** — One of the most severe restrictions of political speech since the Sedition Act has passed the House of Representatives and is now on its way to the Senate. The bill, H.R. 2356, places caps on "soft money" — money donated to candidates by private parties who believe in them — and limits campaign advertisements during a period immediately preceding an election. In a recent committee meeting, Sen. Ernest Hollings of South Carolina repeated his oft-stated desire to see a constitutional amendment to empower Congress to control all spending on congressional campaigns. This extraordinarily dangerous idea reminds me of John Locke's explanation that "A parliament, for instance, consisting of a body of representatives, chosen for a limited period to make laws and to grant money for public services, would forfeit its authority by making itself perpetual, or even prolonging its own duration; by nominating its own members; by accepting bribes; or subjecting itself to any kind of foreign influence. This would convert a parliament into a conclave or junto of self-created tools; and a state that has lost its regard to its own rights, so far as to submit to such a breach of trust in its rulers, is enslaved." — Timothy Sandefur

### **Don't break out the champagne just yet**

— E.J. Dionne has spotted a Bush ideology, described in his *Washington Post* column of Jan. 27. The column is a warning to liberals who might be lulled by Bush's moderation in words. Dionne's thesis: "By rejecting pure anti-government rhetoric, Bush has left himself more room to reduce the size of government."

That's interesting. But is it true? Dionne argues that Bush is "no Rockefeller Republican," and, in fact, is "in many ways more conservative than Reagan ever was. Reagan didn't successfully push a repeal of the inheritance tax. He didn't propose a partial privatization of Social Security. He praised religion but never contemplated a faith-based initiative."

In Dionne's analysis, the essence of Bush is "a new fusionism" between the libertarian and traditionalist impulses on the right. The Reagan fusionism broke down at the end of the Cold War, and Bush is creating a new one in his war on al Qaeda.

"Like libertarians, he has made tax cuts a central article of his creed," Dionne writes. "His devotion to business is reflected in his efforts to roll back regulations from the Clinton era and to open federal lands to energy development." Like traditionalists, he says the market is not enough. Bush says things like: "We are a nation of rugged individuals. But we are also the country of a second chance — tied together by bonds of friendship and community and

solidarity."

Dionne's take: "Note well: Bush's rhetoric on the limits of markets is not about changing or regulating them more. Instead, it's about strengthening non-market institutions *outside* of government — family, church and neighborhood." Dionne takes up another piece of Bush rhetoric, and translates it: "The root causes of poverty, he's saying, are personal and moral, not social and economic. He has shifted the focus to individuals, and their shortcomings."

After examining the Bush rhetoric about "compassionate conservatism," he sums up: "Whatever this is, it's not the New Deal or the Great Society. It's conservatism of an old sort."

He's right about that. The thinking is conservative. Still, as in his education bill and his proposal for subsidized medical insurance for the unemployed, Bush is willing to increase citizens' reliance on government. So far, he has not reduced its size. — Bruce Ramsey

### **Millions for defense, but not one cent for peace**

— What came across most clearly in the State of the Union speech is Bush's belief that the United States is capable of making and maintaining almost limitless commitments around the world and succeeding brilliantly at all of them. His faith in the ability to fleece taxpayers endlessly was quite explicit — "My budget includes the largest increase in defense spending in two decades, because while the price of freedom and security is high, it is never too high: Whatever it costs to defend our country, we will pay."

Presumably that doesn't include cutting back on overseas commitments, which would surely reduce our vulnerabilities and the number of people who resent us. The cost of that policy would surely be too high for our foreign policy mandarins to bear, however much it might benefit the American people. — Alan Bock

**Traitor John** — The case of John Walker Lindh, the American Taliban, seems to have been designed to bring out the worst arguments in people.

1. The bald-faced lie. Faced with accusations of crime on

## **Learn at Liberty!**

Are you interested in working as a journalist?

*Liberty* offers full-time, paid internships at all times of the year. Interns at *Liberty* work closely with the editors. Responsibilities generally include fact-checking, researching, circulation, and advertising work.

*Liberty* interns have gone on to become editors at *Liberty*, *Reason*, and *Regulation*, authors of articles in major magazines and newspapers, researchers at important think tanks, and to win major fellowships and scholarships.

For information, write: R.W. Bradford, Editor, *Liberty*

P.O. Box 1181, Port Townsend, WA 98368

email: [rwb@cablespeed.com](mailto:rwb@cablespeed.com)

the front pages of every newspaper in the country, President Clinton's defenders donned their masks of outraged innocence and told the media, "The president has never been accused of a crime." If pressed, they could have taken refuge in the factoid that Clinton had never been formally indicted in a court of law. But of course they were never pressed, so the lie was able to work its way, helping Clinton slowly, slowly, slowly crawl back toward the stagnant pool of residual legitimacy that lies around the office of the president. He reached that pool. Johnny Lindh's parents now follow in his path, claiming with outraged expressions that their son "loves America" and could never, therefore, have been guilty of fighting against it. Well, love is *such* a tricky thing, isn't it? Didn't Oscar Wilde say, "Each man kills the thing he loves"?

2. The fevered search for truth. How many times during the past two months have you seen a modern liberal pundit publicly wringing his hands over the extreme difficulty of locating evidence that John Walker Lindh was fighting against the United States? Unfortunately, all we have is videos showing him as a member of an armed force that was fighting against the United States.

3. The brainwash defense. This is the catchall or default argument. According to Paul Morantz, writing on Jan. 25 in the *L.A. Times*, "History is full of examples of various kinds of brainwashing." Among his instances are "the Inquisition," "the Salem witch hunts," "McCarthyism," "Hitler," and "Stalin," the last two of which "hooked the downtrodden with promises of greatness. We are all, to some degree, vulnerable to committing horrible acts if we become convinced of a justification." Of course, if we're not convinced — if we're not "hooked" — then we aren't vulnerable. So brain-

---

*After 29 years of plastic surgery, Mrs. G. is now suing her doctor for malpractice, saying the real problem all along was in her head, not with her chin and thighs.*

---

washing consists of being convinced? Wait a minute, could we go back over that one more time?

As weak as it is in the purely logical sense, however, the universal-brainwash argument may actually be the most effective. How, after all, could one accept any of these arguments, if one hadn't already been brainwashed?

— Stephen Cox

***But you can be too crazy*** — In the world of the upper East Side where apartments run \$4 million and lunch consists of an ounce of arugula, you can, as they say, never be too thin or too rich. Still, at 105 pounds, I'd think it would be hard for Mrs. G. (whose name has been sealed by the court) to find any fat to tuck. Even so, she managed to rack up three liposuctions to the chin, a tummy tuck, a nose job, several eyelid operations, multiple injections of fat to do away with wrinkles, removal of skin growths, eyebrow tattoos, a breast boost, and liposuctions of the abdomen, knees, inner thighs, and flanks.

In any case, after 29 years of selective surgery remakes,

Mrs. G. is now suing her doctor for malpractice, saying the real problem all along was in her head, not with her chin and thighs. She's self-admittedly nuts, in other words, so wacky about body image that she's incompetent to give real consent to surgery and no good doctor should have tucked her tummy or tapered her flanks.

Seeing good merit in Mrs. G.'s case, a New York State Appellate Division court flashed a green light, pointing to something called BDD, body dysmorphic disorder — an obsession with minor or imaginary physical flaws.

Asked *New York Observer* columnist Renee Kaplan, "What should plastic surgeons do when crazy patients demand work?" If Mrs. G. ultimately wins, says Kaplan, "Park Avenue's notoriously body-obsessed plastic surgery aficionados may soon be obliged to get their heads shrunk before they can get their faces lifted."

Also in New York, red-blooded American male William Stowell is suing the hospital where he was born for malpractice — Good Samaritan Hospital in West Islip. "Wrongful circumcision," says Stowell, is keeping him from enjoying things as much as he thinks he should.

Overall, a new lawsuit is now filed every two seconds. Some have merit, some are from nuts, too many are nothing more than legal shakedowns. "We in the United States," concludes a *Wall Street Journal* editorial, "seem to have arrived at the point in our social relations where many people, and certainly the entire Democratic Party, believe that no private institution will act in good faith absent the possibility of being torn to pieces by a lawsuit."

Measured in lost jobs and higher prices, we're each being hit, on average, with a hidden tax of \$616 annually to support the cost of litigation, \$2,464 for a family of four, according to a recent study by the Public Policy Institute.

"Litigation has become the nation's top growth industry, growing four times faster than the economy," writes Jack Faris, president of the National Federation of Independent Business. "Everyone who wears a pacemaker pays thousands of dollars more than the device actually costs to support liability fees. And the new car you bought? You won't see it on the invoice, but hidden in the final tally are costs that allow trial lawyers to dip into your wallet for an average of \$500 per car."

— Ralph Reiland

***Crazy!*** — He always was crazy and it kept us from going insane. I'm talking, of course, about Waylon Jennings, who passed away on Valentine's Eve. I was lucky enough to see him in concert with Willie Nelson and Neil Young many years ago. Writing songs about being crazy before being crazy was cool, Waylon gifted the world some unforgettable lyrics, including "I've always been crazy, but it's helped me from going insane," and "Good-hearted woman, in love with a good timin' man."

Now, even liberal *New York Times* columnist Thomas Friedman is writing that crazy is cool: "The Europeans don't favor any military action against Iraq, Iran or North Korea. Neither do I," writes Friedman. "But what is their alternative? To wait until Saddam Hussein's son, Uday, who's even a bigger psychopath than his father, has bio-weapons and missiles that can hit Paris? No, the axis-of-evil idea isn't thought through — but that's what I like about it. It says to these countries and their terrorist pals: 'We know what



you're cooking in your bathtubs. We don't know exactly what we're going to do about it, but if you think we are going to just sit back and take another dose from you, you're wrong. Meet Don Rumsfeld — he's even crazier than you are.' There is a lot about the Bush team's foreign policy I don't like, but their willingness to restore our deterrence, and to be as crazy as some of our enemies, is one thing they have right." Friedman, Christopher Hitchens, Bernard Lewis, Charles Krauthammer, Samuel Huntington, and Andrew Sullivan are all in favor of getting crazy, and I think they have the best grasp on the situation. — Sarah McCarthy

**Endless war** — "What we have found in Afghanistan confirms that — far from ending there — our war against terror is only beginning." Mr. Bush's speechwriters wrote that line, he approved it, and he delivered it with passion and something resembling conviction. He went on to promise virtually limitless future commitments, lamenting that "some governments may be timid in the face of terror. And make no mistake about it: If they do not act, America will."

Does that mean the United States is promulgating the doctrine that it has the right to send troops and bombs to any country in the world, anytime, on mere scraps of evidence that something is going on there that has some tenuous connection to an organized international terrorist ring? The words suggest it and the administration's actions reinforce that impression. — Alan Bock

**PC in space** — NASA has announced new guidelines for space tourism. After Dennis Tito's vacation on Mir last year, the idea no longer seems so bizarre, and now a South African Internet businessman named (appropriately) Mark Shuttleworth, is training for the trip himself. So NASA is drafting a set of new, and politically correct, rules for determining who should be allowed into space. The rules would prohibit alcoholics and drug users from flying, as well as members of organizations "that might be offensive" to other astronauts. No word on what that means, exactly. To some of us, NASA's multi-billion-dollar monopoly on space travel, which stifles entrepreneurship and innovation, makes it a might bit offensive. — Timothy Sandefur

**No pretense of defense** — I USED TO HAVE A T-SHIRT THAT SAID "FREELANCE GYNCOLOGIST."

Time was when the United States went to pains to declare that its overseas military operations were either defensive or came at the behest of some country that was the victim of aggression and had called for our help. Often this was more pretense than reality, as with the Tonkin Gulf incident. But at least our leaders had the decency to make believe. Even the Persian Gulf war waged by Bush 41 had to wait for propaganda about the heartbreaking terror Saddam's minions were inflicting on the innocent Kuwaitis.

No more. Merely displeasing our policy elites is now enough. President Clinton shattered the old self-defense paradigm with the bombing of Bosnia, then Kosovo, mounting what amounted

to the invasion of a country that — though certainly reprehensible — had not ventured outside its own borders.

Bush has taken up the torch of imperial maintenance with enthusiasm. The two examples he mentioned of countries where U.S. forces are already involved or will be soon — the Philippines and Somalia — have only the most tenuous connection to international terrorism. The Abu Sayyaf group in the Philippines is a thoroughly nasty lot, engaged in kidnapping and extortion. But while it had some contact with al Qaeda in the middle 1990s, there's almost no evidence of close contact between Abu Sayyaf and al Qaeda currently, and none at all that al Qaeda is somehow masterminding Abu Sayyaf, which has degenerated into something closer to a criminal gang clinging to a political pretext.

The same is true in Somalia. Certainly, this sad country suffers from organized crime, but there's no widespread terror campaign and just a little contact with other terrorist groups overseas. — Alan Bock

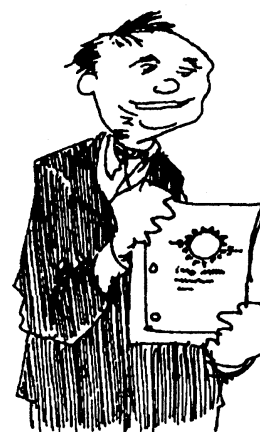
**A tale of two politicians** — In Washington (the state in the Pacific Northwest, not the Death Star on the Potomac), a media frenzy has developed over what appears to dispassionate observers to be a very small matter. A political activist, who has never supported a candidate for office, used for his own benefit a small portion of contributions that people had made to his organization. Doing this appears to be perfectly legal, although the activist had for a while publicly denied that he had done so.

The reason this is such a big deal is that the activist is Tim Eyman, a watch salesman who several years ago got the idea of organizing petitions for ballot initiatives to make the state's politicians responsible for how they raise and spend taxpayer money. In 1999, he headed a campaign that got an initiative on the ballot to cut license plate fees to \$30 and prohibit the state from raising taxes to get around the restriction without voter approval. This was an immensely popular proposal. For years, Washington's legislators had routinely added small amounts to license plate fees almost every year, and the result was the highest and most idiotic fee structure

SOME GUY COMES UP WITH STATIONERY THAT SAYS "CENTER FOR SCIENCE IN THE PUBLIC INTEREST."



I DIDN'T MAKE ME A DOCTOR.



Van Dyke

in the nation. I recall paying over \$100 per year for a 10-year-old vehicle that had cost only \$4,500 new. Residents who drove late-model cars often paid thousands of dollars for their license plates.

Virtually every politician, every business group, every union, and every news outlet in the state opposed the ballot measure, but voters passed it overwhelmingly. The state's supreme court killed it on the curious theory that cutting a tax and keeping it cut were two separate and distinct measures and thus violated a provision of the state's constitution that required initiatives to cover only a single subject. But the state legislature, fearing the wrath of the citizens, quickly cut the license fees to \$30.

It was a victory for Eyman, who has since organized other initiatives that have limited taxes and spending, in the process becoming the most effective pro-liberty public policy entrepreneur in the nation. Not surprisingly, he is hated by virtually everybody in the state who wants bigger and more powerful government or who profits from state spending.

On Feb. 1, the *Seattle Post-Intelligencer* reported that Eyman had paid himself \$45,000 from the money raised on behalf of one of his initiatives. Eyman denied it. Two days later, he admitted that he had taken the funds, and apologized. The media frenzy continued, and the airwaves were full of denunciations of this "corruption." For nine days, none of his supporters called for any action, but on Feb. 12, the co-chairpersons of his organization "benched" him, obviously in an attempt to quiet the attacks, though they made it clear that Eyman was more than welcome to return to his post, and that they would be glad to pay him a salary for doing so.

While this tempest in a teapot plays itself out, a case of real corruption is taking place with nary a whimper from the news media.

Last year, multi-millionaire Maria Cantwell won election to the U.S. Senate from the state of Washington. Her drive for public office was funded mostly by her own millions, which she lent to her campaign. Comfortably ensconced in the Senate, where she has substantial influence on how \$2,100,000,000,000 is spent each year, she is perfectly free to solicit campaign contributions. But they are contributions in name only: Since her campaign still owes her millions of dollars, the effect of making a donation to the campaign is to

put money directly into her pocket. Not surprisingly, businesses and individuals who might benefit from the \$2.1 trillion have donated generously to her campaign; i.e., given her money for her own direct personal benefit.

As is the case with Eyman, it seems that all this is perfectly legal.

But there is one big difference between Eyman and Cantwell. Eyman is not now, nor has he ever been, in a position to confer governmental benefits on any person or any company. Yet the media and the political establishment are furious over the "corruption" of Tim Eyman, who has no ability to reward donors with anything at all and who has collected so little money for several years of hard work that he may not have even received the minimum wage. And they couldn't care less about Cantwell's pocketing millions from donors who stand to benefit from her power over spending and legislation.

— R. W. Bradford

**I got the gold, dude!** — Perhaps it's the fact that I have a 16-year-old who took up snowboarding this winter, but I think it's kind of cool that U.S. respectability in the Winter Olympics was beefed up this year by a bunch of "dudes" about whom everybody openly jokes that they have to pee carefully to pass post-competition drug tests for marijuana. The snowboard half-pipe was introduced four years ago in an effort to make the staid old Winter Olympics a little more with-it to younger generations. Now those younger generations have made the United States, normally fairly pathetic in Winter games, look almost like a powerhouse. On the other hand, I wonder how long before snowboard judging — unquestionably somewhat subjective — will become as blatantly corrupt as the judging of figure skating.

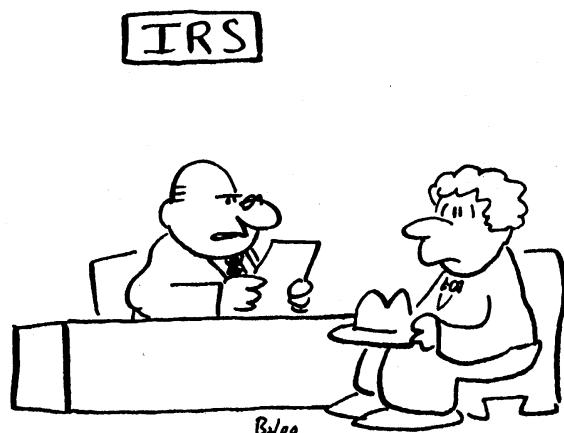
— Alan Bock

**A beautiful equilibrium** — *A Beautiful Mind* is the first film that deals with a profound social issue that touches everyone and yet that few people mention or even understand — a Nash equilibrium. The film also focuses on the mental illness of mathematician John Nash but only because Nash won the 1994 Nobel Prize in economics for a two-page paper called "Equilibrium Points in N-Person Games" that he published in the *Proceedings of the National Academy of Sciences* in 1950 when he was just 20 years old. There would have been no film without the Nobel Prize.

Yet the filmmakers failed to correctly explain a Nash equilibrium. And a mere flash of text at the film's start only hints at why a review article in the September 1999 issue of the *Journal of Economic Literature* said that the impact of Nash equilibrium in the social sciences "is comparable to that of the discovery of the DNA double helix in the biological sciences."

So what is a Nash equilibrium?

Nash equilibrium shows how selfish competitors should act given how their competitors act. A Nash equilibrium has a simple mathematical definition. Here is how Nash described it in words in his 1950 paper called "Non-Cooperative Games": "Each player's mixed strategy maximizes his payoff if the strategies of the others are held fixed. Thus each player's strategy is optimal against those of the others." So each player does the best he selfishly can given the competitive context of his competitors doing the best



"Never mind what Bill and Hillary deduct!"

they can. The competitors constrain one another's selfishness. And no competitor has an incentive to change his strategy once all the competitors are in a Nash equilibrium.

Jean-Jacques Rousseau suggested a hunting example in his 1755 *Discourse on the Origin of Social Inequality* that has led to something called the deer game. Suppose you are one of four starving people in the forest. You have just two options: You can try to catch a rabbit or a deer. But you can catch a deer if and only if all four of you try to catch one. How each person behaves depends on how the others behave.

Suppose the other three persons catch rabbits. Then the best you can do is catch a rabbit too because you have no chance to catch a deer. This rabbit hunt is a Nash equilibrium because each person does his selfish best given what the others do and because no one has an incentive to switch hunting strategies.

Thus does order arise from competitive struggle.

Now suppose the other three persons try to catch a deer. You still eat if you catch a rabbit but then they can't catch a deer. They will catch a deer if you help them and then you can all have a feast. So it is in your selfish interest to try to catch a deer. The deer hunt is also a Nash equilibrium because each person does the best he can and has no reason to change his hunting strategy. The latter point is essential. A player cannot have any incentive to switch strategies.

The movie gets this backward when it concocts a "blonde game" in a bar. Each young man in the bar wants to pick up a blond woman rather than a brunette. Then a blond beauty walks in with several brunettes. The Nash character (Russell Crowe) conceives the Nash equilibrium in this fictitious scene. He claims that no man should pursue the blonde because they can't all have her (and this will insult the brunettes). So he claims that the optimal strategy is to pursue only the brunettes.

But each man will want to switch from his brunette to the blonde if all the other men have brunettes. So this is not a Nash equilibrium. The film's logic says that children will pick up only the pennies on a sidewalk and not the hundred dollar bill lying next to the pennies because they can't all have the bill. Our own selfishness says otherwise.

Studies of ultimatums have shown that we can be so selfish that we become envious and we don't achieve Nash equilibrium. Suppose I have a hundred dollars and I offer you a share of it. The rules let us keep our shares if you accept my offer. But neither of us get anything if you reject my offer. Then I should offer you as little as possible and you should accept anything I offer. But more than half of players reject an offer less than twenty dollars even though accepting even one dollar is better than nothing.

Nash equilibrium can also explain the darker side of behavior. I published a paper I wrote as a student about outlaws who grow and steal marijuana plants (you can download it from my USC web page). It pays to steal if there are many more growers than thieves because growing pot is so risky. But it pays to grow if there are too many thieves because a grower has some chance of harvesting something while thieves find little to steal and other thieves will steal from them. Players adjust their strategy mixes of growing and stealing until they reach Nash equilibrium (whereas legalization lets growers organize and use the police).

Yale economist Stephen Morris applied Nash equilibrium to political correctness in a 2001 issue of the *Journal of Political Economy*. Political correctness deals with not telling the truth because of fears to one's reputation. An advisor may lie to her boss if she fears some words or opinions will harm her reputation. The extreme case leads to a "babbling equilibrium" where the advisor's advice is no better than flipping a coin and so her boss ignores her. This can apply to advisors from stockbrokers to astrologers to political consultants.

John Nash deserved his Nobel Prize — and a more accurate movie.

— Bart Kosko

**Hypocrite, M.D.** — John Slade, M.D., died on Jan. 29 at a family home on Lake Burton in Rabun County, Ga., from a self-inflicted gunshot wound. He was 52 years old. Six months earlier he suffered a stroke. He was, according to his friend Greg Connolly, a "devout Christian." Connolly wrote in a eulogy that "When you fight the immoral actions of the tobacco industry you need a moral touchstone to persevere and stay on an ethical path . . . I am sure John is close with God this evening . . . He changed America's view on tobacco more than any other person I know . . . In his life he has changed America and saved the lives of many of its citizens."

John Slade was a hero among contemporary public health crusaders. He was addicted to the war against tobacco. He influenced the Food and Drug Administration's attempt to regulate the tobacco industry. He helped to redefine cigarettes as "nicotine delivery devices." And he "disrobed" tobacco executives at shareholder meetings and elsewhere. An epidemiologist by training, he called tobacco advertising and marketing an "infectious agent" and a "virus."

John Slade was also a hypocrite. He had one set of standards for others and quite a different set of standards for himself: He was a statist towards others and a libertarian toward himself.

Slade chose to end his life quickly, presumably because he did not want to continue living as the victim of a stroke. When it came to himself, he wanted to be left alone. He did not want the power of the state to interfere with his gun use. When it came to others, he enjoyed meddling in their affairs.

## Coming in Liberty

### "Evolution: A New Theory Is Needed"

Gordon Tullock looks at the flaws in Darwinian theory.

### "Hayek and Psychiatry" Thomas S. Szasz examines what F. A. Hayek had to say about psychology.

### "Where Taxes Are Lowest" R. W. Bradford surveys the tax structures of all 50 states, and discovers that some Americans can cut their non-federal taxes by as much as 75% by moving a few miles.

He sought to use the power of the state to interfere with their cigarette use. He tried to dictate how smokers live their lives. He sought to interfere with the relationship between cigarette buyers and sellers.

This conflict between his personal values and those he sought to impose on others is striking. Contrast his exercise of free will regarding, to use his own language, a "bullet delivery device" with that of the millions of people who may end up killing themselves with "nicotine delivery devices."

Smokers choose to smoke for reasons that are important to them. Slade committed suicide for reasons that were important to him. According to Slade, suicide performed quickly is a right. Suicide performed slowly is a sickness caused by an infectious agent, a virus.

John Slade felt compelled to protect people from cigarettes and the tobacco industry. Smokers are, according to Slade, victims of nicotine delivery devices and an immoral corporate empire. Because they have allegedly lost the ability to choose not to smoke due to addiction, Slade believed the state had a right to interfere with their lives. However, by his own reasoning, Slade should have been protected from himself, too: He was not thinking clearly. He was the victim of a bullet delivery device and an immoral corporate empire. Had he lost the ability to choose not to commit suicide? The meaning he found in combating what he considered evil in the world obviously did not give him enough of a reason to continue living. What is a good reason to go on living? What is true for smokers is just as true for John Slade.

Slade believed he had a right to "fatal freedom." He believed he had a right to end his life because he no longer

wanted to go on living. No one has condemned him for this, and no one should condemn him for committing suicide.

He devoted a significant part of his professional life lobbying for the very opposite kind of policy when it came to others: Smokers, he asserted, do not have the right to exercise free will to self-destruct by smoking. When it came to others, John Slade believed the state had a right to interfere with their lives.

— Jeffrey A. Schaler

**Robert Nozick, R.I.P.** — On Jan. 23, Robert Nozick died of stomach cancer. He was 63. With the publication of *Anarchy, State, and Utopia* in 1974, Nozick singlehandedly made libertarian philosophy respectable among philosophers. His book also provided the most widely read alternative to John Rawls' influential rationale for the welfare state.

Although Nozick involved himself briefly in the libertarian movement, he never seemed very comfortable there. His subsequent philosophical writing covered a wide range of subjects far afield from political theory. "I didn't want to spend my life writing *The Son of Anarchy, State, and Utopia*," he explained.

In 1987, he sued his landlord for a refund of past rent, on grounds that his landlord had violated local rent control regulations. Many people considered this an obvious violation of the ethical theory of *Anarchy, State, and Utopia*, and his popularity among libertarians declined. But he remained an enormously influential philosopher.

In a future issue, *Liberty* will publish a re-evaluation of *Anarchy, State, and Utopia*.

— R. W. Bradford

Great Ideas



Great Books



Great Thinkers



## The First Annual FEE National Convention and 30<sup>th</sup> Anniversary Gala Celebration of Laissez Faire Books

May 3-5, 2002, Bally's/Paris Resorts, Las Vegas

Andrea Millen Rich, Mark Skousen, and 50 libertarian scholars invite you to the most exciting gathering of liberty-minded people to come along since John Galt said, "Meet you at the Gulch!" Meet your favorite laissez-faire authors. Listen to stimulating speakers on topics ranging from economics, history, and philosophy to education, music, and literature. Discuss new ideas with new friends. Here's what to expect:

◆ On Friday a special pre-conference bonus: **the famous FEE Course in Sound Money and Free Markets** taught by Mark Skousen and other top economists. At 6 p.m. the conference officially opens with a reception featuring **Ben Stein** — host of the popular game show, "Win Ben Stein's Money." You will not want to miss his provocative speech, "Why Bashing Big Business Is Big Business in Hollywood."

◆ Saturday and Sunday promise an unforgettable, non-stop learning experience as we offer you **speakers, workshops, breakout sessions, panels, and debates**. You will hear from: Nathaniel Branden, Charles Murray, Thomas Szasz, Ken Schoolland, Thomas DiLorenzo, Tibor Machan, Dinesh D'Souza, Richard Ebeling, R. W. Bradford . . . and many more.

◆ Our **Exhibit Hall** is the place to be between sessions Meet with top intellectuals, and pick up materials and books of the sponsors such as *Liberty Magazine*, Reason Foundation, Young America's Foundation, Heritage Foundation, Advocates for Self-Government, Nevada Policy Research Institute, Cascade Policy Institute . . . and many more.

◆ **Saturday banquet & gala celebration of Laissez Faire Books**. After a sumptuous meal and keynote speakers, we will reminisce as friends of Andrea Millen Rich toast Laissez Faire Books, which celebrates its 30th year in 2002.

**The price of this entire 3-day extravaganza is only \$225. But if you register by March 31, you can have it all for just \$175. Register today at [www.feenationalconvention.org](http://www.feenationalconvention.org) or call 1-888-565-8779.**

# The Enron Mess

The collapse of Enron has revealed a tangled web of fraud and corruption, and touched off a new round of attacks on the free market. But fraud in the wake of big business and big government conspiring against the taxpaying public is nothing new.

---

## The Inevitability of Enron

*by R. W. Bradford*

---

The collapse of Enron was gaudy and spectacular, providing ample grist for the mills of punditry and ample amusement for the couch potato. The only story in recent memory to which it is comparable is the savings and loan scandals of the late 1980s, to which it has plenty of similarities.

In essence, Enron and the crooked S&Ls were doing the same thing: They invested other people's money into high-leveraged, high-risk ventures in hopes of high profits, and when the profits failed to materialize, postponed the day of reckoning by using complex schemes to disguise losses and report profits that did not exist. Both created other entities to garner such profits as there were, to disguise the risk, and hide the losses that ultimately and inevitably resulted. The S&L crooks used real estate partnerships (remember Whitewater?), while the somewhat more sophisticated Enron crooks used joint ventures and partnerships so complicated that lawyers are still having trouble figuring them out. In both cases, the schemers grabbed as much cash as they could and headed for the hills, hoping to protect themselves by taking advantage of their connections with corrupt politicians and the inept or downright crooked legislation that they enacted.

But the Enron case seems to have the edge in terms of gaudiness and spectacle. There are at least three reasons for

this:

1. The schemers at Enron were far fewer, making it easy to focus on them. There were hundreds of S&L schemers, located in dozens of cities in dozens of states. When there are so many perps, it isn't easy to find anyone to personify the crisis and to focus public hatred. In Enron's case, the primary culprits are a handful of high-level executives, easy to identify, easy to focus on, easy to hate.

2. During the investigation of the S&L fraud, Congress' rules allowed witnesses intending to plead the Fifth Amendment to testify in "executive session," that is to say, away from cameras, microphones, and reporters. This denied the members of Congress the chance to hector and lecture them. But the rules were changed in 1998 so Republican congressmen could hector and lecture those involved in trying to cover up the various high crimes and misdemeanors of the Democratic president. Henceforth, people wishing to plead the Fifth would have to face the eloquent wrath of obscure congresscritters (N.B.: I avoid the sexist term "congressmen") getting a rare chance to show their stuff on television. So every day an Enron exec goes before Congress and a dozen or two critters compete to express their indignation, each more gaudily than the one before, providing lots of videotape for the cable news channels and lots of front-page stories for the daily press.

3. The S&L schemers appear to have cost their victims substantially more than anything the Enron schemers ever dreamt of, but their victims represented a broader spectrum and were accordingly more difficult to picture and sympathize with. Indeed, the S&L fraud was ultimately paid for by every American taxpayer, which is just about as broad and diverse a group as you can get. And the losses were buried in the morass of the federal budget. What's a few billion dol-



lars in a budget that runs to trillions? The Enron schemers, on the other hand, appear mostly to have victimized their own stockholders. These included Enron employees not allowed to sell their stock, even when the firm's big shots succeeded in dumping theirs. The employees are capable of appearing quite sympathetic, at least as the news media portray them. It is seldom mentioned that these people obtained stock for free (as bonuses) on the condition that they not sell it until they had held it for a certain period of time — or that they had, or should have had, reasons to believe that Enron was engaged in fraud but nevertheless continued to work there, earning their salaries from Enron's fraud, getting free stock, and keeping their mouths shut.

One of the most amusing aspects of the Enron collapse is the fact that most of the media are blaming the fraud on the free market, when in fact Enron was able to get away with what it was doing as long as it did mainly because of goofy legislation — legislation that made it easier to commit and to hide fraud, and that thereby undermined the market mechanisms that protect investors and consumers.

Indeed, it may very well turn out that the Enron fraud may have been entirely legal, thanks to the carelessness or corruption of the legislators. The Enron schemers may even be able to avoid the imprisonment they most certainly deserve and keep their ill-gotten gains, as most certainly will the legislators who enabled the fraud to occur.

Even more remarkable is the fact that the Democrats blame Republicans for the crisis, claiming that they showered favors on Enron in exchange for political contributions. I've read Common Cause's report on "What Enron Has Gotten for Its Political Contributions." Common Cause's non-partisanship leans strongly toward Democrats, but its list of political and economic sins consists mostly of trivial

---

*The primary culprits are a handful of high-level executives, easy to identify, easy to focus on, easy to hate.*

---

allegations, supported by very little evidence, except for two items: In 1994, the Clinton administration insisted that India agree to a multi-billion-dollar deal with Enron before the U.S. would lend India \$302 million; and in 1995, "the Clinton administration threatened to cut Mozambique's foreign aid if the world's poorest country did not award a pipeline con-

tract to Enron."

While it's true that Enron gave more money to Republicans, and especially to George Bush, than it did to Democrats, there's little evidence that it got anything for its money. When Enron needed a favor from Bush, it wanted a really big one — a federal bailout — and he refused to grant it.

This is not evidence that Republicans are less corrupt than Democrats. Contributions buy access, whatever the party. But it is the anticipation of future contributions that buys influence. Enron was pouring money into Democratic

---

*The Enron schemers may even be able to avoid the imprisonment they most certainly deserve and keep their ill-gotten gains, as most certainly will the legislators who enabled the fraud to occur.*

---

coffers at the time — it gave \$100,000 to the Democratic National Committee just four days before India approved its Enron contract under pressure from the Clinton administration — and the Democrats, who held the presidency and thus had greater ability to reward their donors, could reasonably anticipate far more Enron donations in the future. By the time the Republicans grabbed the presidency, and thus the ability to shower their donors with taxpayer dollars, Enron's massive fraud was already coming unraveled. Enron was hardly in a position to make future donations to the GOP, and the president knew it.

Of course, this does not prove that the Bush administration is indeed as corrupt as the Clinton administration. At least with regard to Enron, it simply never got the opportunity to do a "favor" in anticipation of future payoffs.

The lesson of Enron is that politics and business do not mix. The opportunities for corruption and fraud are just too extensive, a lesson that is illustrated for every generation, but usually quickly forgotten. Today, people are upset about Enron, but few remember the S&L frauds, and fewer still Billy Sol Estes, the Teapot Dome, Jay Cooke's Northern Pacific, or Credit Mobilier. The magisterial 1911 edition of Encyclopedia Britannica reported that Credit Mobilier "gave rise to the most serious political scandal in the history of the United States Congress," yet I doubt that one American in a thousand has any knowledge of it whatever.

Ayn Rand had it right: What we need is the complete separation of economy and state. □

---

**Logic de Jour** — Bad people at Enron cheated investors and workers, therefore free enterprise must be strictly limited or abolished. It should follow that since bad people in government throughout history have cheated (not to mention robbed and killed) producers and taxpayers, it ought to be strictly limited or abolished. Well, Messrs. Krugman, Kuttner, Noah, et alia? — Sheldon Richman

---

## At Least Enron Had Real Assets

*by Tom Isenberg*

---

What an infuriating spectacle. Current and future retirees cheated by fraudulent accounting designed to fake huge assets while hiding enormous lia-



**Santa Clara University**

# **The Civil Society Institute**

---

at Santa Clara University

**The Civil Society Institute** leads students at Santa Clara University in the study of liberty, responsibility, and limited government. College applicants interested in libertarian/conservative ideas should consider Santa Clara University.

The CSI program enhances Santa Clara University's standard course offerings and requirements. CSI provides social support and intellectual guidance for students serious about classical liberal thought. The program includes a weekly reading group, close interaction with CSI faculty, and opportunities to attend special bi-weekly lectures.

Santa Clara University is a private Catholic, Jesuit university located in the heart of Silicon Valley. Its distinguished faculty of teaching scholars offers a rigorous undergraduate curriculum in the arts and sciences, business, and engineering. *U.S. News & World Report* consistently ranks SCU as one of the west's top two regional universities. No other western regional university enjoys higher rates of retention or graduation.

Santa Clara University is the oldest institution of higher learning in California. It boasts a beautiful, mission-style campus, an excellent climate, and easy access to the cities, coasts, and mountains of Northern California.

**Left to right: Daniel Klein, David Friedman, Laurence Iannaccone, Henry Demmert, and Fred Foldvary.**



**To learn more about  
the Civil Society Institute and  
Santa Clara University:**

CSI Directors: Daniel Klein **[dklein@scu.edu](mailto:dklein@scu.edu)**

Laurence Iannaccone **[liannaccone@scu.edu](mailto:liannaccone@scu.edu)**

Civil Society Institute Web site: **[www.scu.edu/csi](http://www.scu.edu/csi)**

Santa Clara University Web site: **[www.scu.edu](http://www.scu.edu)**

bilities. Top dogs exempted from the same rules that trap employees. A cynical public skeptical that Congress will do anything to reform the system.

But enough about Social Security. How about that whole Enron thing?

It looks like Congress is using the Enron mess as an excuse for Congress to "protect" all private retirement plans. What is Congress going to do, force us to diversify among politically approved investments like government bonds, stocks of "good corporate citizens," and Texas and South Dakota real estate deals?

And they're also using Enron as a justification to keep the Social Security time bomb ticking. As fraudulent as Enron's practices were, it wasn't Enron that locked employees into a scheme where 15.3% of their pay was confiscated for mandatory investment in a glorified Ponzi scheme. And at least Enron employees have retirement accounts that actually exist. Tragically, of course, their Enron shares are now penny stocks, but they could have followed standard investing advice and diversified their personal 401(k) plans among several non-Enron alternatives.

Compare this to forced investment in a scheme with only one asset: the promises of future politicians. What's worse, it's not just the single asset that's bogus. The account itself is bogus. There are no actual personal Social Security accounts that we can touch, much less leave to our beneficiaries. We'll get what future politicians say we will get.

And like the Enron executives who bailed out of the stock while the peons were locked in, the savvy investors in Congress exempted themselves from participation in Social Security the moment it was created. But the rest of us are locked in until this Mother of All Accounting Frauds collapses. □

## Bill and Hillary and Al and Ken

by William Fielder

Enron chairman Kenneth Lay met with President Clinton and Vice President Gore in the Oval Office in 1997, prior to the Kyoto energy conference, according to the *Washington Times* of Jan. 16. The apparent purpose was for Clinton and Gore to get an agreement from Enron that it would support the draconian regulations and higher costs on the industry that would emerge from the conference, in exchange for government guarantees and taxpayer subsidies. This would expand the government's power within the industry and guarantee handsome political contributions for the Democrats.

Enron would not disappoint. It became the poster corporation for the junk science of global warming, and supported the industry-killing Kyoto Protocol. Enron probably believed that promised taxpayer payouts would make up for its losses in support of unproductive, but politically correct, energy initiatives. The U.S. Senate, however, recognizing Kyoto's negative impact on the economy at large, foiled Clinton-Gore

plans by voting 95-0 to trash the unfair and inequitable Protocol. The Senate action wouldn't stop Enron, however, from attempting to become the corporation of choice for the Clinton-Gore globalization agenda.

One source has stated that at Hillary Clinton's prodding, seats were allotted on government trade mission flights to \$50,000 Democratic National Committee (DNC) donors. Documents related to the practice were later subpoenaed, but were reportedly shredded, Enron-style. Nevertheless, Enron was apparently there with checkbook in hand for the coveted seats. In 1994, chairman Lay accompanied Commerce Secretary Ron Brown on a trade mission to India. An Export-Import bank \$302 million loan to build an Enron-controlled Indian plant soon followed. The DNC received a \$100,000 check from Enron just four days before India approved the power plant project. Another \$100,000 Enron check followed in 1995. Clinton had instructed his chief of staff to help Enron obtain the power plant construction contract in India, and Enron received \$398 million in taxpayer assistance. Another \$100,000 Enron donation to the DNC in 1996 may have resulted in Regulatory Commission rulings favorable to the firm.

Federal and confidential corporate records show that Enron donated thousands in political soft money beginning in 1995, according to Jerry Seper and the *Times*. Seper further reports that Clinton energy and EPA officials often made themselves available for Enron executives. A December 1997 Enron memo emphasizes that approval of the Kyoto Protocol would be good for Enron stock. In 1998, Enron called for "restructuring" of legislation to deal with "the problems of global climate change." Never mind that there was growing skepticism about the seriousness of global warming.

Democratic Sen. Joe Lieberman, who is heading the Senate investigation of Enron, has benefited from \$250,000 given to his political causes by firms with Enron ties, but has not recused himself. Clinton Treasury Secretary Robert Rubin now runs Citibank, which is owed \$800 million by Enron. Rubin called the Bush Treasury Department to seek an Enron bailout and was turned down cold. So this is the Enron record: They sold out their own stock-holding employees, bought big into the global warming myth to get government handouts, banked on the Kyoto Protocol becoming law even after being drubbed in the Senate, and gave most of their money to Republicans when they were getting all that favoritism and assistance from the Democrats.

Is it any wonder this company collapsed? □

**Hair of the Dog** — Enron and Arthur Andersen apparently conspired to inflate Enron's profits, hide shrinking assets, and generally misrepresent the company's true and dismal financial picture. So what do people want? Greater regulation by the government, whose departments routinely misplace billions of dollars, waste billions more on favored clients, hide misconduct, and keep lousy records? Yeah, makes sense to me.

— Sheldon Richman

# Good Rhetoric, Bad Budget

*by Chris Edwards*

Health and Human Services . . . Amtrak . . . farm subsidies . . . the Department of Education — is there any bloated, ill-performing, useless, destructive, or unconstitutional federal program whose budget George W. Bush *isn't* trying to increase?

The federal budget, released Feb. 4, was refreshing. Rather than just the usual puff rhetoric used to justify increased spending, the new Bush budget includes tough talk about federal programs that don't work. Consider the budget discussion on education: "Since 1997, appropriations for Department of Education programs have increased an average of 13% per year, despite an almost total absence of evidence that the programs were effective." Right on! Let's cut that bloated education budget!

But then you look at the actual budget numbers, and you find a total disconnect between rhetoric and reality. Proposed Department of Education outlays next year are \$53.8 billion, up from \$47.6 billion this year — an increase of 13%, virtually the same increase that was disparaged in the text. The disconnect between the language and the actual proposals is evident on the tax side of the budget as well. Tax simplification is discussed, and tax reform policy studies are promised, but a slew of complex targeted tax credits are actually delivered.

All in all, the Bush budget contains a striking lack of boldness with regard to constraining government, especially for a Republican president with sky-high popularity and two and a half years to go before re-election.

## The Rhetoric

A major theme of the Bush budget is reforming government to make it more efficient. Yes, we've heard that before. Bill Clinton's last budget declared that he and Al Gore were successful in "improving performance through better management" with Gore's "reinventing government" campaign.

This year's budget introduces an Executive Branch Management Scorecard, which gives each federal agency a

green, yellow, or red grade for their performance in various categories. Of 130 grades given, 110 were red for "unsatisfactory" this year. I guess Gore's eight years of reinvention didn't work after all. The budget also graded a sampling of programs in each department as "effective," "ineffective," or "unknown." Many were scored ineffective.

I don't know whether Bush and his budget chief, Mitch Daniels, will be successful in improving government management, but the budget doesn't reveal that they have any interest in improving management or shrinking the federal government. The budget seeks an "efficient delivery of farm aid," but proposes boosting the farm aid price tag by \$74 billion over ten years. Ronald Reagan, and the Republicans who took control of Congress in 1994, sought at least some major program terminations. The Republican Party of 2002 has become more like Tony Blair's government, as described by Stephen Berry in *Liberty* (March, 2002), which aims to bring more market-oriented management to government administration.

Take Amtrak. The Bush budget heaps scorn on it, saying it has "utterly failed" to wean itself off subsidies, that its recent mortgaging of Penn Station in New York is a "financial absurdity," and that, overall, it is a "futile system." The budget's solution is that "passenger train service should be founded on a partnership between the federal government,

the states, and the private sector." A partnership? Why not outright privatization? As Berry notes in his piece on Britain, "I worry that, as with the railways, a partial, half-hearted, and bungled privatization will bring a host of problems in its wake and tend to discredit the market."

Or take the colossus called the Department of Health and Human Services, which will shell out \$459 billion this year for Medicare, Medicaid, and a huge array of other programs. The budget notes that "in few federal agencies is the need for organizational reform more acute than at HHS . . . a complex web of ever-proliferating offices has distanced HHS from the citizens it serves, and has produced a patchwork of uncoordinated and duplicative management practices." HHS has 40 human resources offices and 70 public and legislative affairs offices. The solution? A nine percent increase in its discretionary budget.

I give kudos to Mitch Daniels for trying to separate out the most bungling and wasteful federal programs from the

---

*Bush's budget for 2003 is \$124 billion greater than what President Clinton proposed for 2003 in his final budget.*

---

rest with his new rating system. At least this will give smaller-government advocates more ammunition. Perhaps after a few more years of failing grades, the administration might consider ending a program or two. Of course, by then it will be time for the next election and nobody will be interested in cutting anything.

## The Numbers

As most policy wonks know, the federal government divides \$2.1 trillion in annual outlays between mandatory spending, discretionary spending, and interest. Mandatory spending includes programs, such as Social Security, that are on an autopilot growth path. Discretionary spending includes defense and non-defense spending that needs to be appropriated annually.

In recent years, mandatory spending has been growing at about the same rate as overall economic growth. But this is the calm before the storm that will begin when baby boomers start retiring in 2008. At that time, Social Security and Medicare costs will begin to explode, unless we reform or privatize them before that time.

The real action lately has been on the discretionary side of the budget. Discretionary outlays will rise at an annual average rate of 7.4% between fiscal 1998 and 2003. This spending burst comes after a temporary lull in the mid-1990s caused by falling defense spending, congressional spending caps, concern over high deficits, and the efforts of the new Republican majority in Congress. Whatever discipline there was evaporated after Congress passed the first balanced budget in 29 years in fiscal 1998.

One way to see how discretionary spending has ballooned is to compare what had been proposed for fiscal 2003 in prior budgets, compared to the \$789 billion Bush is now proposing. Bush's number for 2003 is \$124 billion greater than the \$665 billion that President Clinton proposed for

2003 in his final budget two years ago (see Chart 1). And it is a stunning \$194 billion, or 33%, greater than Clinton proposed for 2003 in his fiscal 1999 budget. This pattern of constant upward revisions is true for both defense and non-defense spending (see Chart 2).

Each year, Congress and the executive branch up the ante on each other's spending plans. The executive branch often tries to get as much spending as it can for the next budget year, but then lowballs more distant years to make the long-term budget numbers seem "fiscally responsible." For example, the Bush budget proposes that annual growth in non-defense discretionary outlays decline roughly one percent in 2005 and 2006. Clearly that's wishful thinking, especially since Bush is not preparing to make that happen by terminating programs. So the only fair measure of spending restraint is how much money the administration is demanding right now. Bush's budget has non-defense outlays rising 9.7% in fiscal 2002 and six percent in 2003 (excluding the Emergency Response Fund).

When the current discretionary spending spree will slow down is not clear. Bush was successful in his strategy of getting as much of the surplus off the table as he could with his tax cut last year. But now he is asking for fiscal discipline from Congress while larding up his favorite programs. The only major departments that even get a light trim are Justice, Labor, the EPA, and the Corps of Engineers. This is more than matched by big increases at Veterans Affairs, Transportation, Health and Human Services, and others. Bush is, of course, also proposing huge spending increases for defense and other security-related agencies such as FEMA.

When you look at the details to see what is proposed for programs traditionally on the conservative-libertarian hit

---

*Bush is asking for fiscal discipline from Congress while larding up his favorite programs.*

---

list, you don't see many cuts either. Foreign aid and the Peace Corps have big increases. Spending for both the Corporation for Public Broadcasting and the National Endowment the Arts is increased. Some corporate welfare programs, such as the Advanced Technology Program are trimmed, but few are zeroed out. Clinton's Partnership for a New Generation of Vehicles is terminated, but Bush will continue shoveling taxpayer cash to the auto industry with a new Cooperation Automotive Research program.

## Farm Subsidies

Farm subsidies deserve special note as the most appalling spending cave-in by the Bush administration so far. The reform-oriented 1996 farm law expires this year, and Congress is using reauthorization as a chance to increase subsidies substantially. In 1996, the main farm price support program was replaced with payments that were to decline over time. But Congress proceeded to repudiate its own handiwork and soaked taxpayers with four large farm supplemental bills in a row starting in 1998. Subsidies have soared from an average \$9 billion per year in the early 1990s to over \$20 billion per year today.



# Most Persuasive Libertarian in America Voted "Best Libertarian Communicator" Needs Your Help to Run for U.S. Senate

## *Michael Cloud, Libertarian for U.S. Senate (MA)*

**Jo Jorgensen**, 1996 Libertarian Vice-Presidential nominee says, "Michael Cloud is, hands down, the best public speaker in the Libertarian Party."

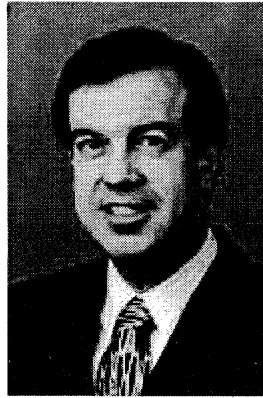
**Chris Azzaro**, Director, Libertarian Victory Fund, says, "Michael Cloud is, quite simply, the most persuasive Libertarian with NON-libertarian audiences. He captivates them with new insights and outlooks, stories and illustrations, thought-provoking questions and a passion for our principles of liberty. When Michael Cloud speaks, audience members join us."

**Carla Howell**, Libertarian for Governor, says "Michael Cloud is the most electrifying, eloquent, and entertaining public speaker in the Libertarian movement. Master of the Art of Libertarian Persuasion. Put him in front of NON-libertarian audiences – and watch Michael Cloud turn them into Libertarians."

**David Brudnoy**, enormously popular Libertarian talk radio host on WBZ in Boston, says, "Spectacular: that's the only way to describe Michael Cloud."

**Teaches Libertarian Persuasion**  
Michael Cloud created the Libertarian movement's most widely used communication training tapes: *The Essence of Political Persuasion*.

Over 57,217 subscribers receive Michael Cloud's "Persuasion Power Points" column every two weeks. (Visit [www.Self-Gov.org](http://www.Self-Gov.org).)



**Michael Cloud**

### **Quotable Phrase-Maker**

Quoted by Playboy, Wall Street Journal, Reader's Digest, the Congressional Record, National Review, and Harper's and others.

Ghost-written speeches, articles, & books that have found their way into every major publication in America.

### **Put Michael Cloud in front of NON-libertarians**

#### **1. Colleges and universities.**

Michael Cloud is persuasive and extraordinarily well-read. Politics. Economics. Philosophy. Psychology.

Current Events. Cultural Trends. Religion. Science. He is able, educated, and fluent. Michael Cloud wins over college students.

**2. TV Interviewers.** Michael Cloud is media-savvy and charismatic. Engaging. TV Interviewers invite Michael Cloud. Repeatedly.

**3. Talk Radio Hosts and Audiences.** Over 83 Talk Radio Hosts agree that 'Michael Cloud 'Wows' the audience and lights up the call-in lines.'

**4. Service Clubs.** Rotary. Civitan. Lions. Optimists. Soroptimists. Elks. Professional Business Women's Clubs. Michael Cloud wins them to Liberty.

Michael Cloud possesses what Rafael Sabatini called, "a dangerous gift of eloquence."

Help us put Michael Cloud in front of 300 NON-libertarian audiences to grow the libertarian movement.

We need press kits, news releases, and campaign literature.

Please donate as generously as you can.

### **Personal Responsibility is the Issue**

## **Michael Cloud**

### *Libertarian for U.S. Senate*

☐ \$1,000 ☐ \$500 ☐ \$250 ☐ \$150 ☐ \$85

☐ Other: \$ \_\_\_\_\_ I'll Pay By: ☐ Check

☐ Visa ☐ Mastercard ☐ Discover ☐ AmEx

You may donate up to **\$2,000**:  
\$1,000 for Primary & \$1,000 for General Election.

NAME

CREDIT CARD #

ADDRESS

SIGNATURE

EXPIRATION

CITY

STATE ZIP

OCCUPATION

EMPLOYER

PHONE

EMAIL

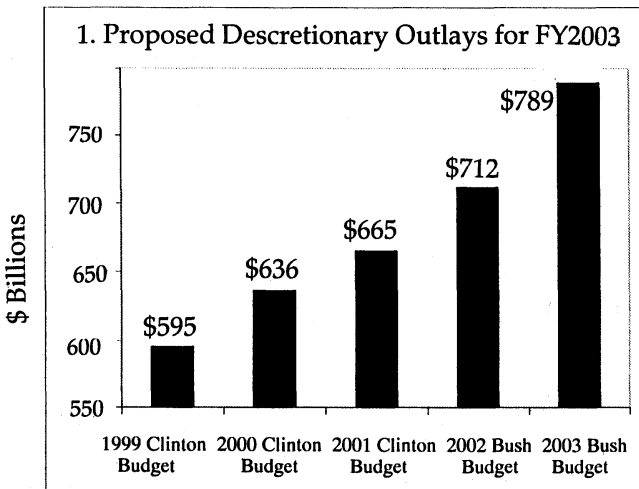
Donate to: **Michael Cloud for U.S. Senate** • 131 Bridge Street • Salem, MA 01970 • **Note:** Federal law requires political committees to report the name, mailing address, and occupation and employee for each individual whose contributions total \$200 or more in a calendar year. Not tax deductible. No corporate checks. Paid for by Michael Cloud for U.S. Senate, R. Dennis Corrigan, Treasurer. MCLM1201

Congress could now simply reauthorize current law, which would cost taxpayers roughly \$100 billion over the next decade. But Congress and the president have agreed to spend \$74 billion above that amount by adding a new price support program and other goodies. The ultimate taxpayer cost could well be much higher. Back in 1996, the cost of the seven-year farm bill was scored at \$47 billion, but the actual total subsidy cost will end up being \$123 billion. Initially, the Bush administration showed some resistance to farm subsidy increases when Congress began talking about it last year. But in the end, the administration utterly capitulated, and Bush is now giving speeches lauding the new subsidy bill.

### In With Tax "Incentives," Out With Tax Cuts

The tax side of the budget is as much of a disappointment as the spending side. Bush's tax cut from last year got it mainly right with its focus on marginal rate cuts. This year, Bush calls for the rate cuts to be made permanent, but proposes no new supply-side tax cuts.

It should be noted that even with last year's tax cut fully phased-in, taxes as a percentage of gross domestic product (GDP) will still be more than 19% and near historic highs.



2003 Bush budget figure includes Emergency Response Fund.

The Bush tax cut was quite small, amounting to about one percentage point of GDP. Last year's cut was perhaps all Bush could have pushed through, but he should be pushing for substantial tax cuts every year. After all, the top personal rate will only drop to 35% when fully phased-in, and thus only partly reverses his father's and Clinton's tax rate increases.

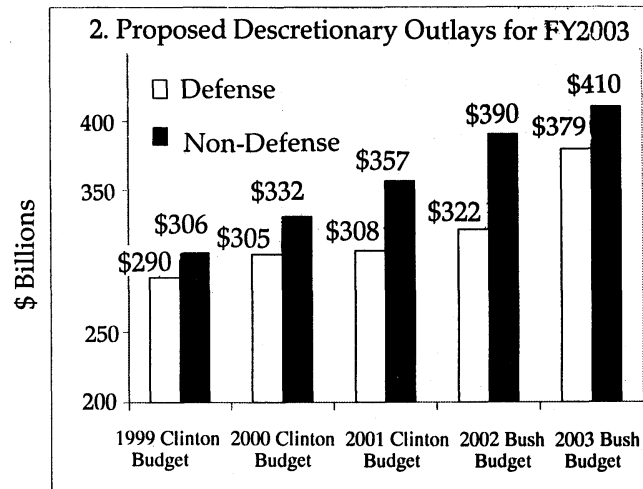
The disconnect between the rhetoric and the actual proposals appears on the tax side as well. The budget includes a nice section on tax simplification, and the administration plans to come out with a series of policy papers on simplification. But Bush's tax proposals this year are probably as bad as Clinton's annual proposals for complicating the tax code with targeted tax incentives. The budget has nonsense tax credits for solar power, wind power, fuel-cell cars, and a special schoolteacher deduction. Aside from expiring provisions, there are 30 proposed tax changes: 20 of them would add complexity. Such targeted tax incentives are doubly bad because they create political constituencies against funda-

mental tax reform. Environmentalists will have no interest in a flat tax if it takes away their tax break for rooftop solar panels.

### The Coming Taxpayer Crunch

The budget includes long-term forecasts for federal spending. These are really scary. They show that with no reform, just three programs, Social Security, Medicare, and Medicaid will increase in cost by more than five percentage points of GDP between now and 2030. New Congressional Budget Office projections say the increase will be seven percentage points. That may be optimistic if the programs are expanded with add-ons, such as prescription drugs. If these 2030 costs were thrust on us today, it would mean a \$700 billion dollar annual tax increase. By comparison, Bush's tax rebate checks last year saved taxpayers just \$40 billion.

So even assuming that the rest of government grows no faster than the overall economy during the next few decades, these programs alone will push federal spending to about 27% of GDP by 2030, up from about 19% today. State and local governments currently add about ten percentage points to the spending total, so assuming these governments don't grow any bigger, we are looking at a total government cost



2003 Bush budget figure includes Emergency Response Fund.

of at least 37% of GDP by 2030. That's over 42% of net national product, the broadest measure of Americans' income.

If Americans want to limit the federal government to, say, 20% of GDP, then the government has to start shedding all non-core programs and functions. Social Security is obviously a high-priority item to privatize, and the budget does reiterate Bush's commitment to private Social Security accounts. But in addition to Amtrak, the budget chickens out from proposing privatization for other obvious candidates, such as the Power Marketing Administrations, the Tennessee Valley Authority, and the air traffic control system, which the budget deems "ineffective." Privatization has swept the world, but American policymakers still seem to think it is too radical.

Unfortunately, Bush missed a big opportunity in this budget to begin real reform of government by shrinking it. As a result, he is in danger of being remembered as a big-spending president rather than a tax-cutting president. □

# The Death of Cash

*by R. W. Bradford*

At last, the government has the tools it needs to take away the final shreds of individual privacy.

Cash money is one of mankind's greatest inventions. He who possesses it can trade it for just about anything. Once price is agreed upon, he simply hands it to the seller, takes possession of the good being purchased, and walks away. The whole interaction is over.

Until less than a half century ago, this was the way most personal transactions occurred. Oh, beginning in the early part of the last century, certain cash substitutes came into occasional use, mostly to effect transactions when face-to-face contact was inconvenient. A person might pay his rent, say, by sending his landlord a check. The landlord would deposit the check with his bank, which would, directly or indirectly, return the check to the remitter's bank, which would redeem the check with cash or, in some cases, a cash substitute such as a bank deposit. The check would then be returned to its writer, and that would be the end of it.

Early in the century, income taxes were introduced. Then, as now, citizens were pretty much on their own when it came to reporting their income and calculating their taxes. It didn't take long for government officials to figure out that cancelled checks revealed a good deal about a person's affairs and could be very useful in finding out whether he was reporting all his income. About 50 years ago, government required that banks make copies of all checks that pass through their hands and make those checks available to law enforcement authorities.

About 35 years ago, a new, convenient method of handling small transactions emerged: credit cards. At first they were used as an ancillary to travelers checks, a cash substitute that enabled merchants to make purchases from individ-

---

uals unknown to them without using cash or checks, which might, after all, have nothing to back them up. The first credit cards were used mostly by the well-to-do as a convenience while traveling or entertaining. The issuer of the card guaranteed to pay the merchant the amount charged, less a modest commission, provided the merchant agreed to take certain relatively simple precautions. The card-holder was relieved of the need to carry cash and obtained what amounted to a free, short-term loan. He also obtained a record of expenditures in his credit card bill. This last feature made credit cards fairly popular with business people, whose travel and entertainment expenditures are often tax-deductible, provided that they can document them.

Re-enter the government, which also obtained something from credit card transactions — a detailed look at the economic affairs of its citizens. Legislation was enacted that required credit card records be maintained by banks and made available upon request to law enforcement authorities.

During this entire period, cash money existed side-by-side with checks and credit cards. It was somewhat less convenient in certain ways, notably that its risk of theft was slightly higher than that of other sorts of property, because its value was much higher compared to its mass and volume and because it could be exchanged so easily for just about

anything that anyone wanted to acquire. But it had advantages. For the buyer, it did away with the risk that his check or credit card might be refused because the seller did not want to take the risk of loss if the buyer's bank account was insufficient to pay the check or his credit card company refused to honor the charge, because, perhaps, the card had been stolen. For the seller, it saved the fees charged by the credit card company and the bank and provided him instant liquidity. But in the mid-1970s, the U.S. government began to put restrictions on the use of cash, in an attempt to minimize the amount of economic activity its citizens might engage in privately. At first, it merely required that banks report to the government whenever anyone withdrew or deposited cash in excess of \$10,000, and required that anyone entering or leaving the country carrying \$10,000 or more in cash report his doing so to government officials. The rationale was that drug dealers were using cash, and that these restrictions would help control the flow of illegal drugs.

Of course, the restrictions had very little effect on the drug trade. Anyone who could bring a ton of marijuana into

---

*The IRS wants to have a detailed report of every dollar that every American earns and how he earns it, and an equally detailed report on every dollar he spends and how he spends it.*

---

the country without being detected could pretty well manage to take cash out of the country, too. After all, a ton of marijuana is large enough to fill a good-sized truck and gives off an obvious odor, while the cash for which it could be sold, generally \$10,000 to \$20,000 in those days, weighs only a few ounces, can fit inside a ladies handbag and carries no odor whatsoever.

What the regulation really accomplished was to give the government a closer look into the affairs of its citizens. My father was an Internal Revenue agent at the time, and he told me that occasionally a Cash Transaction Report (CTR) would be forwarded to the office where he worked, passed among the agents, and discussed during coffee breaks. "Oh, I wouldn't think that Joe Doakes had any good reason to handle that kind of money," an agent would say. "Maybe we should take a closer look into his affairs," another might respond.

### Closing the Loops

During the past quarter century the requirements have been extended and tightened. Many merchants must also file CTRs with the IRS, banks are required to report any "suspicious" transaction to the IRS (which in effect generally requires them to report cash transactions of \$3,000 or more), and various cash substitutes (money orders, cashiers checks, travelers checks) must be treated as if they were cash. The law allows the government to treat the mere possession of more than a nominal amount of cash as evidence of wrongdoing and confiscate it from whoever has it, leaving him to prove beyond a reasonable doubt that it is not, in fact, the proceeds of a criminal activity. This is an expensive process,

and very often the people whose cash is confiscated simply give up or negotiate a compromise whereby the government keeps a substantial portion of the cash.

As recently as a few decades ago, large transactions in certain industries were customarily effected in cash, and it bore a substantial role in everyone's day-to-day life. In Britain, for example, in the 1970s, bundles of 10,000 pounds sterling, packaged in plastic bags, were routinely used in commerce. Certain industries in the U.S. continued to make most transactions in cash into the 1970s.

But the role of cash has become smaller and smaller. Not only has government systematically harassed its users and subsidized the use of checks, but merchants have discovered that there is so much consumer demand for payment by plastic that it would be foolish not to sign contracts with credit card companies that both require them to pay substantial fees for clearing credit cards and prohibit the merchant from offering cash discounts or passing on the extra cost of credit-card processing to their customers.

In 1983, I wrote an article on the decline of cash. "I believe the day will come," I said, "when you will be called in for an audit with the IRS and the auditor will have on his desk a detailed list of every cent you spent and every item you bought. 'Where did you get the money to buy this car,' he will ask. 'How can you afford to buy your wife this fur coat?'"

"Of course," I concluded, "our privacy will be shot: the government will be able to conveniently and easily look up and see how much liquor we buy, how much pornography we read, how much 'subversive' political literature we read — how much we spend on everything."

At the time, I believed that the fulfillment of this Orwellian vision was far, far in the future, and I doubted that any of the advocates of anti-privacy measures had tried to trace their implications as far into the future as had I. I also suspected that my prediction was, well, a bit paranoid.

Two years later, Roscoe Eggar, head of the IRS under President Reagan, stated that the ultimate goal of the changes in tax law and IRS regulations was to do away with tax returns entirely: the IRS would have a detailed report of every dollar that every American earned and how he had earned it, and an equally detailed report on every dollar he spent and how he had spent it. Knowing what income was taxable and what expenditures were deductible, the IRS would calculate the victim's income tax liability and send him a bill. Commission Eggar did not comment on what privacy Americans would retain once this policy had been achieved.

So the nightmare that I envisioned turned out to be the explicit policy goal of the Reagan administration. I haven't heard any politician state the goal quite so plainly since then, but law and regulations have continued to encroach on the privacy of Americans.

In the late 1980s, the Department of the Treasury announced that it was in the process of making some minor changes in U.S. paper money for the purpose of rendering counterfeiting more difficult. It would enlarge the portraits on the bills, for example, and move them slightly off-center. And it would embed in each piece of paper money a small plastic strip printed with microlettering.

A well-known investment writer saw in this an opportunity to increase the sales of his newsletter by reporting on the secret and sinister purposes of the "new money." Once it was released, he said, the government would on very short notice require that all existing paper money be turned in. If anyone had more than a small amount of it, it would have to be explained to law enforcement authorities; any currency not turned in by the deadline would cease to be legal tender. Further, the investment writer claimed, the microprinting was done in magnetic ink, making it detectable by the government if anyone tried to hide it in a safe-deposit box or to take it from the country.

If he really believed this, however, he was genuinely paranoid.

For one thing, it would be hugely expensive to recall the currency and do away with the legal tender status of existing currency. Any recall would cause a panic, and removing legal tender status would cause huge losses to those who held it. And it would be impractical for currency to be recalled quickly. Somewhere around 25% of all currency outstanding was in the hands of people overseas (where it was widely used in black markets). Recall would create a nice short-term profit for the Treasury, but it would forever destroy the use of the dollars overseas, since no one would want to take the risk of another such event. Printing money and exporting it saves the government billions of dollars per year and is tantamount to a huge profit source.

For another thing, although the magnetic ink on the plastic strip might be used by automated currency counting or sorting equipment, it certainly couldn't be used to detect currency in safe-deposit boxes or in the possession of people leaving or entering the U.S. Safe-deposit boxes are con-

---

*The federal government has installed a surveillance system in Washington, D.C. that when fully operational will include video feeds from inside shopping malls and apartment buildings.*

---

structed of steel, and magnetism cannot penetrate steel and detect small amounts of magnetic material, certainly not the microscopic amounts contained in the microprint. Millions of automobiles, nearly all containing a ton or more of steel, cross U.S. borders with Mexico and Canada each year, and detecting a few micrograms of magnetic ink within the ton or so of automotive steel is physically impossible.

The government's concern about the problem of counterfeiting was real. In the first century of American independence, when paper money was issued by private banks and printed by private companies, American security printers led the world in anti-counterfeiting technology. When the federal government began to issue paper money in 1862, it used the same private banknote printing firms that private issuers had used. But in 1873, the government established its Bureau of Engraving and Printing (BEP) to produce all U.S. paper money. Private firms continued to do business, printing securities and paper money for other countries, and they

continued to make technological advances that kept them ahead of virtually all counterfeiters. But for more than a century, the BEP made no changes whatsoever in the way it printed paper money, aside from reducing the size of the bills in 1928, a change that actually made counterfeiting easier. By the late 20th century, color copying machines were widely available to make very good counterfeits of the BEP's by now ridiculously low-tech product. Plainly changes were long overdue.

The investment advisor who opposed this revision apparently sold a lot of newsletter subscriptions, then dropped the story when the currency was introduced without any recall, demonetization of old currency, or magical searches of safe-deposit boxes or of people crossing borders.

Meanwhile, however, technology continued to progress.

### Technological Menace

There is now on the horizon a device that could be incorporated into paper money that would indeed make it vaguely similar to the currency of 1988's paranoid fantasy.

Electronic devices have been made smaller and smaller. Today, several companies manufacture very small devices

---

*RFIDs have one major advantage over holograms, microprinting, watermarks, and other passive devices: They enable every cash transaction to be tracked.*

---

that are intended to be an improvement on the ubiquitous bar code, that is familiar to anyone who buys anything in a supermarket. With bar codes, every product (including this magazine) has a unique number. The vender can simply program his computer with the price of each item, the checkout person scans the bar code, and the computer prints an item's description and its price on the cash register receipt. Bar codes not only save time at the checkout counter and minimize the number of errors, they also enable merchants to keep track of which products are selling and which are not, thereby lowering the cost of maintaining inventory and reducing losses from marking down goods that fail to sell.

The problem with bar codes, as anyone who has ever bought anything in a store has noted, is that sometimes they are hard to find and sometimes they are marred, defaced, or otherwise unreadable. Isn't there a way to make them more reliable and easier to use?

Yes, there is. Instead of "reading" them with a light-emitting device, why not implant a tiny transmitter that can send a radio wave? Radio waves can be read more easily and more reliably than bar-code surfaces.

Thus the birth of radio-frequency identification tags, or RFIDs, tiny bits of computer memory with radio transmitters and antennas attached. They can hold and transmit a substantial amount of data, which can be read, erased, and rewritten by special devices.

At first, RFIDs were fairly large and expensive and thus were used only in applications where the expense was justified — in identification cards, for instance, that allow access

to high-value merchandise or confidential information.

But progress is inexorable, and various high-tech companies found ways to make RFIDs smaller and smaller and cheaper and cheaper. They did away with the need for a battery in the devices by powering them the radio waves sent by the "interrogator," as the device that reads them is called.

Today, RFIDs are used in airline baggage tags and library books. They can be read by receivers as far as three feet away, but they can be made as tiny as .04 inches across and .02 inches thick. That's nearly small enough to allow them to be embedded in paper. Current prices are as low as 20¢ each. That's pretty cheap, but it still amounts to a lot if they are to be imbedded in paper money. (The European Central Bank [ECB] printed 14.5 billion banknotes in preparation for release of the euro, the new European currency, on Jan 1; the total cost of embedding a 20¢ RFID in each would have been

---

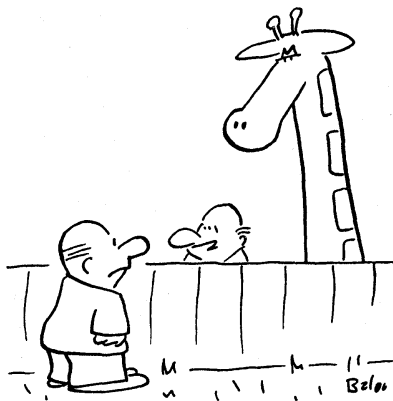
*How much privacy do people want? The answer, apparently, is very little, provided they are asked to surrender it in small enough increments.*

---

almost \$3 billion.) According to a story published in December in *EE* ["Electrical Engineering"] *Times*\*, this technology has caught the interest of the ECB, which issues the euro, the "most common currency in the world," in the EC's opinion.

The ECB figures that if RFIDs can be made a bit smaller, a bit less fragile and a bit cheaper, they can be incorporated into paper money. This would not be a particularly attractive anti-counterfeit device, since it would remain no more effective than other technologies that banknote printers like Thomas de la Rue and American Bank Note Company are already using.

But RFIDs have one major advantage over holograms, microprinting, watermarks, and other passive anti-counterfeiting devices: They enable every cash transaction to be tracked. All that is required is to make banks and merchants install RFID readers in cash registers and transmit the data to central computers.



"These Father's Day gifts are getting weirder all the time."

Once such a system was implemented, the bank would report identifying numbers of every piece of paper money it gave you. When you spent it, the transactions would be recorded by merchants and reported to the authorities. And so on. And so on.

Implementation of this plan has

obvious advantages for law enforcement officials. There would no longer be any such thing as "unmarked" bills for ransom payoffs, or any need for police to mark bills when they pay for goods when entrapping a seller of illegal drugs. And the IRS could achieve its dream of knowing everything about your income and expenses, thus saving you the trouble of filing a tax return.

Of course, there are other ways of helping law enforcement officials. The technology needed to open every piece of mail in search of incriminating evidence has existed ever since the first postal system was established. The technology exists to record virtually every conversation in the country and to use computers to examine it for suspicious words, the way computers are already used to examine key words in telephone conversations and email correspondence. Television cameras could be put on every street to record everything that might be evidence of crime. Putting them inside every room in every private home would also provide useful information to police. In fact, Britain has installed more than 2 million surveillance cameras to enable the police to observe what its citizens are up to, and the federal government has installed a surveillance system in Washington, D.C. that when fully operational will include video feeds from inside shopping malls and apartment buildings.

The question remains: How much privacy do people want? The answer, apparently, is very little, provided they are asked to surrender it in small enough increments. For now, the government's massive surveillance system in Washington doesn't record video feeds "unless there's a reason to do so," according to a report in *The Wall Street Journal*, and law enforcement officials have not yet installed biometric software that enables computers to identify and track the movements of specific individuals. But this too will likely change. "People in England have easily adapted to it," Stephen Gaffigan, the official in charge of the massive surveillance program in Washington. "There has not been an outcry about privacy."

Public outcry against embedding RFIDs in paper money is even less likely, if only because it will be almost invisible to the public. There was virtually no public protest against the requirement that banks photocopy every check they clear for the convenience of law enforcement officials or about the implementation of cash reporting regulations or their consequent tightening.

Of course, it's always possible that the technological bugs will not be worked out. Judging from past progress, however, this possibility seems remote. And some of the most innovative and successful high-tech companies, including Texas Instruments, Hitachi, Philips Semiconductors, and Infineon Technologies, are working on the project. They aren't talking much about it, though; spokesmen for Philips and Infineon told *EE Times* that they "are under strict non-disclosure agreements." Perhaps this will help minimize the public "outcry about privacy" that seems to worry the head of the federal surveillance program.

Anyway, the ECB doesn't anticipate incorporating RFIDs into the euro until 2005. Maybe it never will. And maybe the United States will refuse to follow suit. So why worry? Tomorrow is another day. □

\*<http://www.eetimes.com/story/OEG20011219S0016>



# "Seize All West Coast Japs"

by Bruce Ramsey

The internment as seen in 1942.

The decision to intern the Japanese-Americans, announced 60 years ago this month, is remembered today as an infamous attack on constitutional rights. Years afterward, the United States apologized for doing it, and paid an indemnity to surviving internees. But in 1942 it was hardly questioned.

This I discovered when I spent several hours in front of a microfilm reader, tracking the story in the *Seattle Times*. There is nothing better to get a flavor of a time than reading through a newspaper, particularly a mainstream, nonideological paper like the *Times*. It reflects the passions and prejudices of the day, even, perchance, when it tries not to.

At the beginning of 1942 Seattle's afternoon newspaper was saturated with war, and had been for many months — the events of war, arguments about war, preparations for war. As 1942 opened, just three weeks after the Japanese attack on Pearl Harbor, Manila was falling to the Japanese army and Gen. MacArthur's forces were retreating to the peninsula of Bataan. The Japanese were advancing down the Malay Peninsula toward Singapore. The Russians were pushing back the Germans from Moscow. At home, the Roosevelt administration was proposing to double the rate of income tax and begin withholding from paychecks, to control prices, to stop the production of cars, and to ration tires and gasoline.

The year's first story regarding enemy aliens was the order of Jan. 1 by Attorney General Francis Biddle that German, Italian, and Japanese nationals surrender their guns. I've heard the line, "The first thing they come after is your guns," and always doubted it. But that is exactly what happened. Axis nationals would also have to notify U.S. authorities of any plans to leave town. On Jan. 3 it was announced that travel permits would be issued at the U.S. Courthouse in Seattle. They were Axis nationals, and we were at war with the governments to which they owed allegiance.

---

All very civilized, except for an undercurrent that wasn't. On Jan. 5, a 20-year-old Seattle restaurant worker, a French Canadian, was slashed in the throat by a man who said, "I always wanted to get a Jap or an Italian."

A few days later there was an article about the 68 employees of the Union Electric Co., Seattle, who had formed a club in which each paid ten cents for each Japanese plane shot down, with the money to buy war bonds. They called it the "Slap-a-Jap Club."

On Jan. 6, the *Times* offered a small editorial — not the main one — that expressed concern about all the firings of "aliens and citizens of foreign birth." The editors appealed for "fair consideration in the case of each efficient worker and against indiscriminate and wholesale dismissals." They reminded readers that "no one in this country is by many ages detached from foreign parentage." And they said: "Let the FBI and all other authorities do the ferreting for danger. Help them with information whenever possible; but do not complicate the situation by spreading unwarranted prejudice."

What of non-aliens? Two days later, two U.S.-born Japanese were arrested for subversion. Another small editorial said there was no reason to be prejudiced against "other Japanese, especially the large number of native-born, whose manifestations of American loyalty leave no room for suspicion."

No room for suspicion, especially of the native-born. That was a position worth defending. But though the paper was sym-

pathetic to the Japanese, and tried to cool the tempers of prejudice, it did not defend this position against the government. January 1942 was a difficult time to do that. And the editorial voice was not the only voice in the paper. There were other voices in the news columns, reflecting the choices of news editors, the thoughts of reporters and the words of those who made news.

On Jan. 9 the paper reported on a Japanese drugstore proprietor shot by a Negro man who "apparently bore some resentment." It was not reported as racial or political. Two days later the man who shot the .38 revolver was picked up and said he had entered the store whistling *God Bless America* and heard a disparaging remark from the Japanese proprietor. The police were skeptical.

On Jan. 15 it was reported that 442 Americans captured on Guam had been interned in Japan. On Jan. 17, a story from China: "Jap Massacre of U.S. Missionaries Reported."

On Jan. 21 came a big headline, top of page one: "SEIZE ALL WEST COAST JAPS, SOLON DEMANDS."

"Jap" was a headline word. I don't know how pejorative it was in 1942, but it was surely not helpful to the American

---

*Remember the atmosphere after the one-day event of Sept. 11, 2001, and you'll have an idea of the feeling during the continuing war in 1942. A faint idea.*

---

Japanese that they and the enemy were identified by the same word.

The "solon" in this story was Rep. Leland Ford, Republican of California. He was not a spokesman for the government. Rep. Ford, the *Times* said, "advocated moving all Japanese, American-born and alien, to concentration camps." Ford said he believed there "may not be" any difference in the loyalty of those Japanese who were citizens and those who were not, and those who were loyal "should be willing to acquiesce." Perhaps because he was speaking for himself his proposal was reported in unusually clear language.

Below this big story was a tiny one: "Armed Jap Hiding at Pier Arrested." A 17-year-old youth had been arrested on the Seattle waterfront hiding between two docks, "carrying an open knife." How big a knife? What had he been doing? The report did not say.

No editorial comment was offered on the trial balloon by Rep. Ford. The war rumbled on. On Jan. 21 came a story from the Philippines: "Prisoners of Japs Bound and Stabbed." On the same day: "Be on Alert for Coastal Sub Attack, Navy Warns." There were reminders during these weeks that Seattle was virtually undefended from air attack — though, because of its distance from Japan, it never was attacked.

On Jan. 25 was a story of two drunken Filipinos in Seattle who pulled a knife on a Japanese hotel clerk. The Filipinos were disarmed. "What started out to be a race riot turned into a near comedy," the story said.

On Jan. 28, some 500 employees of the Northern Pacific

Railroad sat down on the job demanding dismissal of twelve "alien Japanese laborers." The laborers were sent home. This sort of thing was not entirely new: Earlier in the century there had been similar actions against Japanese and Chinese workers because they were willing to work for less than whites.

On Jan. 29, two Seattle Japanese were indicted for having applied for an export permit, before the declaration of war, to sell gasoline tanks to China. The indictment said the tanks were really bound for Japan. The license was never issued and the tanks never shipped, but the government said the tanks were "capable of storing enough gasoline to enable 12,800 Nippon bombers to make round trips between Seattle and Tokyo."

On Jan. 30 came a syndicated editorial column by non-*Times* employee Henry McLemore, which expressed in people's English what many Americans felt. McLemore had just visited Los Angeles, and had been shocked by all the Japanese there, "free as birds."

He wrote:

There isn't an airport in California that isn't flanked by Japanese farms . . . They run their stores. They clerk in stores. They clip lawns. They are here, there and everywhere. You walk up and down the streets and you bump into Japanese on every block. They take the parking stations. They get ahead of you in the stamp line at the post office. They have their share of seats on the bus and streetcar lines.

This doesn't make sense. How many American workers do you suppose are free to roam and ramble in Tokyo? Didn't the Japanese threaten to shoot on sight any white person who ventured out-of-doors in Manila? So why are we so beautifully courteous?

I know this is the melting pot of the world and all men are created equal and there must be no such thing as race or creed hatred, but do these things go when a country is fighting for its life?

Not in my book . . .

I am for the immediate removal of every Japanese on the West Coast to a point deep in the interior. I don't mean a nice part of the interior, either. Herd 'em up, pack 'em off and give 'em the inside room in the badlands . . .

And *that* is what was done. But to go on:

Sure, this would work an unjustified hardship on 80 percent to 90 percent of the California Japanese . . . (but) if making one million innocent Japanese uncomfortable would prevent one scheming Japanese from costing the life of one American boy, then let the million innocents suffer . . . Let us have no patience with the enemy or anyone whose veins carry his blood.

Personally I hate the Japanese, and that goes for all of them.

The *Times* never said that. But it says something of 1942 that such sentiments from a syndicated columnist were within acceptable bounds in the newspaper industry.

The *Times* did not have a regular letters page as it does today, but it made an exception and printed four letters from readers. An anonymous writer accused the paper of being "bought out" by pro-Japanese, because of its disgusting liberalism. A couple thanked the paper for McLemore's column and asked for more. A woman complimented the paper for its toleration, and asked why it had printed that vitriol by McLemore. Finally, a female state senator wrote that

McLemore "screams in the best Nazi tradition regarding race and blood."

The *Times* commented on Feb. 1 with a secondary editorial that raised the question of "what to do about resident Japanese." This was the key issue. It said, "the problem can and will be worked out by the proper authorities."

*Let the government decide.* Well, the government was going to decide. That was obvious. The question for commentators was, do you put in your ten cents' worth, or not?

On Feb. 4, the FBI began systematic searches of the homes of alien Japanese on Bainbridge Island, across Puget Sound, to confiscate firearms and cameras.

On Feb. 5 came a screamer headline, "8000 Jap Spies, Says Dies!" Rep. Martin Dies, Democrat of Texas, was head of the Committee on Un-American Activities, not a spokesman for the government.

In another anti-Japanese editorial column, McLemore blasted the "bow-legged sons and daughters of the Rising Sun" and the government's pandering to them, which he found "mighty ridiculous."

On Feb. 7 it was reported that 440 Japanese aliens had been interned in Seattle, and some of them shipped to Montana. On the editorial page, columnist McLemore discovered that 248 California Japanese-language schools that had been closed after Pearl Harbor were trying to reopen. His indignant response: "Slant my eyes, bow my legs and hammer me down."

McLemore's rant is remarkable not only in itself — "slant my eyes" was a slam also at the Chinese, who were our allies — but in the lack of any substantial article to counter it.

On Feb. 8, the paper reported Japanese farms in California being searched for cameras and guns. On Feb. 10,

*"If making one million innocent Japanese uncomfortable would prevent one scheming Japanese from costing the life of one American boy, then let the million innocents suffer."*

"Monterey Jap Colonies Raided" (California). On Feb. 12, "Japs Kill Filipinos, Toss Bodies in Bay" (Philippines).

On Feb. 13, page one, below the fold, came the big story again: "Total Evacuation of Japanese on Coast Advocated." "Total" was defined as "aliens and citizens alike." The advocates were the entire congressional delegations of Washington, Oregon, California, and the nonvoting member from Alaska.

On Feb. 15, Thomas Clark, federal alien control coordinator for the Pacific Coast, declined to say whether Japanese Americans were dangerous. But he said that "if the Army and Navy say American-born Japanese are dangerous, I'll take them out."

On Feb. 16, at the top of page one: "Enemy Aliens Here to Be Ousted." *Aliens*. And it said: "The government does not plan to intern" them, and that they can settle "any place they desire as long as it is outside the prohibited area."

On Feb. 17, a little story appeared at the bottom of page one: "More Japanese Than Whites Study German at

Broadway." Broadway was a public high school in Seattle; as at other schools, the demand for German had fallen sharply since 1939. In 1942, of those studying German, 42 were white and 45 were Japanese.

On Feb. 18, columnist McLemore was telling about his stroll through San Francisco's Japantown. "The Japanese were very nice to me," he said. But he quoted a cab driver, who said that the Japanese had been shamed after Pearl Harbor, but were "getting cocky again." The cabbie's advice to authorities was to "chase 'em all to the hills."

On Feb. 20, the *Times* reported "\$100,000 Japanese Buddhist Temple Here Closed by U.S. Order." The temple was closed by the Treasury Department for not having an alien-ownership permit.

On Feb. 21, Gov. Arthur B. Langlie, after consulting with military authorities, ordered all Japanese in the state of

*I've heard the line, "The first thing they come after is your guns," and have always doubted it. But that is what happened in this case.*

Washington, aliens and citizens, to give up their firearms within six days. Previous gun confiscations had applied only to aliens in certain areas. The question of governmental authority was not raised — in this story or any story.

On Feb. 22, the FBI in Seattle arrested 103 Japanese said to be in an Axis spy ring. Big headline, few details.

On Feb. 25, 22 Japanese women, all U.S. citizens, resigned their jobs as clerks in Seattle's elementary schools after a mothers' petition called for their removal. "Mrs. Esther M. Sekor, chairman of the Gatewood mothers' delegation, expressed approval of the action of the Japanese girls," the paper reported. "'I think it's very white of those girls,' said Mrs. Sekor. 'They have our appreciation and thanks.'"

On Feb. 27, two Seattle Japanese were charged with being agents of Japan — for lobbying the state legislature from 1939 to 1941, when America was at peace, and for filming the Armistice Day parade in Seattle a month before Pearl Harbor.

On Sunday, Mar. 1, came a long article on testimony in Washington, D.C., before a committee headed by Rep. John Tolan, Democrat of California. Gov. Langlie testified, favoring relocation of the Japanese. D.K. MacDonald, president of the Seattle Chamber of Commerce, said Chamber members were of different minds on evacuation of the native-born Japanese, so he could offer no opinion on what to do. "We'd like to have a decision," he said.

James Sakamoto, leader of the Japanese American Citizens League, offered to take custody of noncitizen Japanese (many of whom were elderly parents of U.S. citizens) and report weekly on them to authorities. "We want to be fighting shoulder to shoulder with other Americans, not hiding in some place of safety while others defend our homes," he said. It was one of the few times any Japanese American was quoted.

Earl Milliken, mayor of Seattle, said, "The Japanese American Citizens League has been very helpful, but they

won't squeal on their own people. An Italian will come in and tell you if he knows of another Italian who is dangerous. The Japs keep such things down by coercion and threats, telling their subversive members they had better be good or else."

He summed up: "Seattle residents overwhelmingly desire removal of Japanese — particularly aliens, but the feeling carries over to the native Japanese as well."

On Mar. 2, the Washington state attorney general, Smith Troy, called for mass evacuation of "both alien and American-born" Japanese, should a catastrophe happen overseas and Americans riot against the Japanese here.

When asked about American-born Germans and Italians, Troy replied: "Speaking frankly, out here we feel we know the Germans and Italians a lot better than the Japanese."

That was probably true. Most ethnic Japanese were farmers. They were less a part of American society. There was a greater racial distance and cultural distance to most Americans. It is our tendency today to label the fears of

---

*Two Seattle Japanese were charged with being agents of Japan — for lobbying the state legislature from 1939 to 1941, when America was at peace, and for filming the Armistice Day parade in Seattle a month before Pearl Harbor.*

---

Japanese as "racism," while dropping the context of Pearl Harbor, the war (which was going badly then), and the way people thought then. Part of that fear *was* a kind of racism, but it was understandable. It was a fact — a political fact. What should have been done in the face of it? To control and civilize what we do in the face of such facts is why we have law, a Constitution, and Bill of Rights. We have rules that we adopt during periods of calm to temper our acts during emergencies.

In 1942 we did not follow them.

On Mar. 3 came the decision: "Army Order Reveals Eventual Ouster of All Coast Japanese." The army did not say there had been an executive order by President Roosevelt. His name was not on it.

On Mar. 4, the *Times* commented — still in a secondary editorial: "If the Army regards the complete evacuation as necessary from the military point of view, let it be done without undue debate and vituperation."

It was done. The Japanese-Americans were not fully evacuated until Aug. 7, 1942, but the decision was announced in March.

A few thoughts come to mind reviewing these reports, always remembering that the *Times* is one newspaper, probably one of the more liberal ones, and not based in the center of the internment dispute, which was California.

1. *This was a hysterical time.* It was a war, a real war, with warnings about spies, saboteurs, and invasion. In the March 7 paper was a page-one map showing possible invasion routes on the West Coast, with a fat black arrow starting at the base of the Olympic Peninsula and striking toward

Seattle and Portland. It was scary. All the stories about spies and saboteurs were scary, even if the details, if you thought about them, were faintly ridiculous, like the boy by the pier with a knife. When it was announced March 8 that 20 Japanese aliens had been arrested in Seattle in possession of 120 swastika lapel pins — what could be deduced from that? Who in 1942 was going to wear swastika pins? Said the paper, "It was pointed out that the Japs possibly intended to use the swastika pins to identify themselves as fifth columnists in the event the Japanese army invaded Seattle."

2. *Democratic politics were never suspended, even though the Constitution was.* Internment was by executive order, but it was not without careful political testing. It started as a trial balloon floated first by a lone congressman, then suggested by a group of congressmen, then endorsed in hearings by local officials and called for by voices in the press.

3. *Nobody fought the government.* All the belligerency was on the pro-internment side. I did read a tiny story that the social workers opposed any mass internment on the basis of race. But there was no march, no picketing, no petition, no speech. Not even a letter to the editor. No columnist went to bat for the Japanese. Nobody brought up the Constitution or the Bill of Rights. McLemore quoted the Declaration of Independence without naming it, only to kick it into the trash.

Nobody else quoted it. *Nobody.*

Remember the atmosphere after the one-day event of Sept. 11, 2001, and you'll have an idea of the feeling during the continuing war in 1942. A *faint* idea. The Japanese must have been keeping their heads down, following the Oriental maxim that he who puts up his head gets it cut off. None of the stories I read showed an ounce of belligerency from them.

On May 4, 1942, University of Washington student Gordon Hirabayashi intentionally violated the Seattle curfew on Japanese, and sued to demand his rights. That led the first of two infamous Supreme Court decisions on the internment,

---

*There was no march, no picketing, no petition, no speech opposed to mass internment. Not even a letter to the editor. Nobody brought up the Constitution or the Bill of Rights.*

---

both of which the Japanese lost. But Hirabayashi's very American act came too late to affect the decision for internment.

4. *The language was unclear.* Only once in three months of papers did I see the phrase, "concentration camps," and it was early on, when the proposal was nonofficial. The more authority a speaker had the less likely he was to name what he was suggesting. It was not usually called internment but relocation, removal, or moving. Most of the stories did not concern themselves with where the Japanese Americans were being moved; those that did called the destination a colony or a center — not a camp, or, God forbid, a concentration camp.

And so it was done. □

# Libertarians Come Back

*by Adam Hume*

A streak of bad luck for British right-wingers has brought in good luck for libertarian ideas.

Ten months ago, I reported in these pages that libertarians were under attack and losing influence within Britain's Conservative Party. Happily, that situation has changed.

The catalyst was the Tories' second successive landslide defeat. Voters had decisively rejected William Hague and his nationalistic campaign. His position was clearly untenable and he duly resigned the morning after the general election. This has provided the opportunity for libertarians to regain their influence on party policy.

The resulting leadership election produced no fewer than five candidates. Michael Portillo, the socially liberal former shadow chancellor, was the obvious frontrunner and declared his candidacy almost immediately. Michael Ancram, Hague's party chairman, soon followed and made his opposition to Portillo very clear. Iain Duncan Smith (with strong contacts in the Bush administration through the Heritage Foundation and American Enterprise Institute) was next. David Davis, an influential backbencher with links to the Adam Smith Institute (ASI) and the Institute of Economic Affairs (IEA), also joined the contest. The final candidate was Ken Clarke, John Major's former Chancellor of the Exchequer, and the only candidate who supported Britain's joining the euro currency sphere. Ann Widdecombe, the authoritarian champion of the Christian right and self-proclaimed virgin, unexpectedly failed to attract enough parliamentary supporters to sign her nomination form. She then declared her wish to return to the backbenches.

The first stage in the election was for members of parliament to select two candidates to be put to a ballot of all members of the Conservative Party. There were three parlia-

---

mentary ballots with the candidate polling the fewest votes dropping out. Then party membership chose between the remaining two candidates by postal ballot.

A prominent Portillo supporter, Peter Lilley (who, as Hague's deputy, had labeled free marketeers as members of an anarcho-capitalist sect) quickly sought to re-establish his libertarian credentials during the campaign. The Social Market Foundation published his pamphlet arguing for the limited legalization of marijuana. He proposed that individuals be able to purchase cannabis from licensed outlets, such as liquor stores, and that cultivation be legalized. He stopped short of advocating full legalization on Dutch lines but indicated that he was willing to consider the merits.

Portillo won the first two ballots with Ancram and Davis dropping out. Most of Davis' supporters transferred their support to Duncan Smith and most of Ancram's supporters (though not Ancram himself) switched to Clarke, who won the final ballot, narrowly beating Duncan Smith. Portillo came in third by one vote and failed to make it through to the membership ballot. Portillo's elimination was a major upset and there was much media speculation about how the front-runner managed to turn an initial lead into defeat and humiliation.

The simple answer is that Portillo ran a poor campaign

and tried to be "all things to all men." His campaign team included several from the europhile left of the party who might have backed Clarke had he declared his candidacy earlier. Portillo's homosexual past cost him crucial right-wing votes. Lilley's pamphlet had prompted journalists to ask Portillo to state his position on the legalization of cannabis. He initially indicated his support and then tried to retract, thus appearing indecisive and lacking in principles.

More importantly, Portillo's support for tax cuts was lukewarm at best and he proposed increased spending on the National Health Service, state schools, and foreign aid. He declared that he would ban party spokesmen from speaking on European issues at the forthcoming party conference. This "centralist" agenda may have been an attempt to win support from the left of the party. In practice, it only cost him

---

*Letwin has demonstrated his libertarian credentials through his eloquent and stubborn opposition to Tony Blair's Terrorism Bill.*

---

the support of free marketeers and eurosceptics who doubted his commitment to their cause.

Duncan Smith, by contrast, boldly stated his opposition in principle to Britain's joining the euro. He set out a platform that included major tax cuts, ending the National Health Service's monopoly and introducing education credits. The policies of Davis were remarkably similar and most of his supporters transferred their allegiance to Duncan Smith in the final parliamentary ballot.

Attempts by Portillo's campaign leaders to bully several MPs into voting for him failed spectacularly. A member of his team briefed the *Sunday Telegraph* that he had the support of Lady Margaret Thatcher. The story was strongly refuted by her office, thereby suggesting that Duncan Smith was her favored candidate. Portillo's campaign was severely damaged by this fiasco. Many local activists bitterly opposed Clarke's support for Britain's joining the euro and Duncan Smith won the membership ballot decisively by 61% to 39%.

Since Duncan Smith's election, his shadow cabinet appointments have strengthened the influence of libertarians. This is because Portillo, Clarke, and their key supporters chose to return to the relative obscurity of the backbenches. Oliver Letwin has replaced Widdecombe as Home Affairs spokesman. He is a committed free marketeer (he wrote *Privatising the World*) with a strong commitment to civil liberties. His mother, Shirley, was one of only six Ph.D. students of Hayek at the London School of Economics. Letwin has already demonstrated his civil libertarian credentials through his eloquent and stubborn opposition to Tony Blair's Terrorism Bill, gathering media plaudits for his efforts.

The leading libertarian in the shadow cabinet is John Bercow, who has advocated gay civil unions and drug legalization. Libertarian sympathizers in the shadow cabinet include Eric Forth, David Maclean, and Bernard Jenkin. Significantly, Maclean and Jenkin were Duncan Smith's cam-

paign managers. Forth, in partnership with Maclean, had previously acted as the party's "Ron Paul" in the House of Commons. They cleverly used parliamentary procedures to delay government legislation and kill off Private Member's Bills (including some introduced by Tories) that would increase regulation or taxation.

David Davis secured the key post of party chairman. He recognizes the need to broaden the party's appeal, especially to black and Asian voters. One of his first initiatives was to purge the "Monday Club," one of the oldest conservative pressure groups, whose platform called for a halt to immigration, government financial assistance for voluntary repatriation of immigrants, and the restoration of capital punishment. Three members of parliament were required to sever their links with the organization.

The rise of the Christian right appears to have been halted with the departure of Hague and Widdecombe. This is despite the fact that Duncan Smith is the party's first Roman Catholic leader. It appears that the Renewing One Nation (Hague's influential social policy group) has been downgraded to an "affiliated" organization, a status shared by the Conservative Christian Forum that supplied its staff. The CCF has softened its stance on homosexuality under severe pressure from the new leader's office.

Under Davis' influence, Conservative policy advisers are once again turning to the ASI and IEA for radical ideas. This is a big change from the days of Hague's leadership, when policy advisers virtually ignored the free-market think tanks, and Lord Skidelsky, the chairman of Social Market Foundation, resigned from the party after accusing Hague of killing ideas within the party.

A key Davis appointment is that of Mark MacGregor as the party's chief executive officer. MacGregor was chairman of the Federation of Conservative Students when it was

---

*The strange reality is that today it is the authoritarian right, rather than the libertarians, being "purged."*

---

strong and libertarian. He is a major shareholder in a public relations company that organizes conferences for the ASI and IEA. It's as if Grover Norquist were appointed to run the Republican Party.

The strange reality is that today it is the authoritarian right, rather than the libertarians, being "purged." The policy debate will be vigorous over the next two years. Libertarians, inside the party and think tanks, will need to argue their case convincingly against the authoritarian right, who will fight for their cause.

Media opinion suggests that it will be easier for the party to embrace social liberalism than radical free-market policies. Opinion polls suggest that the electorate remains hostile to further privatization, especially in health, education, and welfare. The challenge for libertarians is to develop innovative pro-liberty policies that can be sold effectively to the media and the public. The events of the last few years show that this is an opportunity that should not be spurned. □



# Argentina's Fall From Grace

*by Steve H. Hanke*

When Argentina's economy melted down in January, everyone blamed their currency board system linking pesos to the dollar. Everyone was wrong.

Anyone attempting to make sense out of Argentina's fall from grace to economic and political chaos faces a real challenge. Most of the commentary has been, at best, confused and confusing. The road to economic health began on April 1, 1991, when Carlos Menem's government installed what was known locally as a "convertibility system" to rid Argentina of hyperinflation and give the country a confidence shock. Under the Convertibility Law, the peso and the U.S. dollar both legally circulated at a 1-to-1 exchange rate. The owner of a peso had a property right in a dollar and could freely exercise that right by converting a peso into a dollar. And that redemption pledge was credible because the central bank was required by law to hold foreign reserves to fully cover its peso liabilities.

With the passage of the Law of Public Emergency and Reform of the Exchange Rate Regime on Jan. 6, 2002, near-dictatorial powers were transferred to President Eduardo Duhalde and the convertibility system was swept into the dustbin. Consequently, the peso has been devalued and is now floating.

The confusing commentary about Argentina centers on its rather unusual monetary regime and the fact that, unlike the Argentine public, the chattering classes didn't approve of convertibility. In consequence, they have trotted out every half-truth or non-truth under the sun to bolster their claims that Argentina's problems resulted from its convertibility system.

This is nothing new. As Oskar Morgenstern stressed in his classic book, *On the Accuracy of Economic Observations*, wrongheaded arguments, distortions, and lies are common fare for the policy elite. For example, he recounts that:

When the Marshall Plan was being introduced, one of the

---

chief European figures in its administration (who shall remain nameless) told me, "We shall produce any statistic that we think will help us to get as much money out of the United States as we possibly can. Statistics which we do not have, but which we need to justify our demands, we will simply fabricate." These statistics "proving" the need for certain kinds of help, will go into the historical records of the period as true descriptions of the economic conditions of those times. They may even be used in econometric work! (p. 21)

Alas, much of what has been written about Argentina's convertibility system follows the script for the Marshall Plan. Central to the chattering classes' argument against convertibility was the claim that the peso was overvalued.

Supposedly, the peso's link to the strong U.S. dollar made the peso overvalued, rendering Argentina uncompetitive, causing the economy to slump, and forcing the government to default.

Does the story withstand examination? A classic sign of uncompetitiveness caused by an overvalued currency is declining exports. But Argentina's exports increased every year in the past decade except 1999, when Brazil, its largest trading partner, suffered a currency crisis. Exports during the first eleven months of 2001 were about 3.2% ahead of exports during the same period in 2000. Considering that estimated real growth in world trade was only 0.9% last

year, Argentina's export performance was relatively strong. Indeed, the export sector has been one of the few bright spots in the Argentine economy. If the rest of the economy had been growing as fast as the export sector during the last two years, Argentina would not be in a recession.

In an attempt to bolster claims of overvaluation, some observers asserted, on the basis of taxi rides from the airport or other casual impressions, that prices were high in Buenos Aires, and that high prices were evidence the peso was significantly overvalued against the dollar. A recent Union Bank of Switzerland survey of prices in 58 of the world's largest cities found that for a basket of 111 goods and services, weighted by typical consumer habits — including three categories of house rent — Buenos Aires ranked 22nd, about midway between the most expensive city, Tokyo, and the least expensive, Bombay. The survey also found those taxi rides that are allegedly so expensive cost about 8% less than in Rio de Janeiro.

There are other indicators that contradict the overvaluation story. For example, *The Economist* magazine's Big Mac

*During the past three years, Argentina's monetary policy can be summed up in three words: intervention gone wild. No wonder Argentina's economy has imploded.*

Index indicates that the peso, before its devaluation, was 2% undervalued. And although the Big Mac Index, as well as more sophisticated estimates of equilibrium exchange rates, should be treated with great skepticism, a recent careful study of the matter using data from 1993 to 1999 indicates that the peso was always within 6% of its so-called fundamental equilibrium real exchange rate.

### Doing the Math

Ignoring those facts, the chattering classes went on to claim that a devaluation was necessary to boost exports and economic growth. Does this claim hold water? Let's go through the arithmetic. The short-run price elasticity for Argentine exports is about -0.1. So, to stimulate exports by 1%, the real value of the peso (adjusted for inflation) has to depreciate by 10%. Exports in Argentina only accounted for 9% of GDP last year. Consequently, if the current devaluation of 50% (the floating peso is trading at two to the dollar) doesn't pass through to any domestic inflation — in short, if the nominal devaluation is a real devaluation — exports will increase by about 5%. Under this optimistic scenario, the current level of devaluation would add less than a half percent to GDP — a GDP that, thanks to the new exchange-rate regime, has collapsed.

In addition to errors of commission, the commentary on Argentina is replete with errors of omission, too. I have yet to see mention of the fact that Argentina's real GDP growth rate during the decade of convertibility was more rapid than during any other decade in the 20th century. Never mind. That little fact would have ruined the story.

If not the convertibility system and the peso, then what?

Argentina's acute political and economic crises have resulted from an interrelated set of self-inflicted Argentine blunders.

### Self-Inflicted Harm

In the 1990s, Argentina failed to carry out comprehensive free market reforms. Contrary to claims by Eduardo Duhalde, Argentina's new president, the neoliberal economic model was never more than partially implemented. The fiscal system is a mess and tax rates are sky-high. For example, the tax wedge between gross labor costs and net wages is a whopping 42%, comparable to the biggest wedges in socialist Europe and almost double that of the U.S. No wonder official unemployment has remained so high and the underground economy is so vibrant. In addition, over half the working-age population in some provinces is employed by the government. The Mussolini-style labor laws and the public health-care and social security systems remain unreformed and in need of modernization.

- In 1999, former president Menem failed to follow through on an experts' report that I co-authored with Kurt Schuler.\* We had recommended the replacement of the peso with the dollar. Menem's failure left the peso vulnerable to meddling of the always unreliable Argentine politicians.

- In 1999, Argentina's voters elected a weak left-wing government. It was led by President Fernando de la Rúa. Although a decent man, he remained distant and removed from the economic realities of Argentina and was tone deaf to Argentina's politics.

- In 2000 and 2001, the de la Rúa government introduced three large tax increase packages on the recommendation of the International Monetary Fund. These pushed the top tax rates in Argentina to very high levels, much higher than those in the United States. Not surprisingly, these tax increase packages forced the economy to slow rapidly and

*Argentina's devaluation amounts to a great bank robbery, one in which the rights to 17.8 billion U.S. dollars in foreign reserves were abolished by the government.*

total tax revenues collapsed. As a result, Argentina was unable to service its debt.

- In March, 2001, Domingo Cavallo was appointed Minister of the Economy. Cavallo's economic principles were subject to constant change and as fluid as the assets in a well-managed bank. This fact, combined with his hyperactivity, was a deadly cocktail.

- On April 25, 2001, President de la Rúa replaced the president of the central bank, Pedro Pou, with Roque Maccarone, a man who was inclined toward meddling with the rules governing the peso-dollar exchange rate.

- On June 19, 2001, Argentina introduced a multiple exchange-rate system. Under this setup, exports (excluding oil) took place with a devalued peso; imports with a reval-

\*"A Monetary Constitution for Argentina: Rules for Dollarization." *Cato Journal*, v. 18, no. 3, pp. 405-19.

ued peso, and interest rates shot up. All other transactions take place at a peso-dollar rate of 1-to-1. This was the beginning of the end because Argentina abandoned the convertibility rules. Consequently, external drains of foreign reserves out of Argentina accelerated.

- On June 25, 2001, a law was put into effect in which the peso's anchor would switch from the dollar to a basket of 50% euros and 50% dollars once the euro reached parity with the dollar. This constituted another breach of the Convertibility Law and gave rise to further external drains of foreign reserves.

- In November 2001, Domingo Cavallo engineered a local debt swap in which domestic financial institutions, including banks and private pension funds, were forced to provide credit to the government. This destroyed billions of dollars worth of assets at these institutions and also replaced liquid tradable assets with illiquid, non-tradable assets.

- In early December, 2001, Argentina imposed an interest rate ceiling on interest paid in pesos. Consequently, bank runs and internal drains of deposits out of Argentina's banks accelerated. Then, in an attempt to slow the external and internal drains in Argentina's money and banking system, exchange controls were imposed. These totally abrogated the property rights people had been granted under the Convertibility Law. Argentines viewed this as theft and went to the streets.

- On Dec. 26, 2001, interim President Adolfo Rodríguez Saá proposed the issuance of a parallel currency, the Argentino. Whenever Argentina has found itself in a tight pinch in the past, it has resorted to the printing of more fiat paper money. Since these experiments have always ended badly, the public responded by rioting and the Argentino never saw the light of day.

- On Jan. 6, 2002, Duhalde scrapped the Convertibility Law and devalued the peso, which is now floating. In addition, the government is in the process of "pesofying" the economy.

During the past three years, Argentina's economic policy can be summed up in three words: intervention gone wild. No wonder Argentina's economy has imploded.

### **Argentina's Devaluation Was Like No Other**

What set it apart is that it involved what Frédéric Bastiat termed legal plunder. The Convertibility Law gave a peso holder the right to freely convert a peso into a U.S. dollar. Argentina's redemption pledge was credible because the central bank was required by law to hold foreign reserves to fully cover its peso liabilities. This right of redemption made the convertibility system unique and distinguished it from typical fiat money systems.

Accordingly, with the repeal of the Convertibility Law, the redemption pledge was thrown to the winds and the peso holders' claims on foreign reserves held at the central bank were revoked. Consequently, Argentina's devaluation represents a great bank robbery, one in which the rights to 17.8 billion U.S. dollars in foreign reserves were abolished by the government. For the Duhalde government, that was just the beginning. Indeed, the government has passed a string of new laws that trample on property rights, make a mockery of the rule of law, and are worthy of the Bolsheviks.

Much of this centers on the pesofication of the economy.

Embraced by the Duhalde government, this policy was first articulated by Ricardo Hausmann, a Harvard professor and former chief economist of the Inter-American Development Bank, in the Oct. 30, 2001 issue of London's *Financial Times*. The *Financial Times* leader of Oct. 30 dutifully endorsed pesofication, as did most of the chattering classes that reside in Washington, D.C. Prior to his pesofication manifesto, Hausmann had been one of the strongest advocates of dollarization.\*

Pesofication has dealt a series of blows to the property rights of Argentines:

- Dollar reserves held by commercial banks were seized by the central bank and converted into pesos at 1.40 pesos per dollar. As of Feb. 1, dollar reserves held by commercial banks plus dollar vault cash was U.S.\$5.4 billion. At two pesos per dollar, the windfall loss for commercial banks and the corresponding windfall gain for the central bank is roughly U.S.\$1.6 billion.

- All bank loans originally made in dollars will be converted into pesos at 1 peso per dollar, generating a windfall gain for borrowers of dollars and a corresponding windfall loss for lenders. As of Feb. 1, the last business day before the

---

*Argentina totally abrogated the property rights people had been granted under the Convertibility Law. Argentines viewed this as theft and went to the streets.*

---

new measures were announced, dollar loans were U.S.\$45.8 billion. At two pesos per dollar, the windfall gain for borrowers and the corresponding loss for banks is thus about U.S.\$23 billion.

- All bank deposits originally made in dollars will be converted into pesos at 1.40 pesos per dollar, generating windfall losses for depositors and windfall gains for banks. As of Feb. 1, dollar deposits were U.S.\$39.8 billion. At two pesos per dollar, the windfall loss for depositors and the corresponding windfall gain for banks is thus about U.S.\$12 billion. Overall, then, banks suffer a windfall loss of about U.S.\$1.6 billion + U.S.\$23 billion - U.S.\$12 billion = U.S.\$12.6 billion. (The capital of all privately owned banks, which constitute roughly three-quarters of the banking system, is U.S.\$12 billion.)

- Under privatization agreements with private utilities, many of which are foreign-owned, utility rates were denominated in dollars and indexed to the U.S. inflation rate. These agreements have been redenominated in pesos at 1 peso per dollar. The contract nullification costs, as yet to be calculated, will run into the billions of dollars.

*continued on page 41*

---

\*I am reminded of George Orwell's 1984, in which the world was divided into three countries at war with one another. Oceania was in alliance with Europa against Eastasia. An orator from Oceania was haranguing the crowds, reviling Eastasia and praising Europa. Then a message was delivered from the central office; the alliances have changed! And without hesitation or change of inflection, the Oceania orator simply substituted the new ally for the old enemy. So it was with Hausmann's switch from dollarization to pesofication.

---

## Report

---

# Progress in Costa Rica

*by Raúl Costales*

Movimiento Libertario won at least five seats in Costa Rica's Congress, giving it the ability to advance its program and making it the most successful libertarian party in the world.

Candidates of the Movimiento Libertario appear to have won ten percent of the seats in Costa Rica's congress in the election of Feb. 3, making it the most successful libertarian party in the world. As this is being written, the ML has captured four out of the 57 congressional seats, its candidate is leading by a small but relatively safe margin (277 votes) in a fifth race, and another ML candidate trails by only nine votes in a sixth. Recounts will determine the definitive winners by March 15. Nationwide, the ML received about 140,000 votes for congress, which represents 9.33% of the total, and is more than triple ML's 1998 vote. And the ML performed well nearly everywhere, capturing 2.7% to 11.8% of the vote in every province, failing to come within 2% of electing a congressman in all but one.

The ML is pleased with how the election turned out, and will be even more pleased if it wins the sixth seat, which would give libertarians about 10% of the congressional seats. In the United States this would be the equivalent of ten senators and 44 congressmen. Of course, it was very unlikely that at this stage the ML's presidential candidate, Otto Guevara, would win the presidency, although at one point he attracted 10% of preferences in an opinion poll.

For the first time in history, Costa Rica's minor parties prevented both of the traditional parties' presidential candidates from obtaining the required 40% to avoid a runoff. This sent a very loud message to the political oligarchy that has ruled this country for many years.

The Movimiento Libertario is proving that a principled, morally centered libertarianism can attract many voters in a relatively short time. When the ML was founded six years ago, the libertarian approach was unknown in Costa Rica. When I first approached Otto, today's most popular libertar-

---

ian in Costa Rica, asking whether he knew about libertarianism, he said: "No, what the heck is that?" The Movimiento Libertario has come a long way since then!

One thing that has been very exciting is the great support the ML is receiving from young people, not only young voters, but high-school and college students who will first vote in 2006. Part of the reason is the natural rebelliousness of youth — libertarians are rebellious against the current political establishment, to say the least — but it's also because of the advances in technology that make these young people more self-reliant and unwilling to accept government control over their lives. Anyway, the ML plans to increase dramatically its activity in high schools and colleges in the near future.

### **The Movimiento Libertario's Campaign Strategy**

During the first months of the campaign, the Movimiento concentrated on a presidential campaign through TV ads. Since Otto had been chosen best congressman in many public opinion polls and by the news media, it had a good spokesman. Still, only about 60% of Costa Ricans knew of him on July 16, the day the ads began running. By the end of the campaign, his name recognition was 94.5%.

ML's objective was to run a serious presidential campaign that would discuss libertarian ideas and gain enough attention to be invited to a nationally televised debate with

the traditional party candidates. The ML achieved that. In his conclusion in the debate, Otto asked for support for Movimiento congressional candidates, and appealed to viewers to split their vote, which is fairly common in Costa Rica. (That is, many people voted for a presidential candidate who really has a chance to win the presidential race, but support the congressional candidates of another party.) So, when Otto's presidential preference was pushing 10% and the ML congressional preference was much lower, they

---

*The TV campaign, including production costs, absorbed 87% of its campaign costs; another five percent went for radio and newspaper advertising.*

---

changed the message and became the only one of the four leading parties to focus on getting more congressional votes. The result was a fast decline in Otto's presidential preference and a big increase in congressional preference. In the end Otto only got 1.68% of the presidential preference (about 25,000 votes), but helped the Movimiento achieve its main goal of more congressional seats. And it laid the groundwork for the presidential campaign in 2006.

### Cost of the Campaign

The ML spent about \$217,000 for the 2002 campaign, with many of its contributions coming in late, enabling it to have more television advertising as the election got closer. The TV campaign, including production costs, absorbed 87% of its campaign costs; another five percent went for radio and newspaper ads during the last two weeks, and the remainder

was spent on fliers, billboards, flags, T-shirts, caps, and bumper stickers. Nothing was spent on salaries, since all work was done by volunteers, and there were no office rental costs, since all locales were donated, including a party headquarters office in San José during the last two months of the campaign.

As libertarians the Movimiento refused any government funds for its campaign, and was the only party to do so. But preliminary estimates indicate that the ML would have been entitled to about \$811,000, nearly four times what it spent! You can bet that the Movimiento will publicize this, as well as criticize the other parties for accepting such funds.

### The Future

No party even came close to getting a majority of congressional seats. With Congress widely split among four parties, the ML's negotiating power will increase significantly from its current 1-against-56, David vs. Goliath situation. This should enable it to push forward some items in the libertarian agenda during the next four years, and to block even more legislation that violates rights.

But most importantly, there will be an increased discussion of libertarian ideas throughout the country. The Movimiento Libertario is a topic of study for high-school and college students, who regularly visit its congressional office to learn more about libertarianism. And the news media give libertarian positions a prominent place. Further, the ML's website in Spanish includes current congressional topics, positions and proposals, libertarian comics (a favorite), books, the test to find out if one is a libertarian, and much more.

ML also maintains an English website, a font of information about the revolution that is happening in Costa Rica. You can find it at [www.libertario.org/en/](http://www.libertario.org/en/). □

---

### Argentina, from page 39

---

The only way to rectify all this plunder is to reverse it and restore the property rights regime that existed prior to Jan. 6. Argentina should dollarize the economy, as Kurt Schuler and I recommended on Feb. 1, 1999. This should be done at an exchange rate of 1 peso per dollar. In addition to restoring property rights, this would give Argentina a much needed confidence shock. The rationale is similar to that employed by Alexander Hamilton in paying the Revolutionary War debts of the United States at their par value, even though they had long since depreciated. Hamilton wanted to establish the United States as a good credit risk. He succeeded so well that the federal government soon became able to borrow on terms similar to those available for long-established European countries.

Argentina is now a terrible credit risk, and the government needs a dramatic step to re-establish the years of painstakingly established private and public credit it has destroyed in accelerating stages since Dec. 1, when then-president Fernando de la Rúa and his minister of economy Domingo Cavallo imposed a freeze on bank deposits.

If Argentina's central bank was put out of business and the peso liquidated, the turnaround would be just as rapid as in Ecuador, which dollarized its economy in early 2000. In two short years, that country has pushed its growth rate to

the top of the Latin American charts, unemployment has fallen from 15% to 9%, and 30-day interest rates on deposits have fallen from about 60% to 3.65%.

If the Duhalde government fails to respect property rights by dollarizing the economy at a rate of one peso per dollar, the Bush administration should refuse to fill Argentina's begging bowl. Indeed, the Bush administration should refuse any direct aid and should veto any proposal for the International Monetary Fund, the World Bank, and the Inter-American Development Bank to lend money to Argentina. Fortunately, the U.S. government is required to do just that. Title 22, Section 2370 of the U.S. Code requires the suspension of U.S. assistance to any country that seizes ownership of property owned by U.S. citizens or corporations or nullifies contracts with them.

If that wasn't enough, President Bush echoed U.S. law in his State of the Union address of Jan. 29. In that speech, the president said, "We have no intention of imposing our culture. But America will always stand firm for the non-negotiable demands of human dignity: the rule of law; limits on the power of the state; respect for women; private property; free speech; equal justice; and religious tolerance." As a matter of principle and law, then, the U.S. will be on firm ground if it sends Argentina's plunderers packing. □

# Cutting Back the State in Canada

by Paul Geddes

The new government in British Columbia has made some big promises about cutting taxes . . . and actually seems to be keeping them. But the news isn't as good as it sounds.

Last June, voters in British Columbia threw out the New Democrat Party (NDP), the explicitly socialist party that had controlled B.C. for a decade. The Liberal Party, which had a platform of tax cuts and less government, won 77 of the 79 seats in the provincial parliament. The new government announced a 25% across-the-board tax cut and plans to get rid of more than a quarter of the province's employees.

According to the rest of Canada, people in B.C. take their politics a bit too seriously. Accepted wisdom from a Toronto newspaper is that all the footloose fruits and nuts who couldn't make anything of themselves elsewhere in Canada slowly migrated westward until they hit the ocean. With nowhere else to go, they settled down to forcing their polarized visions upon each other. This is supposed to explain why the governments of British Columbia seem to rotate so rapidly from the reddest of the radical socialists to the blackest of the rapacious capitalists and why after ten years (1991–2001) of socialist taxing, spending, and regulating, British Columbians threw out the scoundrels and elected their ideological opposite, the new Liberal government.

Judging by current headlines, the leader of the Liberal Party, Gordon Campbell, has already overplayed his hand. Not only are the changes radical, according to media pundits, but he is making them simply to satisfy his pure ideological bias and out of class hatred of the poor. The evening news has become a full hour of bleating beggars wailing about cuts in their subsidies, bleeding-heart professors worrying about the tearing social fabric, and union leaders haranguing their followers to "Fight back! Fight back!" and promising to make the province ungovernable. Even the respected *Economist* magazine came in on message, subtitled their recent report on B.C. "a wild gallop to the right."

---

When government-loving professors, unions, and special interests are all angry, it is surely good news. But don't apply at your local Canadian embassy for your immigration papers just yet. In B.C., substantial reductions in the role of government in people's lives is still far away.

For one thing, the tax cut isn't as large as it sounds. Provincial income tax is only one-third of the total personal income tax collected, and personal income taxes are only one-third of the total taxes British Columbians pay. A 25% cut of one-third of one-third of taxes works out to about a 3% tax cut. Each year, the local free-market think tank, the Fraser Institute, calculates an annual Tax Freedom Day, the (metaphorical) day Canadians stop working for the government and get to start keeping what they earn. In 2000 (the last full year with the NDP) B.C.'s Tax Freedom Day was July 5, with taxes consuming 50.6% of the average family's income. Back of the envelope calculations indicate that the 25% provincial income tax cut would bring taxes down to about 47.5% of income and move Tax Freedom Day forward to about June 22. That's about the level it was in 1995, halfway through the NDP's reign.

This tax cut is a small step in the right direction, but provincial income taxes are still higher in British Columbia than in either Alberta or Ontario (the only other Canadian provinces that pay their own way in Canada) and the total tax bill



of 47.5% is still more than ten percentage points higher than Americans in any state have to put up with.

What is getting the demonstrators out into the streets is the announced intention to get spending under control. In the fiscal year 2001-02, provincial government expenditures reached \$24 billion Canadian, just under 20% of gross provincial domestic product. But with a poorly performing economy, built-in automatic spending increases hidden in

---

*After ten years of socialist taxing, spending, and regulating, British Columbians threw out the scoundrels.*

---

union contracts, as well as the \$2 billion tax cut, the government faces an expected \$3 to \$4 billion deficit without making any changes.

Campbell proposes to balance B.C.'s budget by cutting provincial expenditures by 8% (\$2 billion) over the next three years to reach a level of \$22 billion. This translates into job losses for about 12,000 full-time bureaucrats (out of over 40,000 positions). By the end of this plan, B.C. should have around eight provincial employees per 1,000 residents, compared with Alberta's 9.3 and Ontario's 7.4.

Despite the impression one might get from the headlines, Campbell is *not* pioneering drastic changes but just trying to return B.C. to a level of taxation and expenditure considered

normal for the other "have" provinces in Canada. Even with this "radical right-wing" shift, Campbell's government will still own 95% of the land area in B.C. and thus will retain control of the forestry resources responsible for a major portion of the economy. This "radical free-market" wingnut will also still own nearly all of B.C.'s valuable electricity generating and distribution services.

Nor has the government announced any plans to release citizens from the government-owned monopoly car insurance company or to allow citizens to opt out of its government monopoly medical service. Farmers' land has been declared protected (originally to save British Columbians from impending world famine) but farmers are still not allowed to sell land for more valuable uses. Even with falling world food prices, you can still find cows and fields of vegetables just minutes from downtown Vancouver. This "free market" government still restricts the production of milk, eggs, chickens, apples, oysters, mushrooms, and green vegetables so that B.C.ers have the honor of paying substantially higher than world prices for the pleasure of knowing that some of their food is grown close to home.

British Columbia has made some small baby steps in the direction of a free market, but not nearly enough to warrant all the fuss and squawks from the many special interest groups. But then again, the movement does seem to be in the right direction and we should be thankful for every incremental gain in freedom we can get.

Meanwhile, most B.C.ers are very thankful for their tax cut, despite its puny size. □

---

## Letters, from page 6

---

zens of the academe, likening them to the spineless Brits of the 1930s, she misses one very important point. Britain did not spend the 1920s using military force hither and yon to teach disparate peoples the meaning of "perfidious Albion" in their native languages. In contrast, our government has spent billions of dollars teaching the world to sing David Bowie's classic "I'm Afraid of Americans" in their native tongues. Simply recognizing this fact does not make one a Nazi appeaser. Ignoring these truths leads to the deplorable situation we find

today in which any article in *Liberty* that contains the words "rights of the Palestinian people" engenders a torrent of reader response that follows this pattern. "If the Palestinians are people and if they have rights those rights have been permanently invalidated because Israel is a democracy and none of the Arab states are." This position is held irrespective of the actions of the Israeli government and no matter how individual Palestinians are deprived of life and liberty.

At the end of the day we are reaping the whirlwind sown by generations that have ignored George Washington's sage advice regarding foreign policy and energized by the Supreme Court's failure to base *Brown v. Board of Education* on Justice Harlan's dissent to *Plessy v. Ferguson*.

It's time to get over it and move on. Sloppy thinking and cultural chauvinism are simply not acceptable.

Kevin P. Tyson  
White Plains, N.Y.

## Quarantine 'em All

In "Go Forth and Multiply?" (March), Bruce Ramsey correctly

observes that homosexuality is not catching. However, Ramsey omitted the following facts: First of all, homosexuals do often "catch" the AIDS virus from each other. Secondly, heterosexual women do often "catch" the virus from bisexual men. Lastly, none of the above would be taking place if AIDS carriers were isolated from society like TB carriers are. That can't happen because gays are protected in this country.

Robert M. LaFrana  
Wyoming, Mich.

## Be Nice, Doug! Or At Least Inoffensive. . .

Once again an issue has come out that I dare not leave for reading, as I would like to do, at the office of my doctor or dentist. The March 2002 issue contains more than one great example of why a good number of libertarians I know don't subscribe to *Liberty*: The publication can be depended on to print spectacularly offensive material in every issue.

Printing controversial material is one thing. Including articles or col-

*continued on page 61*

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

Mail to: Liberty Letters, P.O. Box 1181, Port Townsend, WA 98368. Or email to: [letterstoeditor@libertysoft.com](mailto:letterstoeditor@libertysoft.com).

## Reply

# Szasz and Mises

by Bettina Bien Greaves

Maybe Ludwig von Mises didn't misunderstand psychiatry.

My first reaction when anyone criticizes Ludwig von Mises is to bristle. What do you mean by saying that my professor, my mentor, was wrong? Then I stop, look, listen, read, and reconsider. After all, Mises could have occasionally misspoken; he could have been misinterpreted; or, although I find it hard to accept, he could even have been wrong. I have read and reread Thomas Szasz's article ("Mises and Psychiatry," February) and believe it is a mix of all three.

Szasz says that Mises appears to accept the view of psychiatry that insanity is an illness. And Szasz calls psychiatry (and psychoanalysis, through its alliance with psychiatry) "a form of statist pseudo-liberationism" and "the most dangerous form of statism."

According to Szasz, "the standard psychiatric mythology" maintains that individuals who are classified as "insane," though innocent of lawbreaking, ought to be deprived of liberty and responsibility and incarcerated in a prison, even if that prison is called a "hospital."

Szasz says that by failing to draw a line between sanity and insanity Mises opens the door to classifying a man as "mentally disabled" by "the mere fact that [he] shares erroneous views and acts according to his errors."

And, if I understand Szasz correctly, he argues that is precisely what Freud did, and that that was why Mises admired Freud.

I admit that Szasz has legitimately called Mises to task for occasionally using the jargon of psychiatry, perhaps without fully realizing the significance of what he was saying. I cannot even understand what Mises meant in some instances, for instance in writing about the "Fourier complex." However, I disagree with Szasz on all four counts listed above: (1) that Mises accepted the view of psychiatry that

"insanity" is an illness, (2) that those classified as "insane" should, on that account alone, be incarcerated, (3) that persons who believe and act on erroneous ideas should be labeled "mentally disabled," and (4) that Freud's classification of persons on the basis of their erroneous ideas was why Mises admired Freud.

### Inside the Mind of Mises

Szasz quotes Mises' *Human Action*: "Man is a being capable of subduing his instincts, emotions, and impulses . . . He is not a puppet of his appetites. . . . Human action is necessarily always rational. The term 'rational action' is therefore pleonastic and must be rejected as such" (*Human Action*, pp.16, 19; Szasz emphasis added). And Szasz even states that these ideas of Mises on the purposiveness of human action "have formed the basis for [his, Szasz's] views on 'mental illness' and psychiatry." Szasz does not specifically say so in this article, although I believe he has elsewhere, that "he who acts antisocially," that is he who aggresses against the life or property of another, should be penalized for that act under the law; irrespective of whether or not he is considered "insane" or "mentally disabled." This, I believe, was Mises' view also. As a matter of fact, Mises wrote, in one passage quoted by Szasz, "To punish criminal offenses committed in a state of emotional excitement or intoxication more mildly than other offenses is tantamount to encouraging such

excesses."

Most people may consider the ideas of some persons and their reasons for acting strange, unusual, wrong, insane. But after all, in the view of both Mises and Szasz, he is a rational human being and, thus "capable of subduing his instincts, emotions, and impulses." Although he should not be punished for his ideas, he should be held liable under the law for any aggressions against others.

### The Thin Psychiatric Line

Szasz says that the "line between sanity and insanity" determines "which individuals innocent of lawbreaking" will be "deprived of liberty and responsibility." Is it really true that "psychiatry (and psychoanalysis, through its alliance with psychiatry)" have become such an overpowering form of "statist pseudo-liberationism," that it even deprives

---

*Szasz has legitimately called Mises to task for occasionally using the jargon of psychiatry, perhaps without fully realizing the significance of what he was saying. I cannot even understand what Mises meant in some instances.*

---

persons of liberty and responsibility who are "innocent of lawbreaking"? Is it really true, as Szasz says, that "persons considered insane are incarcerated in mental hospitals" even if they have committed no antisocial act, have not been violent against themselves or others, have been managing their own affairs or were being cared for by willing friends or family members, and have expressed their odd, different, "insane," ideas only peacefully? Is it really true that persons whose ideas "ought to be viewed as the right to be wrong" are actually considered "insane" and are "incarcerated," i.e. imprisoned, in mental hospitals? Does psychiatry really incarcerate such "insane" but innocent individuals? If so, this is certainly a strong indictment against psychiatry. But not against Mises. Szasz says that Mises should have known about this situation. But that I cannot say.

Quoting from my notes on a Mises' lecture: "The great contribution of Freud and of his predecessor, Breuer, consisted of explaining that even the behavior of lunatics and neurotics was guided by the desire to attain certain ends, just as is the behavior of everyone else." Every action a person takes, Mises pointed out, is always conscious, purposive, intentional, aimed at some particular goal or end. And every action stems from the ideas a person holds. And this applies not only to so-called "normal" or ordinary people but also to those society classifies as "insane." "Before Freud, people said neurotics were simply running around aimlessly but he showed that these people too wanted to achieve something." The difference is just that those called "insane" act on the basis of ideas others consider strange, abnormal, incomprehensible, even wrong.

"On the border lines of every scientific doctrine there are doctrines that are the results of undigested ideas. On these fringes there develop some ideas which are untenable. . . . Materialism assumed that ideas in the human mind were

created by material conditions [deformities in the brain, bodily secretions, etc.]. The position of psychoanalysis was precisely the opposite of this materialism. The great fact of psychoanalysis is that psychic phenomena can bring about physical changes in men. Breuer discovered that a girl was paralyzed because of psychic conditions. Medical doctors had not been able to discover the cause. This was fifteen years before Freud's fame."

Mises wrote that the availability of free government health care has led to a new disease because of the ideas it has generated in the minds of some people. "Social insurance has thus made the neurosis of the insured a dangerous public disease. Should the institution be extended and developed the disease will spread." If a person believes he is sick, the idea, the belief, may actually make him sick. "Being ill is not a phenomenon independent of conscious will and of psychic forces working in the subconscious. . . . A special disease, traumatic neurosis, which had already appeared in some cases as a result of the legal regulation of claims for compensation for injury, has been thus turned into a national disease by compulsory social insurance. . . . [T]o feel healthy is quite different from being healthy in the medical sense." Similarly, if a man believes he is the king of Siam, it may not make him king, but it may make him act as he thinks the king of Siam would act. Irrational as his actions may appear to those who do not share his delusion, they are rational from his point of view. They make sense to him.

### What Is Science?

In Szasz's view, the term "science" should be restricted to the hard (physical) sciences. That is, of course, a matter of terminology, a definitional question. Anyone may define the

---

*In Szasz's view, the term "science" should be restricted to the physical sciences. That is a definitional question. For Mises, praxeology, like geometry, was a science, a science of logic.*

---

terms he uses as he wishes, although it is helpful when communicating with others to use definitions others accept, or to be very careful to clearly define one's terms. For Mises, praxeology, like geometry, was a *science*, a *science* of logic. Mises considered praxeology a science because it reasoned logical step by logical step from the basic a priori fact that men act. Economics, according to Mises deals with the *fact* that men act, not with their *reasons* or *motives*. Reasons and motives, he said, belong to the realm of psychology.

Mises called "action" a priori "because it is so fundamental that we cannot otherwise conceive of life as we know it in the world in which we live. Mises' reasoning then proceeded logically from one conscious, purposive, intentional, action taken to remove a "felt uneasiness" (Mises' term) to another, from acting to exchange one situation or thing for another situation or thing, and from one action to attain a certain end, chosen according to the actor's personal subjective values, to another action to attain another end. The conclusion reached at each stage in this logical procession is just as true

and just as incontrovertible as a law in the hard sciences. For instance, the economic law of returns (diminishing or increasing) and the economic law of price, commonly known as the law of supply and demand, both arrived at by logical reasoning, are just as true and just as incontrovertible as the geometric law, also arrived at by logical reasoning, that a straight line is the shortest distance between two points, or just as true and as incontrovertible as the physical law of gravity. It is through this process of reason and logic that the economist explains all economic phenomena — prices (ratios between the relative subjective values of traders), money (a commodity taken in trade in lieu of barter, to use later to obtain what the trader wants). Further steps in logic explain banking, credit, monetary manipulation, and the effects of the interference by force through government regulations and controls, etc.

It is true, as Szasz says, that Mises did not consider drug addiction a disease. He did not deny that the use of habit-forming drugs such as alcohol, opium, and morphine could be dangerous, but he considered government attempts to prevent their use even more dangerous. "If one abolishes man's freedom to determine his own consumption, one takes all freedoms away." However, Szasz quotes from Mises' *Omnipotent Government* (1944) to show that at least at one time Mises had actually advocated using the force of government to stem the drug traffic: "The League of Nations may continue to combat contagious disease, the drug traffic, and prostitution." Before coming to the United States in 1940, Mises had spent almost six years living and teaching in Geneva, Switzerland. There he had been able to observe at close hand how the League operated and he had become pretty much disillusioned as to its ability to fulfill its original intent — the promotion of peace. I interpret Mises' 1944 statement about the League of Nations as an indication of his complete disaffection with the League; he expected nothing more from it than busywork such as accumulating statistics and combating "contagious diseases, the drug traffic, and prostitution."

## Conclusion

Szasz is certainly correct in calling attention to Mises' faux pas when he stepped outside his field of expertise. Other notables have made similar mistakes — Einstein spoke on behalf of socialism and Henry Ford crusaded at one time against what he saw as an "international Jewish conspiracy." In spite of Mises' 1927 remark that opposition to liberalism comes from "a pathological mental attitude" which "cannot be reached by resort to the method of reason," he did not recommend treating such persons as "sick" or "insane." He continued throughout his life to advocate the use of persuasion by "resort[ing] to the method of reason." Shortly after the First World War ended, he spent hours debating and arguing with Otto Bauer, the leading Austrian socialist of that day, to keep Bauer from implementing his program for the radical socialization of Austria. As a matter of fact, in the very same section of *Liberalism* quoted here, Mises stressed the importance of using rational arguments to reach neurotics. The neurotic adopts a delusion to make life more bearable, Mises says, because he cannot endure life in its real form. But it is not enough to demonstrate the absurdity of his delusion. "[T]he patient himself must overcome it. He must learn to

understand why he does not want to face the truth. . . . Through self-knowledge he must learn to endure his lot in life without looking for a scapegoat on which he can lay all the blame, and he must endeavor to grasp [by study and understanding] the fundamental laws of social cooperation." □

# In Response to Bettina Bien Greaves

Thomas S. Szasz

I would like to thank Bettina Greaves for her comment on my essay "Mises and Psychiatry" (March). I share her admiration and respect for Mises and his work, shown by many laudatory references to his writings in my books.

For example, in *Our Right to Drugs: The Case for a Free Market* (Praeger, 1992, p. 159), I approvingly cite Mises' statement: "Opium and morphine are certainly dangerous, habit-forming drugs. . . . The mischief done by bad ideologies, surely, is much more pernicious, both for the individual and for the whole society, than that done by narcotic drugs" (*Human Action*, pp. 728–29). And in *Pharmacocracy: Medicine and Politics in America* (Praeger, 2001, p. 65), I cite Mises' writing: "[Social insurance] has thus made the neurosis of the insured a dangerous public disease. . . . We cannot weaken or destroy the will to health without producing illness" (*Socialism*, p. 432).

These and many other acknowledgments of Mises' genius ought to suffice to show that my essay, "Mises and Psychiatry," was not intended to be, and ought not to be interpreted as, an "attack" on Mises. Mises was human and hence not perfect. As Greaves cogently notes, no one can know everything and even the wisest and most decent men can utter ill-advised opinions. Having said that, let me re-emphasize the crux of my argument regarding psychiatry.

## My Objections to Psychiatry: Behavior Is Not Disease, Coercion Is Not Cure

1. Behavior is not disease. Greaves writes: "Breuer discovered that a girl was paralyzed because of psychic conditions. Medical doctors had not been able to discover the cause. This was 15 years before Freud's fame."

*This girl was not paralyzed. She pretended to be paralyzed.* Real paralysis cannot be cured by an exchange of words between doctor and patient, even if that exchange is given scientific-sounding names such as "hypnosis," "catharsis," and "psychoanalysis."

2. I distinguish, and urge libertarians to distinguish, between voluntary and involuntary psychiatric interventions. Breuer and Freud were physicians in private practice. Neither was a psychiatrist. Neither had, or could have had, involuntary patients; such persons were locked up in insane asylums, whose directors were state employees. (This is why most psychoanalysts in Austria-Hungary were Jews, but no

*continued on page 60*

# Reviews

*In the Bedroom*, directed by Todd Field. Miramax Films, 2001, 131 min.

## Boredom In the Bedroom

Erika Holzer

"Over 90 critics nationwide agree *In the Bedroom* is ONE OF THE BEST PICTURES OF THE YEAR!" trumpets a Miramax full-page ad in *The New York Times* — and that was before Sissy Spacek copped a Golden Globe best-actress award for her performance in this film. But if you happened to scan the lineup of tributes in that advertisement, as well as prior and subsequent ads, and then came away confused, don't blame yourself.

On the one hand, you would have encountered accolades such as: "relevant . . . rooted in a profound understanding of humanity" (*The New York Observer*), " . . . exquisitely rendered emotional truth" (*Time Magazine*), "[p]hrase by phrase, image by image . . . an astonishingly rich work . . . undeniably seductive!" and " . . . artful depiction of family tragedy . . ." (*The New York Times*), " . . . it sneaks up on you . . ." (*Chicago Tribune*), and "So real it took my breath away . . . two very enthusiastic thumbs up!" (guess who?)

On the other hand, you would have bumped up against: "A thriller that transcends thrills!" (*Rolling Stone*), "Grade: A! Riveting!" (*Entertainment Weekly*), "explodes with phenomenal force" (*The Wall Street Journal*).

Sound just a bit contradictory?

If you see the movie, you may decide, as I did, that *In the Bedroom* is itself contradictory — a hybrid phenomenon, and a not very satisfying one at that — depending, of course, on your tolerance for movies which promise one thing and deliver another.

I'll admit up front that the odd collection of accolades was part of the reason I put *In the Bedroom* on my must-see list (Roger Ebert's eager thumbs-up notwithstanding — usually a surefire way to know in advance I won't like a given movie). But curious to see for myself what the fuss was all about, I was further persuaded by a rave from one of my favorite reviewers, a person whose opinion I invariably respect even when we part company on the merits of a film. One sentence in particular grabbed me: "Director [Todd] Field . . . paces the story with a subtlety and a build that makes its two hours and ten minutes go by with the tightness of a much shorter film." Well, hey, I'm all for subtlety and, by implication here, a well-paced — one might even say, a tightly paced — drama. By the time I arrived at the movie theater, curiosity had given way to anticipation.

Fifteen minutes into the film, I was mildly engaged in what promised to be an interesting setup that was, any second now, about to slip into a gut-

wrenching, conflict-filled family drama. Roughly half an hour later, I was still waiting for the promised setup to ignite — even as I tuned into the sound effects to my right: my husband, slipping into the twisting-in-the-seat routine that signals acute boredom.

Patting his hand in commiseration, I found myself remembering something Ayn Rand had said during a conversation about the construction of a novel. Dostoyevsky (whom Ms. Rand admired) had this maddening technique, she told me, of creating a suspenseful situation, then taking a long time to get to the point or introduce the new character he'd been teasing us about. He'd pull this novelistic stunt most often when the reader was anxious to get on with it. Finding myself in this very predicament, I actually thought there was hope for *In the Bedroom*.

It was a guilt-tinged hope, I'll admit. Here we have this adorably sweet, hugely naive, brilliant architect-to-be dragging out his summer-before-college romance with a pretty older gal whose goal in life is security for her and the kids and whose schizoid, physically abusive, wildly jealous, estranged husband isn't just a time bomb waiting to go off — the creep is a grenade with the pin already pulled! The situation is obvious practically from the first fade-in, but that doesn't lessen the guilt trip — I mean, how would *you* feel, rooting for the nice young man's death just to get the story back on track?

I recalled the *Times*' giddy admiration of the movie's richness. The bit about "phrase by phrase" and "image by image" took on new meaning: a virtual pileup of talk, much of it unimportant, that stalled the promise of action to come. As I felt myself drowning in seemingly endless picturesque images of a lobster town in Maine, I thought of another line from my friend's movie review. He said that actor-turned-first-time director Field "sets up with cool understatement the elements that

make up the fabric of everyday living in a happy, well-adjusted family until the harsh light of tragedy plunges them into bitterness." There was plenty of fabric, all right. I felt smothered in it as director Field zoomed in on this or that transparently *significant* moment, all the while feeding in a lot of meaningless detail, while I waited with growing impatience for the harsh light of "until."

As for all that subtlety and understatement, I found it tedious and shamelessly repetitive. It led me to think that this neophyte director was either too undisciplined to yank himself away from the scenic small town

---

*Fifteen minutes into the film I was engaged, awaiting a gut-wrenching, conflict-filled family drama. Half an hour later, I was still waiting.*

---

ambiance, or that he hadn't the faintest idea how to turn a selective focus on it and use sense of place only long enough to enhance his story. And please don't tell me that's how we perceive *real life* — chock full of all the nitty-gritty details. Not unless you first pass the following test.

Pop into the gorgeous lobby of a deluxe hotel full of eye-catching, expensive trappings. Or into one of those charming eclectic antique shops that boasts everything from china dolls to ancient sewing machines. Or hurry on over to a wedding reception full of music and food and friends who are expecting you. Or . . . you get the idea. Now tell me whether you looked at every single object in sight. More likely, you singled out the lobby's crimson velvet tasseled drapes . . . the Art Deco chandeliers . . . the green marble floor. Spotted the Raggedy Ann propped up on one of the shop's dusty overcrowded shelves . . . relived a moment out of your childhood — and, oh, that darling hen-shaped votive candle! Did a quick survey of the bride — love that lace mantilla! — raised an eyebrow at the long-fingered blond guy who was about to blow you away with his trombone . . . cut to a Baccarat

glass bowl heaped with shrimp — how long before it runs out? — spied Maggie and Lynn both decked out in mauve silk . . . and not looking the least bit peeved with one another.

Whatever you noticed, you didn't notice everything.

Resting my case, I return to the big screen. I figure, with a suppressed sigh, that with *In the Bedroom* I'm stuck with pure naturalism from the first reel to the last. Oh, not the kind of naturalism that consists of moody vignettes and scattered incidents, beginning and ending nowhere. *In the Bedroom* is predominantly about characterization at the complete expense of plot, but it does at least purport to have a story — a purposeful direction, if you will — even if the events follow one another only in a temporal sense and not in the kind of logical sequence that signals plot. I tell myself that the family tragedy being depicted, though building at a snail's pace, is interspersed with a number of arresting and exceedingly well-acted interludes. But this movie has been stripped of real drama.

I am reminded of another family tragedy — one which Ayn Rand had brought up in our conversation about novel construction: the case of Romeo and Juliet. "To have a logical progression, you must first have a common dramatic element. Look at it in three steps," she counseled. "Step one: love at first sight. Step two: marriage. The common element is the family feud. It infuses steps one and two with drama and builds in a logical progression to an inevitable question — to step three: Will they be happy?" In other words, "plot" events arise out of preceding events, whereas with "naturalistic" events, they may or may not be purposeless (events in *In the Bedroom* are not), but they won't be necessitated by preceding events, either.

Ms. Rand had a lot more to say about naturalism on that memorable occasion. I already knew, of course, that instead of dealing in essentials, naturalism is laced with surface details. I knew the overall pattern of the literature — loose stories told with diffuse events whose purpose is to present or influence characters, often with long passages delineating inner feelings and thoughts, while action, if there is any, is virtually suspended.

But what I hadn't realized was the degree to which many writers (and filmmakers) engage in what Ms. Rand called "crossbreeding" between the schools of Naturalism and her own Romantic Realism.

Warning against classifying naturalistic writers too rigidly — "you have to judge each story by essentials because no single story is without elements of both schools," she praised John O'Hara for his "good psychological studies" that often were "heart-breaking, sadly malevolent-universe stories illustrating some aspect of a character or a psychological process or even summing up a whole life in one incident." Very eloquent on their own terms, O'Hara's stories, she observed, though not always naturalistic, and not romantic either. They were nonetheless purposeful and went "deep." The "enormously overrated" John Steinbeck, on the other hand, was "pure naturalism — and pretentious at that." For burning social issues, you were far better off with Emile Zola.

When I asked for more examples, she ticked off Tolstoy, Chekov, Henry James, Fitzgerald — "all naturalists who selected intellectuals or upper

---

*I hadn't realized the degree to which many filmmakers engage in what Ayn Rand called "crossbreeding" between the schools of Naturalism and her own Romantic Realism.*

---

classes for their subjects but treated them naturalistically." Another crossbreeder was Budd Schulberg (*What Makes Sammy Run*), whom she regarded as "somewhat talented, with a certain sense of drama and the ability to select naturalistic types while presenting his collective portraits quite skillfully." In contrast, Dostoyevsky, although characterization-oriented, wrote on the romanticist method, using purposeful events to show you the characterization.

As I exchanged goodbyes with Ms. Rand and stepped into the hallway of her apartment house, I distinctly remembered the color of the dress she



wore — black — but not much else about it; the way her glasses — colorless frames — would slip from time to time, and her impatient automatic gesture of pushing them up with no break in the conversation; those eloquent hand gestures as she emphasized a point. That was about it in the physical details department. Selective focus wins again.

I drag my focus back to *In the Bedroom* and wait to discover whether this adaptation of a short story will turn out to be start-to-finish naturalism or — hope springing eternal — whether I'll luck out and see it metamorphose into a not half-bad example of crossbreeding. My friend's review, after describing the main characters as a small town doctor — "local boy who has grown up and stayed put" — and his wife Ruth, a music teacher at the local school, had gone on to write: "But with Frank's [their son's] murder, all the suppressed concerns and resentments that went unnoticed when they were happy fester into open sores. And with the realization that his killer, the son of the town's leading family, will probably walk, the anger grows — an anger at the murderer, at the system, at the town, at Natalie [son's girlfriend], at each other, and at themselves." I await the dramatic payoff of such key events, in the form of some egregious action on the part of this leading family. The patriarch, maybe, making threats or pulling strings? An outrageous outburst in court? A down-and-dirty revelation about the legal justice system?

I see none of the above. What should have tipped me off was that director Field already opted out of shooting a dramatically obligatory scene: the doctor breaking the horrific news to his wife that their son has just been murdered. What we get is Matt standing in a doorway watching the oblivious Ruth at choir practice — and suddenly we're back at the house and coping. I felt cheated at this demonstration of directorial understatement. And I'm willing to bet that most of the folks who are singing the praises of this movie, if they stopped to think about it, would feel cheated, too.

I was reminded of the time when Ayn Rand and I took in a Museum of Modern Art presentation of a silent

screen version of Victor Hugo's *The Man Who Laughs*, walking out after intermission because, as a disgusted Ms. Rand pointed out, the director "deliberately chose not to include the most crucial and dramatic turning points in Hugo's novel."

But now, watching *In the Bedroom*, I barely have enough time to register my frustration when the story veers off in a totally unexpected direction. I see where we're headed, but denial sets in. I simply refuse to believe the form of

---

*A disgusted Ms. Rand pointed out that the director "deliberately chose not to include the most crucial and dramatic turning points in Hugo's novel."*

---

crossbreeding this movie is about to unload on me — until I recall the *Rolling Stone* accolade: "A thriller!" Very demanding medium, thrillers. Suspension of disbelief is a necessity. But thanks to director Field's preoccupation with characterization, by now I know *these* characters too well, thank you very much, even to begin to take seriously the father's rapid descent from good-natured, mild-mannered, controversy-avoiding, even obsequious milquetoast to vigilante killer, any more than I can accept this eager-to-please, don't-rock-the-boat mother's transformation into a lethal Lady Macbethish co-conspirator. Top it all off with the father's trueblue best friend not only aiding and abetting, but literally getting his hands dirty . . . er, bloody (my husband's acerbic aside, "Well, what are friends for?"), and you have an acute case of lack of good judgment on the part of director Field, who apparently was laboring under the impression that frustration and a dollop of rage was all he needed to turn his family drama into a noir thriller.

Another Field comes immediately to mind, first name Sally. Sally Field is proof positive that a more or less conventional mother and sturdy member of the community, a woman who can't kill a moth, let alone a man, can turn

into a convincing vigilante and go gunning for the murderer of her daughter. Why? Because director John Schlesinger guided his screenwriting team into a step-by-step, totally plausible case for how maternal frustration and rage can erupt into violence — yes, even in Pacific Palisades.

I can shamelessly praise Schlesinger's brilliant achievement in Paramount's *Eye for an Eye*, a film based on my novel of the same name, because I had nothing to do with the movie except for cashing a check and getting periodic courtesy reports from the producer. In point of fact, Schlesinger later confessed to me that he'd never even read the book. But Schlesinger's direction of Sally Field and Kiefer Sutherland, playing the psychopathic killer, was memorable — eliciting superb performances from his stars and the rest of his excellent cast.

So shouldn't Todd Field be credited, at least, for eliciting superb performances out of Sissy Spacek and Tom Wilkinson and the rest of *his* excellent cast? Up to a point, maybe. Wilkinson's nuanced performance

### Tired of America? Want to live in a peaceful tropical paradise?

Libertarian Community Opportunity in popular, safe, and stable Barbados — the Switzerland of the Caribbean.

7.32 acres (1,400 linear feet of ocean front), surrounded on 3 sides by ocean, 9-mile beach, river, and 85-acre rain forest.

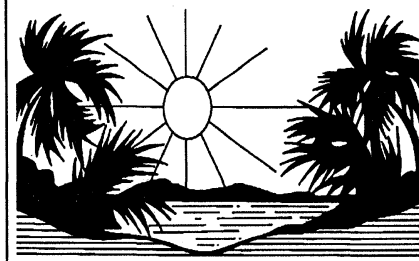
One- and two-bedroom condominiums to be constructed starting at US\$100,000. Work and self-employment opportunities. Year-round residency not required (but permitted).

Alternatively, a high-return joint venture opportunity from US\$1 million. Register referrals for a 5% finder's fee on closing.

Take the 360-degree virtual tour at [www.EdgewaterInn.com](http://www.EdgewaterInn.com) and plan to visit.

See you in Paradise Gulch!

Ms. Dagny Sharon  
Edgewater Inn  
Bathsheba, Barbados W.I.  
email: [Dagny@EdgewaterInn.com](mailto:Dagny@EdgewaterInn.com)  
1-246-433-9900 or 421-6875



throughout was undeniably brilliant, and Marisa Tomei, as the murdered son's lover, did a fantastic acting job — the best in her career. But the eminently likable, always impressive, award-winning Ms. Spacek (when is the lady *not* brilliant?) was short-changed. No matter how talented an actress may be, she still needs script and directorial opportunities to shine, if you will. Director Field provided Spacek with precious few of those. So underplayed was her role — as written and directed, I hasten to add — that her acting throughout much of the movie consisted of looking uptight, being rude or abrupt, furiously smoking Marlboros, and putting on a stiff upper lip for friends and well-wishers. Only during the climactic explosion between wife and husband was she

given the opportunity to rise to brilliance.

How to explain, in her case, the Golden Globe and, undoubtedly, the Oscar to come? I submit that critics and viewers generally feel extremely empathetic toward the character she plays, the horrific experience she's forced to endure, and, in the end, her tragic flaw: grieving mother acquiesces in cold-blooded premeditated murder. People, especially critics, adore tragically flawed characters.

By the same token, those who usually sneer at well-plotted drama, let alone melodrama, will go to the length, as some critics have, of labeling this family-tragedy-turned-melodrama as a "classic." Not in my book. Not in the same breath with *Romeo and Juliet*. □

---

*Lincoln's Virtues: An Ethical Biography*, by William Lee Miller. Knopf, 2002, 576 pages.

---

# Lincoln the Jeffersonian

---

Timothy Sandefur

---

William Lee Miller writes like a good professor talks — with a chatty and thoughtful tone that makes his books quite gratifying. His 1994 *Business of May Next* — a brief examination of James Madison's work on the Constitution and *The Federalist* — is practically conversational, but almost before the reader realizes it, Miller engages him in a sophisticated political analysis that reaches a peak in a chapter on the Constitution's complex relationship with slavery, and Madison's "odd *Federalist* paper." Better still was his 1996 *Arguing About Slavery*, simply one of the finest American history books ever written. In it, Miller man-

aged to draw, from the details of a seemingly minor event — John Quincy Adams' quixotic congressional struggle in the Petition Crisis of the 1830s — the lessons of that tense epoch in history when the Civil War was just starting to simmer.

Although not as powerful as *Arguing About Slavery*, *Lincoln's Virtues* is casual and entertaining, but insightful. Miller is particularly keen on the vital element of Lincoln's public life — his unwavering insistence on the moral superiority of liberty. While other public figures of his day, such as Stephen Douglas, shirked this moral imperative, Lincoln always insisted that the Declaration of Independence set forth a timeless truth, "applicable to all men and all times," that all men are created

equal. This equality of liberty was the bedrock upon which was founded the right to create a government in the first place; only if all men are created equal can they have the right to government by consent.

The question, then, in the Lincoln-Douglas debates — and later in the Civil War, and indeed, in today's war — was whether the Declaration's conceits are *true* or not. Are all men — and women — created equal? Douglas said no: "I hold that the signers of the Declaration of Independence had no reference to Negroes at all when they declared all men to be created equal," he said. "They did not mean Negroes nor the savage Indians, nor the Fejee Islanders, nor any other barbarous race." But Lincoln insisted that the Declaration was true; *all* men are created equal, and only on that basis could any legitimate government be created. "Our progress in degeneracy appears to me to be pretty rapid," Lincoln wrote.

As a nation, we began by declaring that "*all men are created equal*." We now practically read it "*all men are created equal, except negroes*." When the Know-Nothings get control, it will read "*all men are created equal, except negroes, and foreigners, and catholics*." When it comes to this I should prefer emigrating to some country where they make no pretence of loving liberty — to Russia, for instance, where despotism can be taken pure, and without the base alloy of hypocrisy.

Lincoln was therefore profoundly opposed to moral relativism. Miller notes this in passing in a story in which the young Lincoln once reprimanded some classmates for torturing turtles for sport. "When the boys in your neighborhood put hot coals on the backs of turtles to entertain themselves," writes Miller, "there are several courses of action open to you. . . . As a budding representative of the relativisms of the century to come, you could shrug your shoulders and say: 'They like to put hot coals on turtles, I don't like to put hot coals on turtles — preferences differ. Who is to choose? Don't be judgmental.'" Likewise, in debating the extension of slavery into the Western territories, Lincoln could have said, like Douglas, that one party wanted slavery, the other did not, and

"popular sovereignty" should allow the voters to decide for themselves. Instead, Lincoln blasted this enormity with simple logic: "Popular sovereignty, as a matter of principle, simply is 'If one man would enslave another, neither that other, nor any third man, has a right to object.'"

Yet while Lincoln was not a moral relativist, what accounts for his tolerance of others' differences? Miller notes that although Lincoln did not drink, smoke, swear, sleep around, or (usually) fight, he did not condemn those who did these things. So was Lincoln actually a relativist after all?

### Absolute Morals

The answer — easy for libertarians to understand — is *no*. Lincoln insisted on the moral superiority of *liberty*. What a person *did* with that liberty — so long as he injured no nonconsenting person — was his own business. Lincoln disapproved of drinking, but respected the right of another person to drink, because, as Miller puts it, "once the protections [afforded to another's liberty] are breached, it may be *your* freedom of belief and speech that are suppressed." Because all men are created equal — because each person owns himself — each has the right to destroy himself if he so chooses, unfortunate as such a choice is. But that liberty does not extend to allowing a person to make choices for anyone else — i.e., slavery. "I believe," Lincoln said, "that every individual is naturally entitled to do as he pleases with himself and the fruits of his labor, so far as it in no way interferes with any other man's rights."

This is precisely the moral vision of the Declaration of Independence: All people have the equal right to pursue their *own* happiness without interference. One might say that Lincoln (not to mention the Declaration itself) was what Jonah Goldberg of *National Review* would call an "arrogant nihilist." But in reality, Lincoln's position — and libertarianism in general — makes a *profound* moral statement: It is immoral to force any person to abide by one's own will, whatever that will might be. Miller describes, for instance, how Lincoln came to reject farming in favor of politics, and yet, "He was not condemning . . . the 'idiocy of rural life'; he was simply saying that he him-

self did not want to farm. . . . [H]e came to know, and to trust, and to act upon, the judgments of his own mind." The right to act upon the judgments of one's own mind — or, as Jefferson wrote elsewhere, the right to "regulate [one's] own pursuits of industry and improvement" — is the "pursuit of happiness."

The Declaration thus served Lincoln as a fundamental text, as, in fact, it was meant to; that is precisely why the Confederates so boldly denounced it as a "self-evident lie,"

which, John C. Calhoun said, "has not a word of truth in it." The Declaration was not meant, as Douglas, or Roger Taney claimed, to apply only to whites, but to all people. Yet today, Douglas' and Taney's view — and even Calhoun's — is embraced by a large group of politicians and scholars, such as the New Jersey state legislators who, some years ago, defeated a bill requiring schoolchildren to memorize part of the Declaration. State Senator Wayne Bryant (who is black) declared that "it is clear African-Americans

## "The Independent Review is excellent."

— GARY S. BECKER, Nobel Laureate in Economics

**T**ranscending the all-too-common superficiality of public policy research and debate, *The INDEPENDENT REVIEW* is the widely acclaimed quarterly journal devoted to individual liberty and excellence in the critical analysis of government policy. Edited by Robert Higgs, *The INDEPENDENT REVIEW* is superbly written, provocative, and based on solid peer-reviewed scholarship.

Probing the most difficult and pressing of social and economic questions, *The INDEPENDENT REVIEW* boldly challenges the politicization and bureaucratization of our world, featuring in-depth examinations of current policy questions by many of the world's outstanding scholars and policy experts. Unique, undaunted and uncompromising, this is *the* journal that is pioneering future debate!

"*The Independent Review* is the most exciting new journal in many years and one of the few with a profound commitment to liberty."

— WILLIAM A. NISKANEN, Chairman, Cato Institute

"*The Independent Review* is of great interest."

— C. VANN WOODWARD, Pulitzer Prize-Winner, Yale Univ.

"*The Independent Review* is excellent in both format and content, and is a most important undertaking for the cause of liberty."

— RALPH RAICO, Professor of History, SUNY Buffalo

"*The best thing about The Independent Review* is that it is by a wide margin the most intellectually interesting, libertarian, scholarly journal around today."

— R. W. BRADFORD, Editor and Publisher, *Liberty Magazine*

"*The Independent Review* is distinctive in badly needed ways."

— LELAND YEAGER, Professor of Economics, Auburn Univ.

#### In Recent Issues:

*The Therapeutic State: The Tyranny of Pharmacracy*

— THOMAS S. SZASZ

*The Cold War is Over, but U.S. Preparation for It Continues*

— ROBERT HIGGS

*A Free Market in Kidneys: Efficient and Equitable*

— WILLIAM BARNETT, MICHAEL SALIBA AND DEBORAH WALKER  
*Taxation, Forced Labor, and Theft*

— EDWARD FESER

*Latin American Liberalism—A Mirage?*

— BRYAN CAPLAN

*Just War? Moral Soldiers?*

— LAURIE CALHOUN

*Privacy & the 1994 Communications Assistance for Law Enforcement Act*

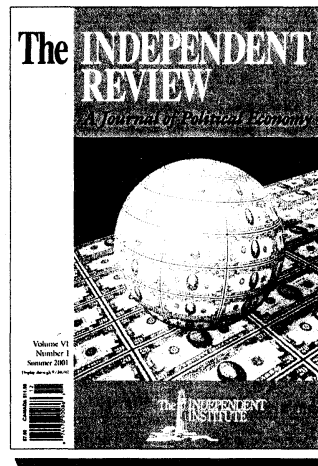
— CHARLOTTE TWIGHT

*Liberty and Feminism*

— RICHARD A. EPSTEIN

*The Agony of Public Education*

— JAMES L. PAYNE



- ◆ Feature Articles
- ◆ Debates
- ◆ Book Reviews
- ◆ Special Features
- ◆ Figures and Tables
- ◆ 160 Pages per Issue
- ◆ March, June, Sept. & Dec.
- ◆ Annual Index
- ◆ Plus more . . .

#### Individual Subscriptions:

\$28.95/1 year, \$54.95/2 year

#### Institutional Subscriptions:

\$84.95/1 year, \$159.95/2 year

#### International Orders:

Add \$28/subscription shipping

#### Order Toll-Free (U.S.)

**800-927-8733**

Phone: 510-632-1366

Fax: 510-568-6040

review@independent.org

<http://www.independent.org>



100 Swan Way, Dept. A66  
Oakland, CA 94621-1428 USA

Look for *The INDEPENDENT REVIEW* on better newsstands and in bookstores!

# Classified Ads

## Business

**Life, Liberty and Property** — That was the credo of the age of reason and the American Revolution. Show your support for liberty and wear this beautifully inscribed pewter BADGE OF FREEDOM depicting an American revolutionary soldier. [www.badge-of-freedom.com](http://www.badge-of-freedom.com)

**AYN RAND'S NEW YORK** — Five 2 1/2 hour walking tours of Manhattan, focusing on where Rand lived, buildings connected with *The Fountainhead* and *Atlas Shrugged*, and sites relating Rand to Broadway, movies, and publishing. See our website: "centurywalkingtours.com" for our 2002 schedule. Email Fred Cookinham at [fcookinham@juno.com](mailto:fcookinham@juno.com) or call 718-397-9019. Also, "Revolutionary Manhattan": four tours of little-known Revolutionary War sites.

## Charity

**REQUEST: Help for project** — Hospital construction & equipment for underprivileged peoples of Nampula, Mozambique and environs. Cost: \$350,000 (estimated for construction and equipment). Size: Forty (40) beds. Administrator: Charles Woodrow, M.D., surgeon and chief medical officer. Sponsor: Auspices of Grace Missions Mozambique, Inc. Donations: 100% (donations utilized only for equipment & construction). Inquiries: Grace Missions Mozambique, Inc., P.O. Box 101893, Fort Worth, Texas 76185.

## Employment

**Editorial Position Available** — *Liberty* seeks to fill a full-time editorial position. Excellent editorial skills required, including manuscript evaluation, working with authors, copyediting and proofreading. The successful candidate will be well-organized, accustomed to meeting publication deadlines, and able to flourish in a non-hierarchical work environment. Experience with desktop and web publishing a plus. Salary commensurate with experience and ability. Send résumé and salary requirements to R.W. Bradford, *Liberty*, P.O. Box 1181, Port Townsend, WA 98368 or email [rwbcablespeed.com](mailto:rwbcablespeed.com).

*Liberty* magazine offers full-time, paid internships at all times of the year. We seek intelligent, highly motivated individuals who want to learn more about writing and editing. Responsibilities are flexible according to demonstrated abilities and interests. For more information, write: R.W. Bradford, Editor, *Liberty*, P.O. Box 1181, Port Townsend, WA 98368.

## Literature

Classified Advertising is available for 50¢ per word, ten words minimum. Email addresses, telephone numbers, and URLs are charged as 7 cents PER CHARACTER. Ask us for requirements on adding your logo to your ad. 10% discount for six or more insertions. Payment must accompany order (check or money order only). Please suggest classification. Deadline for next issue: Mar. 7, 2002.

**SINergy: Imagine Freedom from Governments and Churches.** [www.stormy.org](http://www.stormy.org)

**The Titanic Story** by Stephen Cox. Truth is more fascinating than myth. This readable and entertaining new book cuts through the myth of the "arrogance" of capitalism and modern technology and gets to the real story — the drama of individuals coping with the risks of human life. Send \$9.95 to Liberty Book Club at P.O. Box 1181, Port Townsend, WA 98368.

## LAISSEZ FAIRE BOOKS

**World's Best Selection of Books on Liberty.** Check out <http://laissezfairebooks.com/>. Or call 800-326-0996 for our latest catalog.

**Ayn Rand and Her Movement** — an interview with Barbara Branden. Ayn Rand's close friend discusses the inner circle of the Objectivist movement. Learn what it was like to be a companion of the woman who thought of herself as "the world's greatest political philosopher." Send \$4 to Liberty Publishing, P.O. Box 1181, Port Townsend, WA 98368.

**Check Out the New Liberty Marketplace Catalog** — *Liberty's* entire collection of audio and video tapes, books, and back issues is now available! Send catalog requests to: *Liberty*, P.O. Box 1181, Port Townsend, WA 98368.

**The Sociology of the Ayn Rand Cult** by Murray N. Rothbard. Published in 1987, this essay is one of the most important scholarly works on Ayn Rand's inner circle. Rothbard was there, and what he offers is an unflinching, critical look at a cult that "promoted slavish dependence on the guru in the name of independence." Send \$4 to Liberty Publishing, P.O. Box 1181, Port Townsend, WA 98368.

## Personals

SWM, 28, libertarian atheist ISO free-market F in D.C. [www.ben5.com](http://www.ben5.com).

## Web Sites

**The source for *Liberty* on the WWW** — Check out back issues of *Liberty* online at [www.libertysoft.com/liberty](http://www.libertysoft.com/liberty).

were not included in that phrase [that all men are created equal]. . . . Thomas Jefferson had slaves his whole life." If those words sound familiar to you, that's because they are Justice Taney's words from *Dred Scott v. Sanford*: "[I]t is too clear for dispute that the enslaved African race were not intended to be included . . . for if the language, as understood in that day, would embrace them, the conduct of the distinguished men who framed the Declaration of Independence would have been utterly and flagrantly inconsistent with the principles they asserted." It is certainly chilling that a black legislator today is reciting Roger Taney. Our progress in degeneracy appears to be pretty rapid.

More to the point, Lincoln remains important today because so few

*This equality of liberty was the bedrock upon which was founded the right to create a government in the first place; only if all men are created equal can they have the right to government by consent.*

believe any longer that freedom is morally superior to servitude, or that the Declaration is *true*, everywhere and always. "So what if the Chinese oppress their own people?" say many Americans — and even many alleged libertarians — today. "They should be allowed to adopt any political system they choose. So what if the South had slavery? They still had the right to secede!" But if the Declaration of Independence is *true*, then the Chinese (or the Confederacy) have no more claim to legitimacy — no more right to oppress their own people — than to rob a bank or murder a man. If the Declaration is true, then any government not founded on the consent of equally free people deserves to be "altered or abolished."

## Lincoln the Jeffersonian

Lincoln is the greatest descendant of Jefferson because, unlike so many of his contemporaries, and unlike so

many Americans today, he clung to that single moral-political vision that any "sovereignty" asserting a right to oppress, without any third party complaining, is a *false* sovereignty, a slave state, built on force instead of reason, built on coercion instead of persuasion — built, in short, on *genuine moral nihilism*. "If slavery is not wrong, then nothing is wrong," Lincoln said. If there is no natural right to liberty, then just law is whatever the sovereign says it is, and that sovereign — be it a king or a voting bloc — can oppress "Negroes and foreigners and Catholics," or capitalists or women or Muslims or whites, with impunity; may define slavery and freedom as the same thing, as Big Brother, or John Calhoun, did. But Lincoln, Miller

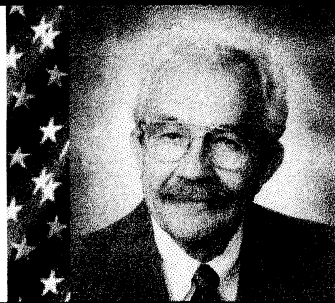
*Lincoln remains important today because so few believe any longer that freedom is morally superior to servitude, or that the Declaration is true, everywhere and always.*

writes, "was aware that a majority has moral dignity only if assembled under conditions of freedom, with freedom to overturn it maintained. He used the phrase 'the mere force of numbers,' reflecting an awareness that a majority assembled and maintained under unfree conditions could lack moral standing, and represent sheer, oppressive power."

If there is no right to freedom, then there is no way the command of the sovereign can be unjust; and this would only make sense in a universe where some people are born, as Jefferson scoffed, "with saddles upon their backs, and a favored few, booted and spurred, ready to ride them legitimately." Such a universe — where some people could by right create a state that enslaved others — is precisely the opposite of that contemplated by the Declaration, and by its student, Abraham Lincoln. It was instead the universe of Calhoun, who said, "It is a great and dangerous error to suppose that all people are equally entitled to liberty." It is the universe of

## Want to cause some heartburn for the statists in DC ?

**Spear Lancaster's campaign for Maryland governor will have them reaching for their antacids!**



Spear is well on his way to be the first third party gubernatorial candidate in Maryland *since 1966*. **That** will shake them up!!

Marylanders will have the libertarian message delivered by a charismatic speaker, and one of the major ad marketing areas in the state is the DC metro area.

Print, radio, and TV messages will be heard by political insiders, Hill staffers, and the national media as well as Maryland voters.

This is an opportunity to make a foothold in one of the biggest Democratic strongholds in America. Our chief Democratic opponent, Lt. Governor Kathleen Kennedy Townsend, already has a whopping **\$4.4 million** banked in her warchest!

We want to send the message that there is a valid alternative to the "one size fits all" politics of the 'Demopublicans' and the 'Republicrats'.

Our campaign plans to:

- ◆ create and distribute informative press kits
- ◆ place together hard-hitting campaign literature
- ◆ set up an effective news release system
- ◆ create a comprehensive media campaign via radio, newspaper, and roadside advertising

By doing all of the above we will show the citizens of Maryland, as well as the whole Mid-Atlantic region, that the libertarian movement is the new driving force in American politics.

With the current political situation in our state, *anything could happen* — perhaps even a Minnesota-style upset???

Your generous contribution will help us take advantage of this historic opportunity and will help us make the difference!



**Spear LANCASTER**

*Libertarian for Maryland Governor in 2002*

Visit our Website: [www.spear2002.org](http://www.spear2002.org)

Credit Card donations can be made on our website.

Authorized and paid for by Friends of Spear Lancaster  
Steven E. Boone, Chairman

Name: \_\_\_\_\_

Address: \_\_\_\_\_

City: \_\_\_\_\_ State: \_\_\_\_\_ Zip: \_\_\_\_\_

- ☐ \$ 4,000    ☐ \$ 2,000    ☐ \$ 1,000    ☐ \$ 750  
☐ \$ 500    ☐ \$ 250    ☐ \$ 100    ☐ \$ 75  
☐ \$ 50    ☐ \$ 25    ☐ \$ 10    ☐ \$ 5  
☐ Other: \_\_\_\_\_

Donate to: Friends of Spear Lancaster • P.O. Box 42312 • Towson, Maryland 21284 • Please Note: Maryland law limits individual contributions to the campaign to \$4,000 and prohibits cash or money order contributions over \$100. Maryland law requires that we record the name and address of each contributor donating to the campaign. L0402

those who believe that the Declaration can be "true here," but "not true there." It is the universe of *real* nihilism. Such nihilism holds that liberty is no more legitimate than the political choices of some countries to oppress their own people, because, well, what's true for us isn't true for them. "They like to put hot coals on turtles, I don't. Who is to choose? Don't be judgmental."

In his State of the Union Address in January, President Bush described Iran, Iraq, and North Korea as part of an "axis of evil," which America must defeat. Such nations — and one might add China, Cuba, and Saudi Arabia — use the language of "the right to govern themselves," when in reality they mean the right to enslave their people without any third man objecting; the right to dehumanize women; the right to re-enslave Elián González; the right, essentially, to put hot coals on turtles. "America," Bush said, "will lead by defending liberty and justice, because they are right and true and unchanging for all people everywhere. No nation owns these aspirations, and no nation is exempt from them." With these words, Bush joined Lincoln in rejecting such moral-political relativism. Abraham Lincoln is significant today because, as Miller writes, "If we not only have slavery as a fact in our free country but look with equanimity to its spread, and regard the spreading of slavery as the moral equivalent of the spread of freedom, then the republican movement around the world has reason to doubt us, and the enemies of freedom to laugh at our pretensions." □

*The Cold Six Thousand*, by James Ellroy. Knopf, 2001, 672 pages.

# Government as Criminal Conspiracy

Jeff Rigenbach

James Ellroy was born Mar. 4, 1948, in Beverly Hills, Calif. But there was no silver spoon in his mouth, and he didn't stay long in such rarefied parts — no longer than it took his parents to drive him back to their family home in the gritty Crenshaw District of Los Angeles. By the time he was six, his parents had split. By the time he was ten, he and his mother had taken up residence in the hot, dusty, decidedly blue-collar suburb of El Monte. Within weeks of their move, his mother was murdered, her body dumped in a weed-filled vacant lot. Ellroy moved back in with his father and began a career of burglary and petty larceny fueled by an ever-escalating intake of alcohol and various illegal drugs.

Then, in 1978, an unemployed and seemingly unemployable high-school dropout, he sat down to begin work on his first novel, *Brown's Requiem*. A not quite run-of-the-mill but also not really distinguished crime novel, *Brown's Requiem*, finally saw print, as a paperback original, in 1981. His second novel, a year later, marked a giant step forward for his new career. *Clandestine* not only caught the attention of crime fiction fans all over

the country, it was also nominated for the Edgar Award of the Mystery Writers of America for Best Original Paperback Mystery Novel of 1982.

Unfortunately, Ellroy didn't immediately devote his full attention to this new artistic direction he had opened up for himself. Reportedly on the dubious advice of his editor at The Mysterious Press (the small, specialized publishing house that brought out most of Ellroy's early novels), he tried his hand at creating a series character. His next three books — *Blood on the Moon*, *Because the Night*, and *Suicide Hill* — recounted the doings of Los Angeles police officer Lloyd Hopkins.

He abandoned that whole ongoing series character shtick in the mid 1980s. Then, after a remarkable transitional novel called *Killer on the Road* (original title: *Silent Terror*), a harrowing portrait of the life and career of a serial killer, Ellroy returned to the fictional world he had first begun delineating in *Clandestine*. And over the next five years, by burrowing ever deeper into that world, he seemed at last to have found his own authentic vision and voice and emerged as the first writer of crime fiction since the late Kenneth Millar ("Ross Macdonald") to lay genuine, solid claim to a mainstream reputation as an important literary talent.

Andre Gide says somewhere that one of the most exciting of the various artistic possibilities inherent in the detective story is its ability to portray the world as a place in which no one is to be trusted, a place in which everyone suspects everyone else, a place which cannot, at least initially, be understood or made sense of at all,



"Don't worry — he'll look a lot tastier after I roll him in breadcrumbs."



presumably because someone (or perhaps several someones?), for mysterious motives of their own, are withholding information — perhaps information about some fateful event(s) far in the past — which alone can account for the world as we find it.

This is the Los Angeles of the late '40s and '50s as it unfolds in James Ellroy's five big novels of crime and corruption in southern California: *Clandestine* (1982), *The Black Dahlia* (1987), *The Big Nowhere* (1988), *L.A. Confidential* (1990), and *White Jazz* (1992). Ellroy's L.A. is a place where no one can be trusted — not your father, not your mother, not your lover, not

---

*Ellroy is the first writer of crime fiction since Kenneth Millar to lay claim to a mainstream reputation as an important literary talent.*

---

your friends, least of all the police — and where understanding (which comes at all only to the most diligent and indefatigable of investigators) comes always at the cost of disillusionment and despair.

*Clandestine* is set in the early '50s and told from the point of view of a young Los Angeles cop named Fred Underhill. "During the dark, cold winter of 1951," Underhill tells us in the very first paragraph of his story, "I worked Wilshire Patrol, played a lot of golf, and sought out the company of lonely women for one-night stands."

One of these lonely women is a strange, sad lady named Maggie Cadwallader, whom Underhill picks up in a Western Avenue bar called the Silver Star. Shortly after spending one lonely night with her, Underhill finds himself at a murder scene — an apartment in which a young, attractive woman has been strangled and stabbed to death — looking at a book of matches from the Silver Star. Then Maggie Cadwallader herself (whom Underhill hasn't seen since their one lonely night together) turns up strangled to death in her apartment a few weeks later. On his own time, following his own hunches and his own

intuition, Underhill begins investigating the case. And within days he amasses what seems to him to be almost enough evidence to justify arresting and charging a suspect, a gambler and womanizer named Eddie Engels. Underhill takes his evidence to his commanding officer, and his commanding officer calls in Dudley Smith.

"Dudley Smith," Underhill tells us, "was a lieutenant in the homicide bureau, a fearsome personage and legendary cop who had killed five men in the line of duty. Irish-born and Los Angeles-raised, he still clung tenaciously to his high-pitched, musical brogue, which was as finely tuned as a Stradivarius. He often lectured at the academy on interrogation techniques, and I remembered how that brogue could be alternately soothing or brutal, inquisitive or dumbfounded, sympathetic or filled with pious rage."

Shortly after his first face-to-face meeting with Smith, Underhill learns something else about the legendary homicide cop. "A lot of people think Dudley's nuts," Officer Mike Breuning, one of Smith's top protégés and sycophants within the department, tells

Underhill, "but he's not. He's nuts like a fox."

"You have to know Dudley," Breuning continues. "I know him real well. Since I was a rookie. He's still pissed off about the Dahlia. He told me the Engels case is his penance for not catching the guy who sliced her."

Underhill gives this idea a moment's thought, then raises an objection: "He wasn't in charge of the entire investigation, Mike. The whole L.A.P.D. and sheriff's department couldn't find the killer. It wasn't Dudley's fault."

"I know," Breuning replies, "but he took it that way. He's a religious man, and he's taking the Engels thing real personal. The reason I'm bringing all this up is that Dudley wants to make you his number one man. He says you've got the stuff to go all the way in the department. That's no skin off my ass, I like being a sergeant in the bureau. But you've got to play it Dudley's way. I can tell you're not scared of him, and that's bad. If you cross him, he'll fuck you for real."

"I was at the academy when the Black Dahlia investigation was going



**GoTo**

## *LibertyHosting.com*

offering fast and reliable web site hosting for a fair price.

- ✦ **control panel w/ your own domain**
- ✦ **redundant internet connection**
- ✦ **limited number of clients per server**
- ✦ **CGI/Perl, ASP, Front Page Extensions**
- ✦ **ISAPI, ODBC on Win2000 Server**
- ✦ **responsive, knowledgeable support**
- ✦ **helping you spread the principles of liberty**

Questions? Write to [info@libertyhosting.com](mailto:info@libertyhosting.com)

## 1st month *FREE* & no setup fee

**Signup with us... we'll make your web site soar!**

check us out!



on," Underhill tells us. "Smith was in charge of rounding up all known sex criminals in Los Angeles. After finishing his lecture, applause-loving actor that he was, he told us about the kind of 'human scum' with which he was dealing. He told us that he had heard things and seen things and done things in his search for the killer 'of that tragic, thrill-seeking colleen, Elizabeth Short,' that he hoped we, the 'cream of Los Angeles manhood,' about to enter 'the grandest calling on God's earth' would never have to hear or see or do."

But, Underhill muses, "Elizabeth Short's killer was never found —

---

*In Ellroy's L.A., the cops and the criminals and the politicians and the lawyers are all really in the same business — the force business.*

---

which meant that Dudley Smith was human, and fallible."

Actually, however, as we know if we have read Ellroy's seventh novel, *The Black Dahlia*, Elizabeth Short's killer was found. It's just that she was never publicly exposed and prosecuted for her crime.

*The Black Dahlia* opens in 1942, when former light heavyweight boxer and would-be Los Angeles policeman Dwight "Bucky" Bleichert is a new academy graduate just beginning his career in law enforcement. It ends seven years later, after Bleichert has finally solved the Black Dahlia case

and left the force, keeping his solution to himself. Dudley Smith never shows his face in this novel, despite what we have been told in *Clandestine* about the centrality of the role he played in the L.A.P.D.'s official investigation of the case. In point of fact, no one in the official investigation of the Dahlia case has more than a walk-on in Ellroy's novel about the case. *The Black Dahlia* isn't really about the abortive official investigation the case touched off at all; it's about how the case impacted two relatively low ranking cops who were only peripheral to the main thrust of the official investigation, but who were also the only members of the L.A.P.D. who ever got to the bottom of things and actually found out who tortured and murdered Elizabeth Short — and why.

*The Big Nowhere* (1988) begins on New Year's Eve, 1949, a few months after Bucky Bleichert discovers the final truth about the Black Dahlia case, and ends a few weeks later, at about the same time Fred Underhill picks up Maggie Cadwallader in the Silver Star. *L.A. Confidential* (1990) begins late in February of 1950, at exactly the point where *The Big Nowhere* left off; it itself leaves off in the spring of 1958, nearly three years after Underhill, long detached from the L.A.P.D., identifies and metes out his own personal justice to Maggie's murderer. *White Jazz* (1992) begins in the fall of 1958, when the events of *L.A. Confidential* are only a few months old, and ends early the following year — in 1959.

These last three Ellroy novels — *The Big Nowhere*, *L.A. Confidential*, and *White Jazz* — tell what amounts to one long, complicated, labyrinthine story interwoven with and periodically interrupted by a number of shorter, less complicated stories. These shorter and less complicated stories are worthy in themselves. They are expertly written, wrenchingly believable, and page-turningly compelling. There is, for example, the story of Danny Upshaw, the young L.A. County sheriff's deputy in *The Big Nowhere* who's not only afraid to come out of the closet in the Los Angeles of 1950 but also afraid to admit his homosexuality even to himself — an earnest, ambitious young man who obstinately sticks with a case he's been ordered to

lay off until his compulsive, monomaniacally thorough investigation brings him face to face with . . . Dudley Smith. There's the story of Jack Vincennes in *L.A. Confidential* — cynical, crooked cop on the outside, self-loathing idealist on the inside — who persists doggedly in an investigation that leads him straight to . . . Dudley Smith. There's the story of L.A. police lieutenant David Klein in *White Jazz*, an old man near death, reminiscing about the days of his youth in Los Angeles in the '50s and the year he raced against time to dig up the dirt he needed to hold his enemies at bay and keep himself both alive and out of prison, and how, when he tracked down the last fugitive trace of truth in the case he was working, he found himself staring into the beady brown eyes of . . . Dudley Smith.

For some mysterious reason, reviewers and commentators on Ellroy's fiction have fallen into the habit of describing *The Black Dahlia*, *The Big Nowhere*, *L.A. Confidential*, and *White Jazz* as a "series" or "quartet" of novels about crime and corruption in the Los Angeles of the '40s and '50s. But actually, the quartet is a quintet,

---

*Ellroy's L.A. is a place where no one can be trusted — not your father, not your mother, not your lover, not your friends, least of all the police.*

---

and the first volume is not *The Black Dahlia*, but *Clandestine*. For the longer one reflects on this series of interrelated novels, the more obvious it seems that the character with the best claim to being considered "central," the character around whom most of the rest of the fictional action tends to revolve and resolve, is Dudley Smith.

If you haven't yet read any of James Ellroy's crime fiction, take my advice: read *Clandestine* first. It's the indispensable first volume in the saga of Dudley Smith, the book which introduces us to Smith and prepares the way for everything we subsequently (to our increasing horror) find out about him.

And if you feel the need to skip any



"The pain is just nature's way of telling you that the federal government isn't spending enough on medical research."

part of the story, if the thought of reading your way through 2,000 pages of hard-boiled prose, no matter how accomplished, is more than you can bear, the volume to skip is *The Black Dahlia*. It's a good book, but it doesn't directly pertain to the saga of Dudley Smith, and the saga of Dudley Smith is what the rest of the set is really all about.

Smith is a vivid, fully realized character, one of the all time great villains in crime fiction. And the backdrop against which his story plays out — the backdrop of '50s L.A. with its violence, its corruption, its hookers and grifters and zoot suiters, its politicians and movie stars and communists, its country clubs and jazz joints and dry, faceless suburbs, its gangsterism and its self-righteous crusades — is, if anything, even more vivid than Smith himself. Moreover, Ellroy's L.A. quartet (or quintet, if you want to include *The Black Dahlia*) is effective not only as melodrama, but also as fictionalized social history. For though the dark and perhaps somewhat peculiar perspective Ellroy brings to bear on the Los Angeles Police Department and on police work in general in this series of novels doubtless owes a good deal to what seems to be his generally gloomy and misanthropic view of the world, it is also quite accurate — certainly to the spirit, if not to the letter, of the historical record.

In Ellroy's L.A., the cops and the criminals and the politicians and the lawyers are all really in the same business — the force business, the business of using power to compel other people to do one's bidding, whatever (and whoever's) that bidding may be. And numerous of Ellroy's characters, both major and minor, move back and forth from one branch of the business to another, rather in the way that people in Washington move from the university campus to the think tank and from there to the newspaper or magazine job and from there to public office.

This is the way real life works, not only in Washington and Los Angeles, but everywhere, and not only in the '50s, but everywhen. James Ellroy knows this, and he tells what he knows, shows what he knows, more convincingly than anyone else now working the same side of the street.

This is what makes his crime fiction particularly interesting from a libertarian point of view — the fact that it derives from an essentially anarchist vision of politics.

That vision has become more explicit, much more explicit, in Ellroy's work since *White Jazz* was published in 1992. In *American Tabloid* (1995), the first volume of a new trilogy of novels about, as Ellroy puts it, "bad men doing bad things in the name of

authority," we are shown, in intricate, obsessive detail: a bunch of mobsters disgruntled by Bobby Kennedy's rackets investigations and by Jack Kennedy's disinclination to roll back Castro's revolution and get their Havana casinos back for them; a bunch of rogue FBI and CIA covert ops specialists disgruntled by the administration's disinclination to roll back Castro's revolution and stand up to communism 90 miles off our shores;

## Notes on Contributors

*Baloo* is a nom de plume of Rex F. May.

*John Bergstrom* is a cartoonist and illustrator who lives in southern California.

*Alan Bock* is a senior columnist for the *Orange County Register* and the author of *Waiting to Inhale: The Politics of Medical Marijuana*.

*R.W. Bradford* is editor of *Liberty*.

*Ron Capshaw* is a freelance writer and rebellious academic living in Richmond, Va.

*Raúl Costales* is co-founder and Secretary General of Costa Rica's libertarian political party, Movimiento Libertario.

*Stephen Cox* is a professor of literature at the University of California San Diego and the author of *The Titanic Story*.

*Chris Edwards* is director of fiscal policy at the Cato Institute.

*William Fielder* is a retired Army officer with 40 years experience in U.S. intelligence.

*Paul Geddes* teaches economics at Columbia College.

*Bettina Bien Greaves* is co-compiler of *Mises: An Annotated Bibliography*.

*Steve H. Hanke* is professor of applied economics at the Johns Hopkins University, and senior fellow at the Cato Institute.

*Erika Holzer* is a novelist, essayist, lawyer, and co-author of the forthcoming *Aid and Comfort: Jane Fonda In North Vietnam*.

*Adam Hume* is a pseudonym for a libertarian activist in Britain's Conservative Party.

*Tom Isenberg* is a writer living in Idaho.

*Bart Kosko* is a professor of electrical engineering at USC and author of *Heaven in a Chip*.

*Ross Levatter* is a physician practicing in Green Bay, Wis., who writes on health economics.

*Sarah McCarthy* is co-author of *Mom and Pop vs. the Dreambusters*.

*Randal O'Toole* is editor of *Different Drummer*.

*Ralph R. Reiland* is the B. Kenneth Simon Professor of Free Enterprise at Robert Morris College in Pittsburgh.

*Bruce Ramsey* is a journalist in Seattle.

*Sheldon Richman* is editor of *Ideas on Liberty*.

*Jeff Riggenbach* is the author of *In Praise of Decadence*.

*Timothy Sandefur* is a law student at Chapman University in Orange, Calif.

*Jeffrey A. Schaler* is a psychologist who teaches at American University's School of Public Affairs in Washington, DC.

*Tim Slagle* is a stand-up comedian living in Chicago.

*Thomas Szasz*, is the author of several classic works on psychiatry, including *The Myth of Mental Illness*. He is professor of psychiatry emeritus, SUNY Health Science Center in Syracuse.

*Leland B. Yeager* is Ludwig von Mises Distinguished Professor Emeritus of Economics at Auburn University.

and an *ad hoc* coalition between these two forces that brings down a president.

In the second volume of this trilogy, *The Cold Six Thousand*, published last year, we are shown, in intricate, obsessive detail, the gradual growth and ultimate triumph of a plot by the same two forces to take out Bobby Kennedy and Martin Luther King Jr.

In both these later novels, as in the series of earlier ones devoted to crime and official corruption in Los Angeles in the '40s and '50s, one long, complicated, labyrinthine story is interwoven with and periodically interrupted by a number of shorter, less complicated stories. *American Tabloid* contains, most prominently, the shorter, less complicated stories of its three viewpoint characters: Pete Bondurant, Kemper Boyd, and Ward J. Littell. Bondurant is a one-time L.A. County sheriff's deputy of French Canadian ancestry who gets kicked off the force for beating a prisoner to death, then turns bodyguard and drug procurer for Howard Hughes. That's only his day job, though. When he isn't busy with Hughes, he runs a blackmail operation in partnership with his girlfriend, who has sex with important, wealthy, blackmailable men while Pete takes incriminating pictures. He also freelances as a strongarm or hit man for, among other clients, Jimmy Hoffa. Hoffa flies Pete to Florida to get rid of an associate who's proved disloyal. Pete gets rid of him, "with extreme prejudice," as some might say. But he's caught — in the sense of "observed" — in the act.

Who observes him doesn't really matter in the present context. What matters is that the eyewitness evidence gives FBI agents Kemper Boyd and Ward Littell leverage over Pete. It enables them to pressure him into cooperating with them. What they want him to do is help them locate a woman who can seduce the rather easily seducible Sen. John F. Kennedy of Massachusetts, a woman who will allow them to photograph her and tape-record her *en flagrante* with the priapic senator; then they want him to pass the results along to the proper people at *Hush-Hush* magazine (an entirely fictional publication devoted entirely to "scandal," and clearly modeled on one of the great pulp successes of 1950s

magazine publishing, *Confidential*), which Pete's regular employer, Howard Hughes, has recently acquired. Pete obligingly finds them Barb, a lackluster lounge singer and all-around gal on the make who is happy to see what she can do with JFK and happy to have it recorded in intimate detail, so long as the money's good. The operation goes forward.

Kemper Boyd is spearheading the operation. Boyd is acting under direct orders from J. Edgar Hoover, who wants to keep an eye on both Kennedy boys — Jack and Bobby — and accumulate information that will tend to defuse any threat they might pose to

---

*Is there any real difference  
between the day-to-day conduct  
of the U.S. government  
and the day-to-day conduct  
of the Mafia?*

---

his empire. Hoover has already planted Boyd as a mole in the staff of the Senate select committee conducting investigations into labor racketeering, to which RFK is chief counsel. At the behest of RFK, the committee is focusing its investigative energy on James R. Hoffa of the Teamsters Union. Boyd is reporting faithfully to Hoover, and the transcripts of the secret phone calls that pass between them provide one of the novel's most deft and delightful characterizations — that of J. Edgar Hoover. But Boyd is telling Hoover only what Boyd feels he needs to know. In his spare time he's cozying up to the Kennedys, inveigling a job with the JFK for President campaign which he's sure is going to form in the near future. Then, on his trips down to Miami to "investigate" Hoffa's south Florida activities for the committee, he meets a couple of contract CIA agents named John Stanton and Chuck Rogers. They recruit him for a CIA operation designed to arm and train a force of Cuban exiles to invade the island and overthrow the newly established Castro regime — an operation funded by sales of heroin in south Florida.

Now Boyd has three jobs and three paychecks, which makes it a lot easier for him to live in the style he's always envied and to which he'd love to become accustomed. His jobs also put him in close contact with men of wealth and power on both sides of the law — men to whom he can cozy up and with whom he can gradually win a certain influence. When one of those three jobs requires him to bug Jack Kennedy and produce some usable dirt on him for the FBI director, he brings his old friend and fellow FBI agent Ward Littell into the picture. Littell is one of the best bug men to be found anywhere, and though he's a former Jesuit seminarian with a passionate admiration for the Kennedys, he can be expected to come in on the job as desired because in return he might be taken off his current beat — spying on American Communist Party members, which he regards as a waste of his and the bureau's time — and reassigned to the organized crime unit, where he desperately longs to work.

*The Cold Six Thousand* retains two of these three viewpoint characters — the two who survive the earlier novel — and extends their stories. It also introduces a third viewpoint character, Las Vegas cop Wayne Tedrow Jr., who is handed \$6,000 and sent to Dallas on Nov. 22, 1963, by the Las Vegas Casino Operators Council. "They sent him to Dallas," Ellroy tells us in the first sentence of his latest novel, "to kill a nigger pimp named Wendell Durfee. He wasn't sure he could do it." Durfee had killed a casino employee during a recent visit to Vegas, and Wayne was sent to handle the matter partly to test his mettle. When he gets to Dallas he walks straight into the assassination plot, meets the principals, and winds up working directly for and with them in yet another entangled web of alliances between the CIA, organized crime, the Ku Klux Klan, and the FBI — a web which, within five years, yields up two more assassinations and further cements in place the foundations of the real power in American society.

The third volume of Ellroy's new trilogy, tentatively titled *Police Gazette*, is now being written. Taken together, the three volumes of the "Underworld U.S.A. Trilogy," as he calls it, provide a

sort of dramatized revisionist history of the 15-year period between 1958 and 1973. They are about more — far more — than just crime. “What I’m interested in now,” Ellroy told a *Salon* interviewer in December of 1996, “is politics as crime.”

And, of course, looked at from a libertarian perspective, that’s precisely what politics is — crime, organized crime. Is there any real difference between the day-to-day conduct of the U.S. government and the day-to-day conduct of the Mafia? Both run a protection racket — only it’s called “taxation” when the government does it. Both use force to get what they want. Ellroy sees this with a rare clarity, and that fact makes his recent fiction all the more fascinating when it is examined from a libertarian perspective.

Ellroy provides no anarchist rhetoric, of course. He is a novelist, not a political philosopher. As Ayn Rand noted in *The Romantic Manifesto*,

Teaching is not the purpose of an art work, any more than it is the purpose of an airplane. Just as one can learn a great deal from an airplane by studying it or taking it apart, so one can learn a great deal from an art work — about the nature of man, of his soul, of his existence. But these are merely fringe benefits. The primary purpose of an airplane is not to *teach* man how to fly, but to give him the actual experience of flying. So is the primary purpose of an art work. (p. 171)

One can learn a great deal from James Ellroy’s recent fiction — about the nature of the U.S. government, about the people and forces behind the events that transformed the 1960s. But these are merely fringe benefits. The primary purpose of these novels is to give their readers the actual experience of reliving recent American history with the blinders of conventional wisdom removed and the doors of perception cleansed.

The best news, however, is yet to come. What does it tell us that these novels have reached so vast and so enthusiastic a readership? What does it tell us that Ellroy’s fictionalized treatment of the JFK assassination — *American Tabloid* — was named the best fiction book of 1995 by no less mainstream a publication than *Time* magazine? As I observed a few years

ago in my book *In Praise of Decadence*, “the writers who gain the widest fame and favor with the public in any given period are the writers who do the best job of reflecting back to that public whatever are its own major preoccupations — the ideas, the dreams, the notions of what things in life are the most and least important, most and least worthy of a person’s attention and concern.” To judge by the enthusiasm with which it has greeted James Ellroy’s dark novels of “politics as crime,” the American public of today

finds it very plausible that the murderers of JFK, RFK, and MLK were no “lone madmen” acting on their own; that branches of the U.S. government have cooperated with organized crime in the attainment of mutual goals; that branches of the U.S. government have manufactured and retailed heroin, sanctioned and even funded acts of arson, bombing, and murder, and worked to eliminate democratically elected officials whose policies were found to be inconvenient — in a word, that, at root, politics is crime. □

---

*A History of Terrorism*, by Walter Laqueur. Transaction, 2001, 277 pages.

---

# The Mind of Terror

---

Ron Capshaw

---

Since Sept. 11th, studies of terrorism have become terribly — in the most literal sense of that word — relevant. Hence the hurried reissue of Walter Laqueur’s 1977 *A History of Terrorism*. By and large, Laqueur’s main conclusions are even more valid now than in the 1970s. But the myths that Laqueur’s book attempts to dismantle are still as strong as ever and in the same quarters (the media and academia), proof of the durability of political correctness.

When originally conceived, Laqueur’s book was a corrective to the romantic revolutionary mongering of the New Left. Using the tools of a sociologist — definitions and patterns — Laqueur advanced the following conclusions: Terrorists are not spawned by unjust social conditions or government repression (otherwise, we would have all been terrorists in the Clinton years), but from conditions of relative freedom; terrorists are not idealists, but

show great political naiveté, are frequently manipulated by foreign powers, and have no moral scruples or essential humanism; they are not have-nots, but frequently command large expense accounts and safe-house mansions all over the world; and finally, they are neither left nor right, but merely adopt the slogans that will best justify their actions.

Much of what Laqueur concludes is valid. Terrorists do adopt whatever ideology will provide cover for their violence or, as libertarians have been saying for years, the far right and the far left meet in a circle, mainly because both advocate violence for ostensibly political purposes, which in reality means the pursuit of power by any means. History has proven this model correct: Hitler admired Lenin, Stalin admired Hitler, and Castro is a Mussolini fan. Terrorists are politically naive. Even a cursory reading of their statements makes this apparent: The world is run by five Jews in Amsterdam; the CIA created AIDS in a South Dakota lab; George Bush Sr.,

charter member of the Freemasons, practices witchcraft ("Not now, Barbara, I'm boiling a frog"); and the Israelis shoot poison gas at Palestinian children. Superpowers do manipulate terrorists for their own ends. China and Cuba, both communist nations, frequently fund Islamic fundamentalist groups, which, taken to our shores, is like having Al Sharpton fund the Minutemen. Terrorists are not have-

---

*Terrorists adopt whatever ideology will provide cover for their violence.*

---

nots, but we are still afflicted with this Weathermen-era defense mechanism. Clinton aide Strobe Talbot recently classified Osama bin Laden, the spoiled brat of an oil-rich sheik, as a "have-not."

### The Roots of Terror

Laqueur is less satisfactory regarding one of the premises to his conclusions. Arguing that terrorism breaks

out in democratic, not repressive societies, Laqueur points to the lack of terrorism in Nazi Germany, Fascist Italy, and the Soviet Union. But Laqueur overlooks the fact that these countries are evidence of terrorist success in that terrorists have captured the reigns of power. All the characteristics Laqueur attaches to terrorists — their lack of moral scruples, their resort to violence as a political tool, their shifts to left and right in order to pursue power — were present in the governments of the Nazis and communists. And those labeled "terrorists" by these governments had none of these characteristics; indeed, they were the democrats and their punishable actions — practicing free speech, freedom of the press, freedom of religion, picketing — were the actions of civilized, nonviolent people. There are a number of reasons that might explain Laqueur's overlooking this glaring fact, the most innocent being the scholar's habit of missing the forest for the trees, the most sinister being his predilection for aligning himself with government rather than principles.

Of interest to libertarians is

Laqueur's reminder that terrorism can be defeated but the danger is the high price paid by liberal democratic governments if they eradicate their democratic principles in the process. Sept. 11 has forced some uneasy compromises from libertarians. Protection has assumed equal if not greater importance than civil liberties. And how libertarians deal with this dilemma is of extreme importance. Most of his academic colleagues are all too eager to throw away civil liberties in extreme periods: Alan Dershowitz has recently supported police torture of suspects; in a more peaceful time, a professor once told me that she was willing to give up the Second Amendment in exchange for the government's protecting her from crime. Laqueur is to be commended for remembering that we need to have something worth protecting. Now that he has again exposed the chimeras of politically correct definitions of terrorists, it is up to libertarians to create ways to protect the country from them and still retain the principles that make us different from the bin Ladens of the world. □

---

von Mises, from page 46

---

state mental hospital director was a Jew.)

As a libertarian, I have no more reason to oppose psychiatric relations between consenting adults than I have to oppose religious relations between consenting adults. By the same token, I oppose — and believe all libertarians ought to oppose — psychiatrists' using the power of the state to impose their "treatment" on involuntary "patients," just as I oppose clergymen's using the power of the state to impose their creed on atheists or heretics.

The problem is not that psychiatry is subject to abuse. The problem is that, today, psychiatry is synonymous with actual or potential coercion. Hence, it ought to be called "psychiatric slavery." I maintain that, like chattel slavery, psychiatric slavery is an abuse of human rights, as the following vignette illustrates.

In November 2001, New York City Police Commissioner Bernard Kerik, "concerned about how his 55,000-member force was holding up, announced mandatory mental-health counseling for every member of the New York City Police Department (NYPD)." The result:

Ira Warheit, a Manhattan periodontist, can attest to the abuses that can occur when overzealous psychiatrists want to "help." Warheit spent three days volunteering at ground zero wherever he was needed — giving medical advice, passing out food and working on the bucket brigade. While taking a rest break at one of the staging centers around ground zero, he was confronted by a psychiatrist, Antonio Abad. They began talking, but within minutes the psychiatrist excused himself. He returned

with a NYPD officer to have Warheit removed to Bellevue Hospital. "I tried to explain," Warheit says, "that there was nothing wrong with me, that I was a doctor volunteering, but the cop physically restrained me and I was transported to the psychiatric hospital." Once at Bellevue, Warheit continues, "a female doctor comes up to me and says she has some questions. I told her I'd be happy to answer her questions, but I wasn't going into the hospital. So she calls over two goons and they forcibly put me in restraints and shoot me full of Haldol." . . . According to Stuart Shaw, Warheit's attorney, "A claim has been filed for Ira for false arrest and false imprisonment. . . . What I'm afraid of is that Ira's case is just the tip of the iceberg. . . . I've handled a lot of commitments but none of the stature of Ira." . . . Ayal Lindeman, a volunteer emergency medical technician from Rockland County, N.Y., already had witnessed the seizure of another volunteer at ground zero when he met Warheit and learned his story. Lindeman tells *Insight*, "There's this doctor who was being told that he's going to the hospital, and he's saying 'I don't want to go,' and this psychiatrist gets the cops and they handcuff the poor guy and off he goes to Bellevue. This is a doctor who has been volunteering at ground zero — and this psychiatrist, Abad, is having him committed and pumped full of Haldol.'"\* □

---

\*Kelly Patricia O'Meara, "The Grief Police," *Insight Magazine* / *Washington Times*, Jan. 7, 2002. <http://insightmag.com/main.cfm/include/detail/storyid/161502.html>.

umns such as that penned by Douglas Casey ("My Madrassa," March), which seems almost designed to offend as many people as possible, is little other than foolishness. Casey's case could have been stated in a much more considerate manner, rather than giving the appearance of making a deliberate attempt to pile scorn on the majority of Americans.

I would love to get a subscription to *Liberty* for our local high school. But as long as you publish such juvenile writing, I dare not: From my experience, that sort of offensive material will turn more people off than just about anything else. When our county party secretary included material not even that offensive in the offerings at our county fair booth, I saw person after person pick it up, read just part-way, throw it on the ground in disgust, and walk off.

Please ask Casey and the others who write in a snide and insulting manner to grow up, and learn to communicate as civilized adults. If we are ever to have any serious influence in the republic in which we live, it is essential that we rid ourselves of the image of eternal teenagers with barely grade-school manners.

Roy S. F. Wilson  
Tillamook, Ore.

### Riggenbach Is Right

Jeff Riggenbach ("All the Lies That Are Fit to Print," March) declares that, thanks to the media, one American in three still believes that non-violent pot smokers should be incarcerated for their "crimes." Based on my own experience, Riggenbach is exactly right.

A year ago, while serving as a director for a homeless shelter, run by a religious corporation, my letter to a local newspaper was published in which I supported legalization of adult use of marijuana. At the next board meeting, a member, brandishing the newspaper, demanded my removal from the board. After considerable discussion, the board of directors voted 6 to 3 to retain me. The three who favored my removal, including the board chairman, immediately resigned their positions in self-righteous indignation. Apparently, the "interminable"

media, to which Riggenbach refers, has more persuasive power over one out of three Christians than even the Bible.

Grant W. Kuhns  
Carlsbad, Calif.

### Macs Rock!

High kudos to *Liberty* for printing the excellent letter from Marv Graham (March) wherein he so accurately stated, "Windows is the most bug-ridden, unstable, sophomoric, 'designed' by trial-and-error, half-baked piece of crap masquerading as an 'operating system' that I've seen..."

Congratulations, Marv, on your superb description of Windows. About the only word you left out was "anti-quoted." No matter how much window(s) dressing they come up with, the system operating under the glitzy Windows facade is still the ancient, junky, DOS. Buying a high-end PC is about as sensible as buying a new Lexus with a worn-out 1986 Chevrolet engine.

My "state of the art" Windows PC sits on a shelf in my garage gathering dust, spider webs, and mouse turds — a fitting use for this atrocity that pretends to be a computer.

On my desk sits an elegant modern masterpiece, the Macintosh G4 computer, with the most advanced operating system in the world, Mac OS X.

August Salemi  
Atascadero, Calif.

### Conservatives Are People, Too

Who gets to define "conservative"? My friends claim that I am to the right of Attila the Hun, so I thought that certified me. But in a letter to the editor (March), J. Dennon tells me that "Conservatives never stop ridiculing Thomas Jefferson's 'all men are created equal'" and later, Paul Rako tells me that conservatives believe that "... a terrorist hobgoblin lurks behind every bush." I'm aware of the temptation to set up straw men to bolster weak arguments, but enough already. I say that a conservative is conservative. Why would anyone think that it is "conservative" to approve the growth of government in the current hysteria about security?

George L. Andersen  
Wilton, N.H.

## About Your Subscription

**Q: When does my subscription expire?**

**A:** Please look to the right of your name on your mailing label. There you will find (unless you are getting a renewal notice) the number of issues left in your subscription, followed by the word "left," as in "3 LEFT."

**Q: I've moved. Where do I send my change of address information?**

**A:** Liberty, P.O. Box 1181, Port Townsend, WA 98368. Please include your previous address (it's best to send us your label from your magazine) and telephone number. Allow us six weeks to receive and process your address notification.

**Q: I'm receiving duplicate copies; what should I do?**

**A:** Take a look at both mailing labels, clip 'em out and send 'em to us. We'll make sure that you receive all the issues you've paid for.

**Q: I think you've charged my credit card incorrectly; what can I do?**

**A:** Call us at 800-854-6991 (during normal business hours on the West Coast) or email us at [circulation@libertysoft.com](mailto:circulation@libertysoft.com)

We'll take down your information and then try to solve your problem as soon as possible.

**Q: Can I change my address on your toll-free number, too?**

**A:** No. We must get your address corrections in writing, either by U.S. mail or by email.

**Q: Can I communicate with your fulfillment department by email?**

**A:** Yes; send your communications and queries to us at

[circulation@libertysoft.com](mailto:circulation@libertysoft.com)

We'll try to get back to you as soon as possible.

The editorial offices can be reached at 360-379-0242.

Our sales and subscription fulfillment office can be reached at 800-854-6991 (foreign callers call 360/379-8421).

## Minnesota

Sage contribution to the debate over gender equality, from an editorial in the (Minneapolis/St. Paul) *Star Tribune*:

At plenty of companies, the doors to the big jobs are permanently locked to women. Many high-level technical jobs exist for smart women, but not enough women are available to fill them.

## Cuba

Proof that even atheistic Reds read the Good Book, from the *Seattle Times*:

"When I asked Fidel if they would be interested in buying lentils, he said, 'Even the Bible tells you how much protein there is in lentils,'" Sen. Cantwell reported.

## Crosbyton, Tex.

A Texas high-schooler learns a real-life civics lesson, from the *Lubbock Avalanche-Journal*:

High-school sophomore Justin Latimer was called out of class last September to meet with school superintendent Larry Morris, who told Latimer that he was forbidden to write letters to the editor of the local newspaper without first clearing them with Morris. Latimer had previously written to the *Crosbyton News and Chronicle* criticizing his school's decision not to play "Amazing Grace" before a football game in honor of those killed in the Sept. 11 attacks.

## New Britain, Penn.

Proof that no man is above the law, from the *Post-Intelligencer*:

On Dec. 21, 16-year-old Joe Csira found \$600 in a mall while shopping with his mother. Csira turned the money over to the police department and was told that if no one claimed it he could keep it. No one did claim it, but when Csira went to take back the money, police told him he could not have it and cited a state statute that mandates that all unclaimed money is the property of the state of Pennsylvania.

After Csira's story was broadcast on a local television station, several people stepped forward to claim the money.

## Savannah, Ga.

An innovative lawmaker expands the jurisprudential frontiers, recorded in *Savannah Morning News*:

Georgia state Rep. Dorothy Pelote (D-Savannah) has announced her plans to introduce a bill that would make it illegal to answer the door in the nude. Rep. Pelote, who has sponsored bills to prevent public school students from wearing long fingernails and supermarket baggers from licking their fingers, also told her colleagues in the state house that she had been visited by the spirit of missing intern Chandra Levy.

## Merced, Calif.

Fashion note from the Golden State, reported in the *Fresno Bee*:

When Michael Herrington was leaving The Cruise, a Merced nightclub, bartender Lisa Buscaglia asked him to stop because she wanted to ask him where he bought his shirt. A bouncer at the bar misunderstood Buscaglia's intentions and grabbed Herrington. After observing the incident, the club's owner called

the police. The bouncer was apologizing to Herrington when two police officers arrived and attacked Herrington from behind. Herrington suffered fractured ribs, bruises to the face, and head injuries.

Herrington did not reveal where he acquired the shirt, which featured a Harley-Davidson logo.

## Olympia, Wash.

Further evidence, if any were needed, of the need for roads to be a state monopoly, as reported in the *Seattle Times*:

The state Department of Transportation spent \$100,000 on a historical review of the Alaska Way Viaduct and recommended that it be listed on the National Register of Historic Places at the same time it was studying ways to tear down the earthquake-damaged structure.

## Charleroi, Belgium

Curious new debating tactic, reported in *De Morgen*:

In a live televised debate, the mayor of Charleroi argued that his citizens' fear of crime was exaggerated and quoted police statistics showing that the crime rate was falling. During the debate, thieves stole a wallet, a laptop computer, and several handbags and coats from the participants.

## U.S.A.

Organized sports encroach on another amateur recreation, from the *New York Times*:

FOX Broadcasting plans to air a program called "The Glutton Bowl," a two-hour special devoted to eating competitions organized by the International Federation of Competitive Eating.

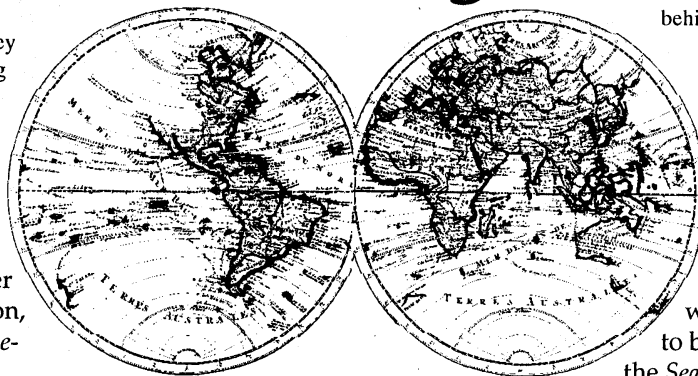
## Inglis, Fla.

Mayoral proclamation banning satan from the city of Inglis:

"Be it known from this day forward that Satan, ruler of darkness, giver of evil, destroyer of what is good and just, is not now, nor ever again will be, a part of this town of Inglis. Satan is declared powerless, no longer ruling over, nor influencing, our citizens.

"In the past, Satan has caused division, animosity, hate, confusion, ungodly acts on our youth, and discord among our friends and loved ones. NO LONGER!"

# Terra Incognita



Thanks to Russell Garrard, Steven M. Lewis, and John W. Moen for contributions to this month's *Terra Incognita*.

(Readers are invited to forward news clippings or other items for publication in *Terra Incognita*, or e-mail to [terraincognita@libertysoft.com](mailto:terraincognita@libertysoft.com).)



# Give Carla Howell's Libertarian Campaign for Governor your active support now – volunteer or donate now – and we will give you MORE National Media Coverage than any Libertarian Presidential Campaign in history!

## **The #1 Libertarian Campaign in America!**

*Carla Howell is ready to win the highest Libertarian vote total for Governor in history.*

Carla Howell is ready to win the highest Libertarian vote percentage for Governor in history.

Carla Howell is ready to topple a Republican Governor. (Massachusetts Governor Jane Swift is **NO** Ron Paul, **NO** Barry Goldwater. She's a Big Government, High-Tax, High-Spending, Anti-Gun Freedom, Liberal-Appeasing, Eastern Establishment Republican.)

Carla Howell is ready to win National Media Coverage.

## ***Proven Credibility***

**40% Name Recognition**. 1,480,000 voters in Massachusetts.

Carla Howell has given her "small government is beautiful"<sup>SM</sup> Libertarian campaign speech hundreds of times. Nationally broadcast on C-SPAN TV.

**NBC, ABC and CBS** in Boston. **Featured in a PBS documentary**. New England Cable News, Fox, and Warner Bros. Network. **The O'Reilly Factor**.

Talk Radio? David Brudnoy, Gene Burns, Howie Carr, Greg Hill, Blute and Ozone, Jay Severin, Larry Elder, and Neal Boortz.

Newspaper Coverage? *Boston Globe*, Front Page Sunday Edition. *MetroWest Daily News*, Front Page. *Boston Herald*, Front Page.

## ***Proven Performance***

Carla Howell campaigned 15 Months – 15 hours a day — for U.S. Senate against Ted Kennedy.

She recruited and mobilized 726 campaign volunteers.

Over 11,500 Yard Signs. \$50,894 in Radio Ads.

**\$150,577 in Prime TV Ads on Boston CBS, NBC, and ABC.**

*Campaigns and Elections Magazine* ranked her Libertarian U.S. Senate Campaign the #1 Third Party campaign in America in 2000.

**1998 Libertarian State Auditor: 102,198 Votes.**

**2000 Libertarian Campaign for U.S. Senate against Ted Kennedy: 308,860 Votes.**

**Most Successful Libertarian U.S. Senate Campaign in History!**

## ***Weak Massachusetts Republican Party***

**71% of Massachusetts Democrat officeholders are unopposed by Republican candidates.**

**13% of the voters are registered Republicans.**

*The Boston Sunday Herald*, the state's biggest pro-Republican Newspaper, on July 9, 2001:

"And for those who claim Republican conservatives have no other place to go, remember just two words: Carla Howell."



**carla howell**

## ***National Media Coverage***

*The Wall Street Journal. USA Today. The Washington Post. Time. Newsweek. Business Week. National Review.*

ABC, CBS, and NBC Network TV News. 20/20. Dateline. Nightline. Face the Nation. Meet the Press. "Massachusetts raises taxes" is NOT news.

"Massachusetts Ends the Income Tax" **IS** news. National News.

"Unknown Libertarian candidate for Governor gets 7%" is NOT news.

"Libertarian Carla Howell Topples Republican Governor" **IS** news.

With your help, the Carla Howell, Libertarian for Governor campaign will be National News.

Please donate generously.

***www.carlahowell.org***

**small government is beautiful™**

**carla howell**  
***Libertarian for Governor***

☐ \$500 ☐ \$250 ☐ \$150 ☐ \$85 ☐ \$65  
☐ Other: \$ \_\_\_\_\_ I'll Pay By: ☐ Check  
☐ Visa ☐ Mastercard ☐ Discover ☐ AmEx  
You may donate up to **\$500** in 2001.  
You may donate an additional **\$500** in 2002.

NAME		CREDIT CARD #	
ADDRESS		SIGNATURE	
CITY		STATE	ZIP
OCCUPATION		EMPLOYER	
PHONE		EMAIL	

Donate to: Carla Howell for Governor • 6 Goodman Lane • Wayland, MA 01778 • We are forbidden from accepting Money Orders or cash donations over \$50 per year. Debit card donations are prohibited by law. Massachusetts requires us to record the name & address of all contributors, & also request the occupation & employer of individuals whose contributions total \$200 or more a year. No corporate checks.  
Paid for by Carla Howell for Governor, R. Dennis Corrigan, Treasurer.

CHLM1201

# The 5 Biggest Obstacles to Voting Libertarian ... and How You Can Shatter Them!

## Why don't people vote Libertarian?

### 5 Obstacles

- 1. The Wasted Vote Argument:** "I don't want to waste my vote. If I vote Libertarian, the worst of the other two candidates might get elected."
- 2. The Spoiler Argument:** "The Libertarian cannot win, but he can cause the lesser of two evils to lose."
- 3. The 'You Can't Win' Argument:** "If the Libertarian could win, I'd vote for her. But she can't win."
- 4. The 'I'm a Democrat or Republican and I Vote the Party Line' Argument:** "My family has been Republican for 80 years. I always vote Republican. I never cross party lines." (A majority of registered Democrats and Republicans never cross party lines.)
- 5. The Deal Breaker Argument:** "I disagree with the Libertarian candidate on one issue: abortion, immigration, the Drug War, foreign policy, or gun ownership - so I won't vote for him."

### The Solution

The Small Government Act: Our Libertarian Ballot Initiative to End the Income Tax in Massachusetts.

Why does this work?

**1. The Wasted Vote Argument only applies to 3-way political races.** Every Ballot Initiative is a

2-way race. You vote for our Ballot Initiative to End the Income Tax in Massachusetts — or you vote against it. Every vote counts. Every vote matters.

**2. The Spoiler Argument only applies to 3-way races.** Ballot Initiatives offer voters 2 choices: yes or no. It cannot be spoiled.

**3. Tax-Cut and Tax-Limitation Initiatives can and do win.** In California. Colorado. Michigan. Even in Massachusetts.

**4. Ballot Initiatives are Non-Partisan.** There is no party line to vote. There is no party line to cross.

**5. There is no Deal Breaker on Ballot Initiatives.** One issue. One vote. If a voter doesn't like the Libertarian position on abortion, gun ownership, immigration, foreign policy, or the Drug War...she can happily vote 'Yes' on our Ballot Initiative to End the Income Tax.

lets people vote for the Libertarian proposal they like most.

Ballot Initiatives get talked about.

Ballot Initiatives give voters direct control.

Ballot Initiatives shape the political debate.

Libertarian candidates can be ignored.

Libertarian Ballot Initiatives cannot.

### National Coverage

If YOU generously donate now... if YOU actively and regularly support our Libertarian Ballot Initiative to End the Income Tax, we will generate **MORE** National TV and Newspaper Coverage than any Libertarian Presidential campaign in history.

**Without YOUR active support, this will NOT happen.**

**With YOUR active support, this WILL happen.**

*Please donate now.*

### Benefits

Our Libertarian Ballot Initiative

#### The Small Government Act to End the Income Tax

☐ Check: **The Committee for Small Government** ☐ Visa ☐ Mastercard ☐ Discover ☐ AmEx

Most first-time donors start with a donation in this range.  ☐ \$500 ☐ \$250 ☐ \$150 ☐ Other:   
 ☐ \$85 ☐ \$65 ☐ \$45 \$ \_\_\_\_\_

NAME		CREDIT CARD #	
ADDRESS		SIGNATURE	
CITY		STATE	ZIP
OCCUPATION		EMPLOYER	
PHONE		EMAIL	
<small>Mail to: The Committee for Small Government • 6 Goodman Lane • Wayland, MA 01778 • We are forbidden from accepting Money Orders or cash donations over \$50 per year. Debit card donations are prohibited by law. Massachusetts law requires us to report the name, address, occupation and employer of each individual whose contributions total \$200 or more. Paid for by The Committee for Small Government, R. Dennis Corrigan, Treasurer, Carla Howell, Chair. <a href="http://www.smallgovernmentact.org">www.smallgovernmentact.org</a> SLM1201</small>			