

# Liberty

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*by Timothy Sandefur*

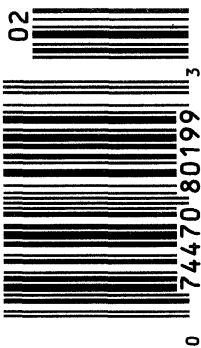
## Milton Friedman Remembered

*by Bruce Ramsey, Tibor Machan, and Mark Skousen*

## Lies The Media Told Me

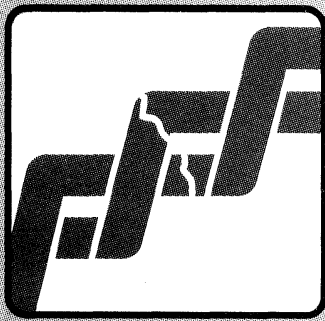
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# Letters

## Lobbying for Liberty

I agree wholeheartedly with Bruce Ramsey's assertion that libertarians' best hopes lie within the ranks of the Republican party ("Our Allies, the Conservatives," December). Face it, folks, we've got a two party system! I would like to see the "Liberty Lobby" have as much pull in the GOP as NARAL has with the Dems; for that matter, as much pull as the gun lobby has in the GOP.

Clearly, this "Libertarian Party" thing is not working. No matter how noble the goal of running as a third-party candidate may be, it invariably results in the election of your mortal enemy: Greens elect Republicans (ask Ralph Nader); Libertarians elect Democrats (ask Harry Reid!).

Ramsey also mentions the Left's love of privacy (this divined "right," after all, is the cornerstone of *Roe v. Wade*). I'm wondering, in a post-*Kelo* world, can there be a "right to privacy" when our property is only ours in theory?

Jon Lindquist  
Las Vegas, Nev.

## Actions Speak Louder

Bruce Ramsey may be right about conservatives if he only looks at the conservative platform. But one must look at their actions before jumping to any conclusions regarding whether or not the conservatives are on our side.

Look at the record for the last six years, then judge for yourself. Under the Bush regime, the so-called conservative president has used his veto just once so far, and that was to pander to the Religious Right in order to keep them marking the right boxes in the midterm election. (And we all know how that turned out.)

Under a conservative administration and Congress, pandering to lobbyists has increased, and the lobbyists have actually written legislation that the leg-

islative and executive branches couldn't put into law fast enough. The number of earmarks enacted into law has been greater than under any other administration by many times over. It was a conservative Congress that spent time debating what to do about a woman who had no functioning brain.

*Habeas corpus* is dead and buried, now that the president can strip a person of rights simply by uttering the words "You are an enemy combatant." Our sons and daughters are sent off to a war that was started under verifiably false pretenses, when the actual reason probably had more to do with the president's neurotic need to show his father that he could "do it right" than it ever had to do with national security.

Pretty words mean nothing. As we were raised to say in my youth, actions speak louder than words. In many respects, there are banana republics that are better run with despots at the helm and no legislative branch at all.

Marilyn Burge  
Portland, Ore.

## State Schools

The thesis of Bettina Bien Greaves' "School Daze" reflection (November) is that "The country's schools have effectively been nationalized." However, her factual basis relates mostly to state actions.

Only the federal Department of Education and the No Child Left Behind program (NCLB) relate in large measure to the federal government, while federal school aid is filtered, strings attached, through state law. Yet the great majority of rules and regulations are the states'. It is the states that have ceded substantial power to the unions to license teachers and influence instruction. Excluding state and federal court decisions, state, not federal, government slowed and restricted ideas taught, through state control of curricula, methods, schools

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of education, teachers, and textbooks. Without state interference, any school district could influence and control these factors.

The major damage done to our public schools is the result of union contributions to the Democratic Party, aided by schools of education, with the blessing of state legislatures, actively recruiting students from among the least academically able on campus. It is the unions, in conspiracy with state governments, which foster the hiring and prevent the firing of bad teachers. It is the unions' insistence on equal pay in accordance with level of education rather than classroom results that drives able people away from teaching careers, and causes good teachers to remain in good school districts, or to leave teaching altogether.

Obviously, the quality of public-school teaching has been degrading. NCLB is simply the federal government's effort to get states to change their evil ways. California, for example, realizing that bad teachers preclude student improvement, has recently prevented the practice of dumping bad teachers on lower-class schools, rescuing some poorer students from academic ruination. It is the states, in association with the unions, that have allowed such practices to arrive; it is the states that will have to act if more students are to be rescued.

Raymond J. Rostan  
Parker, Colo.

**Greaves responds:** I agree with Rostan that the states, the teachers' unions, and the schools of education have had a powerful and detrimental influence on our public schools. Rostan blames this largely on the states and dismisses the influence of the national government. He mentions the Department of Education, established in 1979, and George W. Bush's No Child Left Behind legislation as if they were the only and principal

national programs concerned with this country's public schools. However, the federal government's intervention in the schools began much sooner and is much more pervasive than that would suggest.

Washington did not "nationalize" the schools on purpose. The problem stems from the fact that the schools are government-operated; their "nationalization" is the result of a step-by-step "carrot and stick" process, rewarding compliance and penalizing noncompliance. For example, the carrot of federal aid to "impacted" school districts (1950) compensated localities which had lost tax income because private property had been taken over for federal projects. The National Defense Education Act of 1958 (NDEA) offered the carrot of federal support for "defense-related education" to counteract the supposed "threat" of

Russian superiority in scientific and military development evidenced by the U.S.S.R.'s 1957 launch of *Sputnik*. The Elementary and Secondary Education Act of 1965 offered additional carrots to public schools that helped to shape local school systems according to national guidelines. After *Brown v. Board of Education* (1954), and the passage of the Civil Rights Act of 1964, public school integration replaced the earlier "separate but equal" policy and became in effect mandatory when it was held that no federal money could be distributed to any institution that discriminated on the basis of race. The states had some leeway in deciding how this mandate would be implemented but a government stick forced them to comply if they were to share in any of the federal handouts.

Over the years the national govern-

The other day I bought a new sofa, which meant that I also had to arrange for my old sofa to be carted away. Before making my purchase, I measured and remeasured the new piece of furniture, determining that there was a reasonable chance that it could be put into the elevator in my building, lifted to the third floor, maneuvered through a tricky set of connecting passages, and installed in my living room. What bothered me — what woke me up in the middle of the night — was the problem of removing the old piece of furniture.

It was long, wide, and very heavy, containing, as it did, a fold-out bed, together with all the steel contraptions that are necessary to the existence of such a thing. Granted, the sofa had gotten into my place (somehow), so it could, theoretically, be gotten out. But I pitied the guys who had to do it, and I feared that awful, seemingly inevitable moment when their strength would weaken and the sofa would plunge over a railing and smash to pieces on the concrete floor below. I pictured myself trying to move that sofa. I shuddered. That would be impossible.

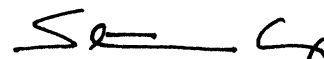
Then, on the day appointed, two short, cheerful men showed up at my door, grabbed the sofa by each of its ugly ends, twisted it through my door, ran with it to the elevator, stuffed it inside, and the object was seen no more. As the first guy picked up his end, he smiled and said to me, "Oh, this is an easy one."

It is this kind of secular miracle that comes to mind when I remember the life of Milton Friedman, the principal subject of this issue of *Liberty*. In the 1950s, when Dr. Friedman appeared at America's door, the place was absolutely loaded with the ugly, cumbersome, hopelessly antiquated furniture of collectivist ideas. Almost nobody was comfortable with it; almost nobody dreamed that it could be gotten rid of. People had tried to move it out in pieces, but somehow they couldn't take it apart. It had to be lifted out bodily, by a person of unusual strength and even more unusual skill.

Dr. Friedman lifted it up, twisted it around, and moved it out. And he smiled while he did it, as if he were saying, "Oh, this is an easy one."

I have a similar thought whenever an issue of *Liberty* goes to press. I don't know just how our authors — and my fellow editors — do their job. I know that I couldn't do it. But that's the secret of liberty: give people freedom, and they will find the job that only they can do. With miraculous results.

For Liberty,



Stephen Cox  
Editor

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ment has offered schools many other carrots to assure compliance and sticks to penalize noncompliance. It has used the carrot of federal money to help finance textbooks, school libraries, busing of handicapped children to special schools, school lunches, etc. Even the power of teachers' unions stems from the national government-granted carrot of monopoly to the union selected by a majority of its members to serve as their sole bargaining agent.

The federal government has also wielded sticks to deny federal money for religious instruction and sexually segregated classes. In the drive to separate state and religion, religion in any shape or form has been effectively outlawed from government schools.

As far as the schools of education are concerned, I do not believe, as Rostan writes, that they "actively recruit students from among the least academically able on campus." Rather, because the curricula of schools of education are not particularly demanding, they tend to attract students who are not particularly intellectually inclined. Their courses are known as "Mickey Mouse" courses, although I have never figured out exactly what that means. In any event, few brainy nerds or scientific geniuses apply.

Even though the implementation of federal laws respecting the schools is usually left to local or state authorities, as more laws are passed, and as government grants and government "strings" proliferate, the tendency is for the schools to be guided by the carrots and sticks included in the laws. The U.S. public schools have come to conform step by step with national policy. Thus they have in effect been "nationalized."

### Arabian Stallion

In "Freedom Blossoms in the Desert" (July 2006), Doug Casey detailed some of Dubai's many wonders, from the manmade islands to the world's only seven-star hotel. I'm not sure if he mentioned the indoor ski slope complete with snow.

He wrote about the place, but I want to write about the man most responsible for this, its ruler, who reminds me

of a cross between an Ayn Rand and James Clavell character, a sort of Hank Rearden-Dirk Struan-like "tai pan of an Arab noble house."

HH Sheikh Mohammed bin Rashid al Maktoum succeeded his brother Maktoum to become emir when the latter died earlier in January of this year. Time magazine (May 8, 2006) listed Sheikh Mohammed as one of the "100 People Who Shape the World," for continuing the work of his father, Rashid, in making Dubai the Hong Kong of the Arab world.

Sheikh Mohammed and his family are the same people that Michael Savage, Sean Hannity, and Charles Schumer railed against earlier this year when Dubai Ports World tried to buy a British company to run some of the ports in the United States. But he's no anti-Western jihadist. He walks a fine line: like many Arabs, he gave financial aid to some of the Lebanese bombing victims from this summer's war, but he does not support Hezbollah. It is rumored that several years ago Osama bin Laden was allowed to be operated on during a brief hospital stay in Dubai, yet at the same time the sheikh allows the U.S. Navy to use his drydocks to retrofit ships.

Before the port-security flap, the sheikh was best known in America as the owner of the Godolphin Stable, which has dominated European horseracing for years and is becoming even more successful in the United States. While everyone was following the travails of Kentucky Derby winner Barbaro, who broke his right hind leg and suffered from a disease of the hoof, laminitis, in his left, Godolphin's Bernardini won the Preakness in Baltimore in May. After taking several stakes in Saratoga, Bernardini was odds-on to win the Breeders Cup Classic in Churchill Downs, but lost to Invasor, owned by none other than Sheikh Mohammed's brother, Sheikh Hamdan.

For over 20 years, Sheikh Mohammed and his family have been trying to win the Kentucky Derby and have spent over a billion dollars on the best bloodstock they could find, particularly at the Keeneland yearling sales in Lexington, Ky. Just this past September they paid a record \$11.7 million for a yearling there, and spent a total of \$34.4 million on 25 horses. By the way, on Sept. 11, 2001, Sheikh Mohammed and crew were also

*continued on page 14*

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# Reflections

**The last laugh** — Unusually long lines at the polls? Pumped up voters? Apparently not so much. The typical election-day media fanfare may lead people to believe that Americans were flocking to the polls, but the United States Elections Project reports otherwise. In one of the most neglected stories of the last few weeks, it finds that slightly fewer than 39.3% of eligible voters turned out in 2006, compared to 39.51% in the 2002 midterm.

— David T. Beito

**Unequally yoked** — Brink Lindsey of the Cato Institute argued on the New Republic's web page Dec. 4 that libertarians could drop their electoral alignment with conservatives and have "a new fusionist alliance" with progressives. This would not be just on drugs, civil liberties, presidential power — the easy stuff — but on economic policy as well.

Lindsey allowed that it would be difficult, but said it could be done. He proposed, as an example, that in exchange for private accounts within Social Security, libertarians would accept unemployment insurance, Medicaid, and welfare. This could be done, he said, if there were "some kind of reconciliation between Hayek and Rawls" performed "at the philosophical level."

And I thought: You're going to get left-liberals to accept Social Security private accounts? I wonder what they have to say about that? There were several dozen replies on the blog. No progressives agreed to Social Security private accounts. And why would they? On Nov. 7, they won. Said a blogger under the handle "spoonman": "There aren't very many people who vote libertarian, so there's little reason to form a coalition with you people." Said another, posting as "jet": "Mr. Lindsey looks like he's looking for a wagon to hitch his horses to now that his conservative comrades-in-arms won't be in power for a while." Yes, that is what it looked like.

— Bruce Ramsey

**The ties that blind** — No quality of Dubya is more extraordinary to me than his continued public loyalty to sometime colleagues who get him into trouble, deep trouble, beginning with Donald Rumsfeld and including Paul Wolfowitz and the jerk who headed FEMA during the New

Orleans disaster. Just because he once imagined them "with him" he can't understand how they operated against him.

Most leaders, even those as stubborn as Dubya, would have gotten angry at his dumb buddies, publicly angry, if only to save their own skins. You rightly wonder if he realizes now that these guys, so devoted to their own agendas, undermined his administration and killed his reputation forever. They were subversive not only to him but to the Republican Party. Is he so stupid?

Loyalty is one of those qualities that seem admirable in life but detrimental in politics. Harry Truman was undone by old friends, most of whom he had known before he entered politics, some of whom were revealed to be crooks. Warren Harding had old friends whom he brought to Washington. American friends that Bill Clinton made at Yale Law and Oxford, rather than Georgetown, joined him in Washington. What makes Bush's loyalties different is his attachment to new friends, most of them veteran D.C. operatives, whom he didn't know in Texas (Harriet Miers and Roberto Gonzales excepted).

Some of these rotten eggs he inherited, so to speak, as his father's friends, appointed because he didn't know where else to find a secretary of defense, et al.

In dealing with people, Dubya is not an opportunist and apparently not a butt-kisser either (unlike his father, who built his resume impressing his elders in D.C.). But now that Dubya is so clearly recognized as a Man Who Shouldn't Have Been President, may I predict that, unlike Clinton or Carter, Ford or Reagan, he'll be depressed to the point of paralysis for the rest of his life?

— Richard Kostelanetz

**Shut up, they reasoned** — I confess that I am not an atmospheric scientist, but I am skeptical of the theory of global warming. This theory says that because of man's use of fossil fuels, the earth is warming, and this will lead to an ecological and economic catastrophe. Well, yes, it seems clear that the earth has warmed slightly over the last century. What is less clear to me is how much of that was caused by man's burning of fossil fuels, as opposed to, say, increased solar radiation.

Even less obvious is the notion that global warming will

OK!... THAT TAKES CARE  
OF IRAQ!... WHAT'S NEXT?



S.H. Chambers



be catastrophic. That is an economic-cum-moral claim, quite outside the field of expertise of atmospheric scientists. For example, it takes an economist to decide whether there would be a net economic gain or loss if, over two centuries, the tip of Florida became inundated, but a huge swath of northern Canada and Siberia became cultivable and habitable. It then takes a *moral* judgment to decide if the price is worth paying.

But what really has aroused my skeptical suspicions is the tactics that proponents of global warming employ against their critics. A common warning sign of pseudoscience is the use of threats and political reprisals, in lieu of objective empirical evidence, to get a theory accepted. Such behavior indicates that the proponents realize that the evidence for their theory isn't epistemologically compelling, so they try to compel by force.

# Word Watch

by Stephen Cox

All right, I've had it. That's it. I have issues. Or maybe I should say, I have issues with "issues."

What finally did it was a headline about a basketball team that is said to be "Dealing with Anger Issues." At first I thought that the "issues" were simply the need for the team's *dramatis personae* to control their anger so they wouldn't get kicked out of the arena. But no. The problem was their purported need to tone their emotions *up*, to "play with controlled anger," as one of them said, so they wouldn't lose any more games. "Issues," apparently, were to be carefully conserved. And *issues*, obviously, is a very volatile word.

Here are a few of the more familiar uses of "issue" and "issues," and an attempt to translate what they seem to mean:

*You're bringing up an important issue.* = All right, I guess I'm willing to talk about what you just said.

*I want to take issue with that.* = I disagree with what you just said.

*I want to take issue with you.* = I dislike what you just said, and I have always disliked you.

*I have serious issues with that.* = I dislike you because you are a racist, sexist pig.

*I haven't studied this particular issue, but if that's your proposal, then I have some serious issues about it.* = You are a racist, sexist pig, and nothing you might ever say could possibly convince me otherwise.

*Our committee is working on issues around equality and diversity.* = We are trying to figure out a way to fire everyone who disagrees with us.

*Tommy's a good kid. He just has issues right now.* = My son is a neo-Nazi thug.

*Dad is just, like, totally insensitive to my issues.* = My father objects when I hit my mother.

*She has issues.* = She's insane.

*We all have issues.* = You're insane.

*I'm working on my issues.* = I'm constructing a list of all the ways you screwed me up.

*And I'm attempting to resolve those issues.* = And I'm investigating a way to sue you.

Clearly, "issue" and "issues" started out as neutral terms. From their association with politics ("that was an issue in the last election"), they acquired an increasingly strong emotional charge ("she was an issue in the last election"). "Issues" began

to be equated with emotions ("I have issues"). Then, with the dawn of identity politics, all hell broke loose ("Why can't you address *MY ISSUES*?").

Politics — whether the politics of the family or the politics of the nation — now centered on the question of who *I* am and how *I* feel about who *I* am. If there was something wrong with my feelings, if I wasn't really *comfortable* about some emotional something, then *I had issues*. Oddly, however, those issues (unlike everything else in this world) weren't actually *about* me. To think that they were might imply that there was something wrong with the essential *me*, which would be impossible. So they had to be about someone else. Someone like you. Yes, you! If you disagree with me, any resulting unpleasantness is a property of *you*. The same if I disagree with myself: someone must be the source of these issues *I have*, and it couldn't be *me*. No, it couldn't.

My God, it's such a burden, *dealing with other people's issues*, especially when the other people insist on saying things like, "Why are you angry? There's no reason to be angry"; or "Can't you see that I'm trying to help you?"; or even, "I'm sorry that I hurt your feelings; please forgive me." That's just more evidence that they're not *really listening*.

Admittedly, there's always something mysterious about issues. They're just so hard to understand, these things that come out of *you* and get inside of *me*. Maybe that's why people keep saying that they're trying to *define* their issues, or they're having discussions about issues *around* such and such a problem. It's like that big lump of fruitcake that somebody gives you at Christmas, then you give it to somebody else, and that person gives it to somebody else again, so that next Christmas, you'll be certain to see a fruitcake turn up at your house. It just keeps going *around*. Is it the same fruitcake or not? It's hard to tell. Nevertheless, the important thing is to *deal with* the fruitcake. In other words, get it out of your house, and into somebody else's.

The process isn't new. Back in Genesis, the snake had issues with God, then Eve had issues with God, then Adam had issues with Eve, then Eve had issues with the snake, then God had issues with all of them. Later, Cain had a lot of issues with Abel. In fact, he rose up against Abel and slew him with some heavy object. That was his way of working on his issues. The more modern way is to let the *issues* wreak their own vengeance.

The latest example of compulsion comes from the U.S. Senate. Exxon Mobil funds research that probes the theory of global warming, for obvious reasons: if the government decides to tax fossil fuels heavily, or put heavy restrictions on their use, Exxon will lose big. The reason Exxon has to fund research critical of the global warming theory is that, since the days of Al Gore, the federal government has systematically cut off funding for such research. Two prominent liberal senators, Jay Rockefeller and Olympia Snowe, have written a letter to the CEO of Exxon, saying that his company shouldn't be funding "global warming deniers," and ominously comparing him to those wicked leaders of the big tobacco companies who dared deny that cigarettes are addictive. Notice the loaded phrasing: global warming "deniers," which sounds like "holocaust deniers."

Really, this is an outrage. The senators are threatening to crush Exxon (which our government certainly has the power to do) for simply trying to provide a little intellectual diversity — the one sort of diversity our liberal senators appear to hate. And it certainly makes the global warming advocates look like Lysenkoists.

— Gary Jason

**Kind of blue** — "Stan Jones, a Montana libertarian widely known for his peculiar blue skin, can arguably be said to have recast the political complexion of the U.S. Senate, turning it from Republican red to the same color as his face," reported the Washington Post after the fall election.

Running as the most antigovernment candidate in the field in the race for the U.S. Senate, Libertarian Party candidate Jones received 10,324 votes, while Republican candidate Conrad Burns lost to Democrat Jon Tester by only 2,565 votes.

Based on the theory that real libertarian candidates pull more votes away from libertarian-talking Republicans than from high-taxing, income-redistributing Democrats, Mr. Burns would still have his job and the Republicans wouldn't have lost the Senate if Stan Jones hadn't tossed his hat into the ring.

That's an assumption that seems to be especially valid with Jones, "a quirkily conservative kind of libertarian," as the Post describes him, "opposed to abortion and same-sex marriage" — positions that play well with wide segments of the GOP.

During the senatorial debate on Oct. 9, Jones warned that "the secret organizations of the world power elite" are leading the United States into a "one-world communist government" where we'll have "a new constitution modeled after the Soviet Union's constitution." Again, that's a position that rings true with certain elements in the Republican Party.

As far as the blue face, a shade described by Washington Post reporter Blaine Harden as "an ashen blue-gray, more suited to the undertaker's slab than the politician's stump," the change in complexion came about as Jones "accidentally turned his skin blue by drinking a homemade antibiotic laced with silver."

Jones blames his move from Seattle to Bozeman for turning his skin blue. He says he had no trouble when he was using Seattle's tap water to make his "colloidal silver" antibiotic by sending an electrical charge into two silver wires in a glass of tap water. He started doing that in 1999, because he was afraid that antibiotics would become unavailable after

the Y2K computer crash. Bozeman's tap water, unfortunately, has a different chemical content from Seattle's. The brew that Jones concocted gave him argyria, a rare condition that permanently stained his skin.

Now, blue or not, Jones is happy, referring to himself as "the guy who changed the country." There appears to be no guilt about being the spoiler, the guy who put the traditionally big-government, non-libertarian politicians back in power. "Republicans spend and borrow, Democrats tax and spend," he says. "Whoever is in there — the government grows and grows."

He's got that right. The national debt was about \$4 trillion when the "Republican revolution" started in 1994. By the time of Bush's first inauguration in 2001, after six years of Republicans running the spending in Congress, the national debt had climbed to nearly \$6 trillion. By the time of Bush's second inauguration (2005), the national debt had increased to \$7.6 trillion. On the day of this year's midterm elections, it was up to \$8.6 trillion.

Ron Paul warns that current trends aren't sustainable: "If present trends continue, by 2040 the entire federal budget will be consumed by Social Security and Medicare. The only options for balancing the budget would be cutting total federal spending by about 60% or doubling federal taxes."

By then, tons of people will be sticking wires in their water.

— Ralph R. Reiland

**Rangeling the military** — Rep. Charles Rangel, soon to be the head of some important House committees, has once again pushed his proposal for a military draft. His argument, bluntly put, is that the armed forces are now getting only the dregs of society — only losers who couldn't get into college — and that we need to start drafting lots of rich, smart college kids to fill the ranks of a military now starved for recruits. These remarks come on the heels of Sen. Kerry's "joke" to an audience of college students that if they don't study hard and get a college education, they'll get stuck in Iraq.

Let's put aside the obvious observation that neither Rangel nor Kerry is exactly an intellectual powerhouse. After catching flak about his wretched joke, Kerry tried to claim that he was referring to Bush — although Kerry's grades at Yale were even worse than the president's. Bush got his undergrad degree at Yale and an MBA from Harvard, so it is difficult to grant any credibility to Kerry's defense. The point is that Rangel's (and Kerry's) claims are obviously false.

Regarding enlistments, in fiscal year 2006, all the branches of the armed forces met or exceeded their active-duty recruitment goals. And re-enlistments greatly exceeded their goals. All this during a prolonged war and a booming economy — hardly evidence that the Pentagon needs to consider conscripting young people who don't wish to join. Not that the Pentagon is in favor of the draft: the generals and admirals have made it repeatedly and abundantly clear that they want recruits who are committed to serving, not unmotivated, resentful kids.

The quality of enlistments is high. Ninety-seven percent of enlistees over the last few years have high school diplomas, compared to 80% for civilians. And the percentage of recruits who score above the 50th percentile on the Armed Forces

Qualifying Test has increased dramatically over the period from 2001 to last year.

Moreover, the evidence belies the glib charge that it is minorities or the poor who wind up having to serve. The percentage of recruits from the poorest 20% of American neighborhoods dropped from 18% in 1999 to 13.7% last year. In 2004, the percentage of white recruits was 73%, not far below the 76% of the general population that is white. Blacks, at about 12% of the general population, made up 14% of the recruits in 2004 and 13% last year.

The real reason why Rangel has pushed the draft is that he misses the days when millions of college students, scared witless by the prospect of being drafted into the Vietnam War,

*News You May Have Missed*

## Judith Regan Has Some More Ideas

NEW YORK — Publisher Judith Regan, who had to admit defeat on her pet project, O.J. Simpson's "If I Did It," when both the book and a related two-part interview she had taped with Simpson for Fox were cancelled after an angry public outcry, said she would be moving on to some exciting new projects in 2007. She added that the new projects would help restore her reputation as a serious, high-minded book publisher.

Early in the year she will bring out a book by Michael Richards, best known before recent controversies as Kramer on "Seinfeld," titled "If I Yelled It." A few weeks after that she'll put the finishing touches on Mel Gibson's "If I Meant What I Drunk, I Mean, Drunk What I Said, About Those Evil Jews."

Later in the year, she will broadcast a two-part interview with President George W. Bush in connection with his forthcoming book "If I Lost It," which will speculate on how Iraq might have looked if the war he launched there in 2003 had gone badly.

Regan admitted that it might take a little longer before she saw the completion of the book she just signed Britney Spears to write, tentatively titled "If I'm Like So Totally Not Writing This Book Right Now Cuz I'm Hangin' Out in Clubs All the Time with Paris and Doing Like Tons of Coke."

Also on Regan's busy agenda for 2007 is her boss Rupert Murdoch's new book, "If I Let Her Do These Stupid Fucking Things," the Australian media baron's hypothetical attempt to imagine the embarrassment and bad press that could have followed if he had ever given initial approval to any of Regan's projects, and Regan's own book "If I Could Land a Multimillion-Dollar Book Deal With Osama bin Laden," her account of what it might be like to be more greedy and clueless than she already is.

None of this will stop her, she added, from trying again with O.J. Simpson, whose sequel to the now-shredded "If I Did It" is to be called "If I've Still Got the Knife, You're Next, Judy."

— Eric Kenning

fueled the antiwar movement, and just incidentally voted for the Democrats. But he and his fellow Democrats now own the House and the Senate, so instead of continuing to bash our troops with the canard that they are losers and morons, maybe old Charlie will strap on a pair and get his Myrmidons to vote to end funding for the war. We will see. — Gary Jason

**Some guy named Scooter** — In political life, you have to filter out the stuff that isn't important even though other people think it is. An example that comes to mind is the hoo-ha in 2005 about Joseph Wilson, Valerie Plame, and Scooter Libby. My daily newspaper has run 132 stories in the past two years with the words "Plame" and "Libby." I don't think I've read more than five of them. I just can't get into it.

I recall that John Derbyshire, the only columnist worth reading in National Review, repeated the same sentiment more than a year ago. He wrote: "I have asked people . . . why I should give a hoot about any of this stuff." The answer he got, and dismissed, was that it settled the question of whether Bush had lied to get us into war. I don't see how one could settle that conclusively without a witness to Bush's confession of it. At the time, I wrote, "Imagine yourself 20 years in the future, writing a history. Do you include this or not? So far, I would not." A year later, I have almost forgotten it.

— Bruce Ramsey

**Don't look at us** — Why hasn't the media grasped yet that Iraq is no longer America's problem?

And it hasn't been since we routed the army of Saddam Hussein. Remember those dreaded elite Republican Guards? Funny, the TV pundits who lauded their ferocity don't recall them at all now — nor do they remember their predictions of steely resistance to U.S. forces. They never remember such things. Why don't we keep score on the CNN notables, whose batting average hangs around .150? They're about as accurate as my local weatherlady who sees cyclones and tornadoes in spring zephyrs.

Instead the media — and, I must add, the administration — debates the presence of a civil war. Nomenclature is everything, but death by any name is just as terminal. Civil war or tribal warfare — call it what you will. Sunnis and Shiites are clearly in the wholesale killing business. They are formidable terminators continuing a 1,300-year-old quarrel for Islamic succession. They kill each other efficiently and in bunches, much more effectively than they kill U.S. troops in Baghdad, Hindus in India (at least 100,000 since 1948), and Jews in Israel.

Sadly, the removal of Saddam Hussein is analogous to the departure of the controlling colonial powers in Africa. The lid is off. The death rate has skyrocketed.

If 50 raggedy-ass Sunni assassins blow up a Shiite religious shrine, schoolroom, or hospital — and then vice versa — guess what they'd do to real enemies they have a territorial quarrel with. The Balkans, Israel, India, and semi-legitimate rulers of Middle Eastern lands quake in fearful expectation.

Can you believe that in the Balkan wars, U.S. bombers blew large holes in Belgrade to protect Islamic Serbs? How soon they forget!

The bloodshed in Iraq has signaled even to the Arab world (note the shrill convocations in Jordan, Egypt, even Iran) that



some form of bloody anarchy is descending upon the Middle East. It is no longer an American problem. — Ted Roberts

**Dubya the Hurricane Slayer** — The great American philosopher Charles Peirce characterized logic as the ethics of belief. His subtle insight was that just as we should be prepared to allow others to act as we do, so we should allow others to argue or reason as we do. If you really believe that you've proven someone's views on (say) foreign policy to be wrong by attacking their personal failings, then you ought to be willing to see the same reasoning applied to you.

I think of this when I reflect on the media attacks on President Bush back in the hurricane season of 2005. We experienced a large number of hurricanes, several hitting the U.S. with devastating effect. Led by the ever tedious Al Gore, liberal commentators blamed Bush for the hurricanes: if he had only gotten the Senate to ratify the Kyoto treaty, we would have been spared Katrina! (Gore conveniently forgot to mention that when his president Clinton was in office, he likewise never sent the treaty over for confirmation.)

Well, the 2006 hurricane season has ended, without any disasters. The National Oceanic and Atmospheric Administration hysterically predicted "13-16 named storms, 8-10 hurricanes, and 4-6 major hurricanes." But what we got was a measly nine named storms, five pathetic hurricanes, and only two silly "major" hurricanes, neither of which hit us. Ecofreaks desperate for more disasters were visibly disappointed.

Now, since the Gore-ites blamed Bush for the bad storms of 2005, by parity of reasoning they should give him credit for this season's lack of damage. If they had any intellectual honesty, they would hail him as the Great Hurricane Slayer and Glorious Protector of the Environment. Somehow, though, I doubt that we'll see that. So far the liberal media has failed even to mention the mild storm season just past. It seems their *post hoc* reasoning works only in one direction — to bash people with whom they disagree. — Gary Jason

**The conservative crisis** — So what happened to conservatism, or to conservatism as it's been practiced by the current crop of D.C. Republicans? Was too much spending the problem — or not enough? Would more billions in pork for more bridges to nowhere have bought enough votes to prevent a Republican defeat? Are we that much for sale, that self-seeking and irrational?

Were tax cuts the problem, or not enough tax cuts? Would more cuts aimed at the bottom and middle have kept the Reagan Democrats from going home? Or was it the war, or not enough war? Would Sen. Rick Santorum of Pennsylvania still have a job if Bush had nuked Baghdad? Or might the "San Fransicko" strategy have worked its magic if Rev. Haggard and Rep. Foley had stayed in the closet for a few more weeks? Was too much theocracy the problem, or not enough?

There's no shortage of rumblings from the religious right about how America's "values voters" weren't so enthusiastic this time about getting the church buses rolling to the polls. The Republicans didn't much deliver on the faith-based agenda. Darwin's still in the libraries, not every kid is in abstinence-only classes, condoms and abortion are still legal,

and not every transgendered Democrat has been signed up for one of those change-your-orientation camps.

Conservative pundit Ramesh Ponnuru, a senior editor at National Review, doesn't deny that conservatism is in trouble. "Conservatism is in crisis," he writes in a recent cover article. "Everyone is saying so, and everyone is right. But the nature of the crisis, its causes and possible solution, is badly misunderstood." Rather than seeing conservatism as an ideology that's in trouble, Ponnuru asserts that it's the Bush administration's mismanagement that caused the Republican defeat — Katrina, Iraq, the scandals.

He has a point. Perhaps more than a philosophical swing away from conservatism, voters were looking at the nuts and bolts of Katrina, seeing bodies floating in a river for five days in a major American city, and watching the same inept administration start a war through deceit and lose it through incompetence.

Voters had also seen the scandals and the subsequent cover-ups, the explosion of earmarks, the Abramoff payoffs, the hypocritical sanctimony of the Mark Foley types, and the mocking politics of dissection that sought to win by carving up a nation into incongruent and antagonistic camps of believers and unbelievers, straights and gays, immigrants and native-borns, modernists and fundamentalists, patriots and wimps, pragmatists and true believers, givers and takers.

Ponnuru offers a policy prescription that's sure not to sit too well with those who support freedom, both economic and social. "Social conservatism is an asset to Republicans," he writes, "and economic conservatism a liability." That sounds like a call for more faith-based tax hikes, perhaps for more wars, because, as the president has explained, God wants men to be free. And domestically, that sounds like a call for more government flashlights in the bedroom and fewer dollars in our wallets.

Looking back, Ponnuru, a summa cum laude graduate from Princeton's history department, says that "winning Republican candidates have owed their elections to social conservatives over the last generation." Ponnuru cites (and dismisses) a recent Cato Institute article, "The Libertarian Vote," by David Kirby and David Boaz. Defining libertar-

## The Stigma of Politics

At a World AIDS Day conference in California next month, two potential 2008 presidential rivals — Sens. Barack Obama, D-Ill., and Sam Brownback, R-Kan. — will each take an HIV test and encourage others to do the same. To reduce stigma around the test and publicize its value, "I'm happy to offer my body for science," Brownback said.

— Associated Press report, Nov. 18, 2006

It's always amusing to see how much less the political class knows than the rest of us do. Here are a couple of senators who think they are going to remove the stigma of AIDS — somewhat like Queen Anne, in the old days, healing people of scrofula — and it's never occurred to them that they bear a worse stigma than any AIDS patient, being almost universally regarded as blowhards, crooks, dopes, and fools.

As for giving his body to "science," I guess that's something like what I do whenever I send my old computer stuff out to the dump: nobody else will take it.

— Stephen Cox

ians as those who "oppose government intrusion into both the economy and personal freedoms," Kirby and Boaz report that their research shows 15% of U.S. voters to be libertarian, rather than liberal or conservative. Gallup regularly puts the number five points higher, at 20%.

"In a closely divided electorate," write Kirby and Boaz, "that's clearly enough to swing elections." Citing Bush's record on "excessive federal spending, expansion of entitlements, the federal marriage amendment, government spying and the war in Iraq," Kirby and Boaz report that the "libertarian vote for Bush dropped from 72 to 59 percent" from 2000 to 2004, "while the libertarian vote for the Democratic nominee almost doubled."

Ponnuru isn't convinced: "If over the last generation the Republicans had not absorbed the statist social conservatives at the price of losing some libertarians, it would have remained a minority party." So the answer is to dump libertarians and impose a statist social conservatism? Theocracy, anyone?

— Ralph Reiland

**Fighting words** — After Michael Richards became famous for using a forbidden word, there is talk from Jesse Jackson about a law banning that word from the English language entirely. Once again, the power of legislation is greatly overestimated. People assume that a simple law is all it takes to rid society of something unpleasant.

But a law never stops unwanted behavior; it only gives society the ability to segregate people who engage in it. If you are prone to taking things that don't belong to you, we put you in a place where you can't take our things. Most rational people don't assume that locking up thieves will

stop theft. Prisons are built to contain unacceptable behavior, not alter it.

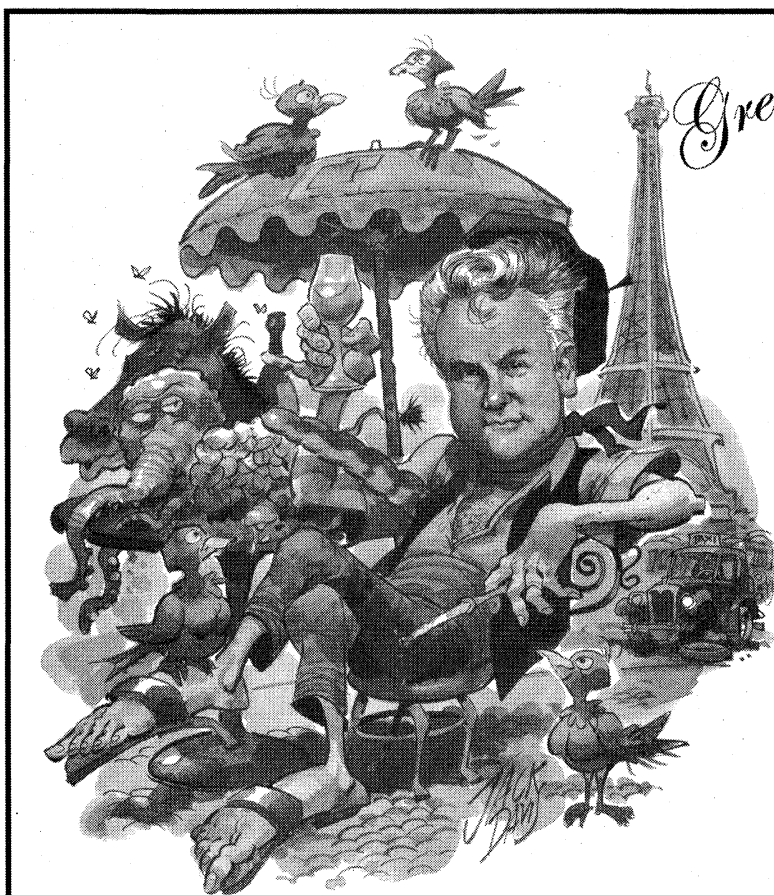
But let's say that Jesse is successful, and the word is outlawed. Has he even considered the logistics of prosecuting language crimes? How is it possible for somebody to go on trial for using a word that cannot be spoken? Certainly anybody testifying against the defendant would be required to repeat the word. Will people in court be given an exemption from the law?

The standard practice now is to denote the word by only using the first letter. This practice, once used by parents in front of children, is now used by journalists with similar condescension. Most reports of Michael Richards' slur referred to it as "the N-word."

The benefit of referring to a forbidden word by its first letter is that the government should only be able to ban 26 words; and a few are already taken. For some letters, such as P, there are already several interpretations of what the dirty word might be, so we might have to use subscript numbers. Under that system, you would have the  $P_1$ -word, the  $P_2$ -word, and the  $P_3$ -word. Banning any derogatory slurs against citizens of Polish descent might require the addition of a  $P_4$ -word.

Using letters to footnote would not work, since "P sub A" actually sounds like a dirty phrase. Using the first two letters might help clarify, although with most dirty words, you can only get up to four before you've spelled out the entire word. In some cases, the first three letters of a dirty word are sufficient to generate offense, especially with the N-word.

What a language law will do is create a brand new type



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of correctional institution, a place full of people who cannot be trusted to speak in society for fear of their uttering something illegal. Perhaps, rather than incarceration, we might be able to devise a home detention program. We could just forbid convicted language felons from speaking for six months. There are dog collars that give a mild electrical shock every time a dog barks that could perhaps be used on humans. Of course it would be impossible for anyone wearing such a collar to comfortably attend any noisy event, like a rock concert or a Fourth of July celebration. We could just stitch shut offenders' mouths — although most accomplished profanity addicts are quite adept at swearing with their mouths closed. I guess we'd have to stitch their fingers together as well.

And while I'm at it, who gets to decide which words are offensive? Will other groups hold conferences and lobby to ban other offensive words? I know that women would be second in line, to outlaw one particular unspeakable word. After that, every minority would line up to claim a letter of the alphabet. Homosexuals would probably need more than one letter, since there are probably more epithets for them than for any other group. However, some gay slurs could never be banned, since they also have legitimate purposes, especially words like "backhoe," "pipe fitter," and "dirt farmer."

As a straight white male, I feel kind of left out, since there are no words that are supposed to offend me. Almost every other group has at least one word that it cannot tolerate. Certainly, if we are living in a society where every citizen is granted equal protection under the law, we should be granted the ability to pick a word as well. We should have the power to ensure that at least one word is never spoken again; a word so vile that it would improve society if nobody ever heard it again. I think, like most guys, I would choose to ban that one word most offensive to all straight white men: that loathsome "V" word, "Valentines."

— Tim Slagle

**Schooling parents** — Seattle voters routinely approve in referenda, by large margins, taxes to fund social goals of dubious value. Often the taxes are "for the children," ostensibly used to decrease class sizes or enhance special-ed programs. (Other parts of the country accomplish such tasks with a curious device called a "budget.")

I am aware of only two sacred limits on Seattlites' willingness to sacrifice for their public schools. One was expressed in the headline of a Sept. 18, 2003 Seattle Times story: "Latte Tax Creamed," it proclaimed — even though the proposed tax on coffee was to fund schools. The other is evinced in a story in the Dec. 4 Wall Street Journal, regarding a case heard that day by the U.S. Supreme Court.

A group of parents, mostly white, who sent their kids to public schools were not able to send them to the school of their choice, which was mostly white. They were told they had to send their kids to a different school, mostly nonwhite and, in the parents' estimation, of lower quality. However, "the school district quietly backed down when the parents started sending their children to private or suburban schools instead of the struggling, majority-black school to which they'd been assigned."

This is how the district's assistant general counsel, Shannon McMinimee, responds: "It is disappointing that some families choose to expend their efforts in finding ways around the

assignment system based on perception, instead of working with the district to improve all schools." If I understand the school district's lawyer correctly, its position is that:

- It is immoral for parents to seek the best opportunities for their children. They ought to send their kids where a bureaucrat tells them to, because the bureaucrat's long-term social plan is more important than the child's well-being.
- Parents should do the politicians' and school administrators' jobs for them, by acting without remuneration and in some undefined way to "improve all schools." What exactly this leaves the politicians and administrators to do is not specified.
- The "perception" that one school is inferior to another is an unreliable determinant. Some better means should be employed to distinguish one school from another — transcendental meditation, perhaps, or a reimagining of reality through post-modern narrative. Of course, what her coded language means is that the white parents are racists.

The district's representatives sound like Marxists even when they're speaking formally through a lawyer. God only knows what goes on in the classrooms. Is it any surprise parents don't want their kids under the district's tutelage?

— Patrick Quealy

### ***That which does not kill us funds our health care*** —

For Liberty's midterm election coverage, I passed along the information that a ballot initiative in Arizona, Proposition 203, which would impose a new tax on cigarettes to fund a health care bureaucracy "for the children" passed easily, and also that a mandate to prohibit smoking in *most* public areas, Proposition 206, went down to defeat, 57% to 43%.

What I missed is that there was yet another prohibition mandate on the ballot, even more draconian than Prop 206. Prop 201, which would prohibit smoking in *virtually all* public areas, passed 55% to 45%.



"Hey, if you deduct the costs of taxation, regulation, and malpractice insurance, this visit only cost you a buck fifty-seven!"



So what I interpreted as a blow for individual freedom was instead a victory for the nanny state — with the added irony of the voters making it nearly impossible to smoke legally in Arizona, while at the same time hoping that smokers will, through sin taxes, pay for Arizona's new health care bureaucracy.

— Ross Levatter

**The poverty of poverty stats** — One of the subjects I normally cover in my critical thinking courses is the nature of pseudo-science, that is, the difference between quality and junk science. I sketch a number of warning signs of pseudo-science — for example, whether the “research” is tendentious or agenda-driven. Tendentiousness seems to me a major reason why the quality of research in the social sciences is generally inferior to that in the natural sciences. Whether (say) gravitons exist or not is a matter that has no governmental policy implications, so few physicists have an axe to grind in their research on the issue. But whether (say) charter schools outperform public schools has enormous implications — and threatens a lot of unionized workers. So much of the research on that subject is gamed accordingly.

This problem is nowhere better illustrated than in poverty statistics. Nicholas Eberstadt has written a long and masterly critique of the most widely used measure of poverty, the “official poverty rate” (OPR), in the August-September issue of *Policy Review*. The statistic, first devised in 1965, was used by the War on Poverty's new agency — the Office of Economic Opportunity — as its major tracking indicator. This jury-rigged stat was intended to measure the absolute level of poverty over time by measuring the percentage of households in a large number of categories with pretax incomes that fell below a certain threshold, indexed by the CPI to adjust for inflation.

Eberstadt notes an anomaly: according to the OPR, the percentage of American households with incomes below poverty level has remained essentially static or even increased over the past 30 years. (This has led many commentators to lament that America is failing in the war on poverty, and so of course needs to jack up taxes and spend even more on welfare programs.) He also notes, however, that a wide array of other indicators shows that this is simply not the case.

For example, the OPR was 11.1% in 1973 and 11.7% in 2001. But during the same period, per capita income rose from \$14,291 to \$22,970 (inflation adjusted), the unemployment rate dropped from 4.9% to 4.7%, the percentage of people with a high-school degree rose from 59.8 to 84.1, and government spending on nonmedical means-tested programs rose from \$109 billion to \$230 billion (inflation adjusted). Again, when you look at what families spend (as opposed to their stated income), real expenditures per household for all households rose 65% from 1960 to 2002, and real expenditures for the poorest fifth of households rose 77%. (And Eberstadt argues that this wasn't a matter of increasing debt, because net household wealth of the poor didn't decrease.)

Finally, if you look at material indicators, such as food, housing, transportation, and health, it is again clear that absolute poverty is diminishing. For instance, between the early 1960s and 2000, the proportion of adults assessed as underweight dropped from 4.0% to 1.9%, while obesity soared; and the percentage of low-income underweight children dropped from 8% in 1973 to 5% in 2003. The rate of overcrowding in poor households dropped from 27% in 1970 to 6% in 2001. The prevalence of conveniences in poor households has likewise dramatically increased: for example, by 2001 more than half of them had cable TV — and more than one TV set, too. The percentage of poor households owning cars rose from only about 40% in 1972 to about 60% in 2003, with 21% owning two or more cars or trucks. And, turning to the most important health indicator, infant mortality dropped from 20 to 7 per 1,000 live births between 1970 and 2002.

In sum, the OPR is incredibly bad at measuring what it was designed to measure: absolute poverty. Eberstadt advocates the sane idea of replacing it with a basket of more accurate measures, and he feels that people who favor more poverty programs should welcome more such more precise measures. In this, I think he is very naive. Professional poverty warriors don't want things to be shown getting better. They derive considerable power and income from the claim that poverty hasn't diminished in three decades, so even more trillions of dollars need to be redistributed. Thus, they continue to recycle the same junk science.

— Gary Jason

## Letters, from page 6

at Keeneland, in the peaceful business of buying horses.

In today's political climate, sometimes we might wonder if there are any Arab leaders who are not crazy, malevolent, or obsessed with war. Sheikh Mohammed bin Rashid al Maktoum is a trader, a creator, a builder, earning his wealth primarily through commercial enterprise and not oil revenues. I hope that some day he achieves his goal of winning the Kentucky Derby.

Randolph C. Allen  
Littleton, Colo.

## Re-reconsidering AIDS

As a board-certified specialist in infectious diseases who has been taking care of people with AIDS and

HIV infection since, in retrospect, 1981, I was astonished to read Richard Kostelanetz's profoundly ignorant review (“AIDS Reconsidered,” November). No serious scientist or physician doubts that HIV is the cause of AIDS. Cofactors such as amyl nitrites were excluded many years ago. Dr. Luc Montagnier did hypothesize another infectious cofactor in the early 1990s, mycoplasma *incognitus*. This too was discarded long ago.

HIV kills by destroying a pivotal cell in the immune system. Patients do usually die of opportunistic infections. When we prophylaxed against the common ones (pneumocystis, cytomegalovirus, cryptococcus, mycobacterium *avium-intracellulare*), then patients died of more obscure and difficult to

treat infections and cancers. The HIV virus itself can be fatal on its own, by destroying the brain, intestines, and heart.

The real evidence that it is HIV that causes AIDS is that since triple-antiviral combinations came into use in the mid 1990s, the death rate has plummeted. AZT was developed by government anticancer research in the 1960s and shelved because it was not effective against cancer. It is not the strongest anti-HIV medication, and not effective by itself, but remains an important part of modern combinations. It was initially used in too large a dose but is minimally toxic at the present dose. All medications are potentially toxic but

*continued on page 34*

# The California Crack-up

by Timothy Sandefur

Support for eminent domain reform seemed overwhelming — yet somehow property-rights advocates managed to lose the day.

On June 23, 2005, the United States Supreme Court held 5–4 that government can seize private property and transfer it to developers to boost local economies. In the ensuing furor over the Court’s decision in *Kelo v. New London*, several state legislatures began considering new ways to protect property owners from eminent domain abuse. But in California, something went terribly wrong.

Shortly after the Court’s decision was announced, California state Sen. Tom McClintock began working on a measure to amend the state constitution to prohibit this kind of abuse of eminent domain. McClintock, the only prominent Reaganite conservative left in Golden State politics, called me and other attorneys at the Pacific Legal Foundation for legal advice on drafting a bill.

It was an ambitious project, given the fact that California is a major abuser of eminent domain. In the five years between 1998 and 2003, the state’s bureaucrats seized property for “redevelopment” some 223 times — eight times as many seizures as in Connecticut, the state where Susette Kelo’s home was condemned, giving rise to the Supreme Court case. Redevelopment has become a considerable industry in a state where a seemingly infinite demand for property has run up against increasingly burdensome land use regulations and the truly infinite ambitions of bureaucrats.

Private developers and city politicians have come together to form the redevelopment business, in which politicians sell the power of eminent domain to developers in exchange for political success. Political leaders prosper not only through campaign contributions but also through construction projects that make them look like visionaries in their hometowns.

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Developers receive cheap land and tax breaks. Overseen by an industry organization called the California Redevelopment Association, this trade has become a significant part of the state’s economy. A 1998 report by the Public Policy Institute of California found that the state’s redevelopment agencies spent \$3.5 billion, and displaced more than 500 households, in only a single year. Redevelopment agencies were even declaring vacant land to be “blighted” so as to qualify for subsidies and government-initiated development. Meanwhile, two-thirds of the state’s redevelopment projects were losing tax dollars at the rate of about \$1 million per project area per year.

McClintock and others hoped that fixing California’s eminent domain laws might become a bipartisan effort. Outrage over *Kelo* crossed party lines, and even radically leftist Congresswoman Maxine Waters railed against the decision, recognizing that “redevelopment” usually ends up seizing property from the poor and politically uninfluential citizens she represents. Democratic Assemblywoman Martha Escutia’s staff contacted me the same week that Sen. McClintock did, seeking advice on fixing the problem. Unfortunately, her staff never returned my call, and it was not long before partisan divisions re-emerged.

On Nov. 17, 2005, a joint committee of the legislature held an "informational hearing" about eminent domain abuse. The committee was chaired by Democratic state Sen. Christine Kehoe — an uncomfortable choice. Kehoe is a former city councilwoman from San Diego, a city notorious for its vio-

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*Redevelopment agencies were even declaring vacant land to be "blighted" so as to qualify for subsidies and government-initiated development.*

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lations of property rights. There was little consensus among those testifying that day, but the hearings produced a report collecting some important reform ideas, including proposals to refine the state's ambiguous definition of "blight," and to put a time limit on redevelopment plans.

Yet defenders of redevelopment were already working hard to spin the *Kelo* decision. A representative of the California Redevelopment Association told the committee that *Kelo* made no difference to California because under state law, only "blighted" property could be condemned (not true, since any property in a blighted neighborhood can be condemned, and state law defines "blight" so broadly that virtually anything can qualify). Others testified that "California isn't Connecticut," and that "eminent domain is only a last resort" — slippery sound bites that proved popular with the media throughout the next year.

After consulting with attorneys from the Pacific Legal Foundation, the Howard Jarvis Taxpayers Association, the Claremont Institute, and others, McClintock prepared Senate Constitutional Amendment 15, which would have prohibited the government from leasing, selling, or giving condemned property to any private party. The proposal would not have cured all the problems with the state's eminent domain laws, but it would have curtailed the lobbying and profit-making that generates most abuses. Regardless, the bill had no realistic chance in a legislature made up of 73 Democrats and 46 Republicans, most of them enemies of the archconservative McClintock. It was dumped in the Senate Judiciary Committee, where the Sierra Club testified against it, and where state Sen. Sheila Kuehl loudly defended eminent domain abuse as crucial to the state's economic health. The bill received an unfavorable report and was quickly devoured by the Senate.

But Democrats recognized that even their constituents were demanding changes, and they started searching for ways to placate them without actually imposing limits on eminent domain. Sen. Tom Torlakson was first, with a cleverly worded proposal to amend the constitution to forbid the taking of "owner occupied residential property for private use." As he knew, the *Kelo* decision itself prohibits the taking of property for "private use": its problem lies in its broad interpretation of the term "public use," which allows almost anything to qualify as "public." Since it didn't address that interpretive problem,

Torlakson's proposal would have had no legal effect at all.

What's more, "owner occupied residences" are rarely targeted for redevelopment anyway. Residences are found in residential areas, and redevelopment generally takes place in business areas. The most common victims of takings are therefore small businesses. But Torlakson saw that much of the outrage over *Kelo* centered on the emotional force of Susette Kelo's home being taken. By limiting reform to "owner occupied residences," he hoped to dull the case's sharpest emotional edge while leaving the state's redevelopment industry untouched. At the same time, Sen. Kehoe proposed a two-year moratorium on redevelopment condemnations — also limited to "owner occupied residences" — and the formation of a bureaucratic commission to write a report. This was an obvious ploy designed to buy time till the furor over *Kelo* faded.

As the astute Sacramento Bee columnist Dan Walters remarked, Torlakson, Kehoe, and other Democrats were "pretend[ing] to do something about eminent domain without actually doing anything to upset the apple cart." Yet even though their proposals would have done absolutely nothing to fix the problem, these bills, like McClintock's proposal, failed to emerge from committee. Lobbyists for the redevelopment industry were exerting a powerful, if surreptitious, pull on the state legislature. Highly organized and politically experienced, the industry found little trouble in blocking legislative reform — sometimes without even having to appear in public hearings. Instead, reliable leftist allies, including environmentalists and public employee unions, sent representatives to defend eminent domain as a "necessary tool" for "cleaning up neighborhoods."

With the failure of McClintock's bill, property rights groups could only plan for a ballot initiative. In December, representatives of most of the state's conservative organizations met in a Sacramento hotel to examine the results of a poll underwritten by some of the state's apartment owners. The data showed that Californians supported meaningful eminent domain reform by a margin of three to one. But the results also suggested that voters would support requiring government to compensate property owners for restricting their rights through regulation. This was very surprising: the issue of "regulatory takings" is usually controversial, since

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*When I replied that I thought consumers ought to decide what businesses are appropriate for a community, the Republican assemblyman snickered and said, "Well, that's very libertarian of you."*

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it affects far more government programs than does eminent domain. The state's leading expert on political polling, who was present at the meeting, immediately objected. The data were unreliable, he pointed out, because the questions people was asked were biased and misleading. "The question doesn't



use the phrase 'rent control,'" he explained. "It's true that if you ask people about government regulation, people will say that they support paying for regulatory takings. But if you use the words 'rent control,' people will turn against you. People respond positively to that phrase. And you can bet the opposition will use the phrase 'rent control.'"

The lone Democrat in attendance strongly agreed. "Democrats will stick with you if you limit reform to just eminent domain," she said. "But if you put regulatory takings issues in there, you will lose the Democrats and particularly the environmentalists." Others concurred, and the meeting ended with a unanimous decision to limit any initiative to eminent domain, leaving more controversial regulatory matters for another day. It was a wise decision, considering California's reputation as a blue state, and the lack of real evidence that more ambitious plans would succeed. Yet as they gathered their things to leave, the conservatives were already showing signs of hubris, teasing the Democrat attendee for her liberal views and forgetting the fact that most Californians shared her mixed emotions about property rights.

Within an hour, the consensus had evaporated. One prominent attorney returned to his office and immediately began drafting an initiative that would not only limit eminent domain, but would require compensation for regulatory takings. Meanwhile, Sen. McClintock's staff began drafting its own initiative. After months of technical scribbling, four ballot propositions emerged in April on the website of the California Secretary of State, where all proposed initiatives must be posted before being circulated for signatures. The first two — drafted by Sen. McClintock and the Howard Jarvis Taxpayers Association, with a few suggestions by me — differed little from each other. Both limited the use of eminent domain for private development, required government to offer property back to the original owners when the government no longer needed it, and provided for attorneys' fees whenever a property owner successfully sued the government over the taking of property. A third initiative, proposed by a citizens' group in San Jose, was extremely brief: following a model provided by the Institute for Justice, the "people's initiative" carefully followed the consensus of the December meeting by limiting reform solely to the issue of eminent domain. Months later, versions of this initiative would be approved by overwhelming majorities in several other states.

Nobody knew what to make of the fourth initiative. Called the "Anderson Initiative" because its cover letter was signed by Anita S. Anderson — whom, to this day, nobody in Sacramento knows — it was modeled on an initiative that had already been proposed in Nevada, with some features culled from McClintock's abandoned SCA 15. No one seemed to know who had written it. None of the state's conservative or libertarian organizations — the Pacific Legal Foundation, the Reason Foundation, the Claremont Institute, the Pacific Research Institute, or any other — was consulted by its drafters.

Of the four initiatives, this was the clumsiest. It was filled with vague, confusing, and in many places literally unintelligible language. Although it prohibited the use of eminent domain for redevelopment, it also required compensation for regulations that "substantially" decreased the value of land, unless they were written to protect the public's health and

safety. This meant that laws which advanced only public "welfare" (such as animal cruelty laws, minimum wages, or age requirements at adult businesses), if they decreased the value of the land, would require compensation. Few Californians could be expected to approve of such a requirement. In fact,

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the language could have been read so as to allow property owners to sue whenever neighbors were granted building permits. The initiative redefined "just compensation" as "that sum of money necessary to place the property owner in the same position monetarily, without any governmental offsets, as if the property had never been taken," a literally nonsensical phrase: it is impossible to place a person "in the same position monetarily" without taking into account any "governmental offsets" that might have reduced the property owner's injury. The initiative voided any unpublished judicial "opinions or orders," even though courts virtually never publish their orders, and California trial courts have no power to publish their opinions at all. These flaws, and others, presented serious, if not insurmountable, problems for advocates of eminent domain reform.

Yet in February 2006, it was announced that of the four proposals, only the Anderson Initiative would be circulated for signatures.

The reason quickly became obvious: although the other three initiatives were far more likely to be approved by voters, because they avoided thorny regulatory takings issues, they were also the least likely to provide any financial returns to supporters. Unlike eminent domain reform, regulatory takings reform has a constituency willing to invest in political activism, because property owners whose rights are strangled by regulatory excesses hope that victory at the ballot box will bring them some kind of relief. Only the Anderson Initiative could attract donations sufficient to hire the necessary signature gatherers.

The small community of property rights experts in Sacramento, including Sen. McClintock, was reluctant to back the Anderson Initiative, given its many weaknesses. But the initiative did promise serious eminent domain reform, and there was always the possibility of amending it later, if it should be approved. After all, Proposition 13 — the state's extraordinarily popular limitation on property taxes — was enacted in 1978 despite its serious flaws, only to be amended in ways that make it a feasible control on politicians' appetites. Thus McClintock, the Jarvis Taxpayers Association, and others endorsed the Anderson Initiative in the summer of 2006. Almost overnight, signature gatherers appeared in park-

ing lots throughout the state, armed with signs proclaiming "Hands Off My Home!" After a rocky start, they gathered over one million signatures, almost twice the number needed for placement on the ballot.

Bureaucrats and leftists were becoming nervous. The California Redevelopment Association circulated a report warning that the initiative would lead to regulatory chaos and would hurt taxpayers by requiring government to compensate property owners for the state's many infringements of their rights. Environmental groups flew into hysterics over an initiative that would, according to them, destroy the environment. They pointed to Oregon's Measure 37, which requires compensation for many limitations on property rights, claiming that it had bankrupted the state. (In fact, Measure 37 has not significantly affected Oregon taxpayers, and the Anderson Initiative would have grandfathered in all previously enacted state laws, something Measure 37 did not do.)

When the Anderson Initiative obtained the needed signatures and became Proposition 90, the campaign ran into serious opposition from Republican politicians. Moderates complained that the initiative went too far. At one meeting that I attended, a Republican assemblyman warned that it would limit bureaucrats' ability to "decide what businesses are appropriate for a community." When I replied that I thought *consumers* ought to decide what businesses are appropriate for a community, the assemblyman snickered and said, "Well, that's very libertarian of you." Ultimately, it became clear that only a handful of California Republicans were willing to speak out in defense of the initiative. Led by Assemblywoman Mimi Walters, the campaign pleaded with moderate Republicans not to oppose it publicly.

At its August convention in Los Angeles, the state GOP reluctantly endorsed Prop 90, seeing it as the only hope for reform. But Republican Governor Schwarzenegger remained silent. As the few remaining legislative proposals dwindled before committees, Schwarzenegger's staff agreed to meet with Sen. McClintock and Assemblyman Doug La Malfa, the two legislators whose reform bills were still pending — but indefinitely postponed the meetings. They were never held, and to this day, Governor Schwarzenegger has refused to dis-

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cuss the *Kelo* decision in public, mentioning eminent domain only once: when he signed five virtually meaningless reform bills into law in October.

This reluctance to speak on an overwhelmingly popular issue is inexplicable. Only the year before, the governor's package of desperately needed reform proposals had been

obliterated in a special election, the victim of poor management by naive political deputies. His abject 2006 state of the state address had a humiliated tone. "I have absorbed my defeat," he told a triumphal audience of special inter-

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est pawns, "and I have learned my lesson." Eminent domain reform could quickly have restored his shaken popularity, but he chose to knuckle under to the interest groups he had promised to combat.

As summer turned into fall, liberal organizations began pulling out all the stops. The media reported incessantly that Prop 90 was backed by a wealthy New York developer who supported similar proposals in other states — as if that discredited the initiative. The media also insisted that the initiative was a "Trojan horse," using eminent domain to sneak the issue of regulatory takings past unwary voters. One reporter even claimed that the whole conspiracy had been cooked up by a young Reason Foundation analyst named Leonard Gilroy, whose paper "Statewide Regulatory Takings Reform: Exporting Oregon's Measure 37 to Other States," was supposed to have originated the idea of fooling voters into regulations takings reform. Gilroy's article was published *after* Prop 90 was written, but still the Vast Right Wing Conspiracy charge was repeated endlessly in the media and on blogs.

In early October, as some polls suggested that Prop 90 was running ahead, panicked opponents in the legislature called another "informational hearing," allegedly to inform voters about the impact the initiative would have. The committee invited a single proponent of the measure, who was given only two minutes to speak; it also invited two neutrals, including me, and six opponents. In addition, the committee gave ten minutes to a Berkeley law professor and 20 minutes to an attorney from Best, Best, and Krieger — a firm that donated tens of thousands of dollars to the opposition campaign — so they could provide a nonpartisan review of the measure. No victims of eminent domain were invited. The kangaroo court dissolved amid tales of the dire consequences for land-use regulations, should Proposition 90 pass.

But the main theme of the opposition campaign was not that land-use controls were a good thing and needed to be preserved, or even that wealthy insiders were manipulating voters. Rather, opponents argued that Prop 90 would hurt taxpayers, because the state imposes so many costs on property owners that compensating them would require tax increases. This strategy had worked well in opposition to a regulatory takings measure in Arizona in 1994; and Douglas

Kendall, an attorney for the collectivist Community Rights Council, had argued in a 2001 paper that opponents of property rights should not try to defend land-use regulations but should concentrate on the message that compensation for regulations “would mean more taxes, more bureaucracy and less protection of public health and safety.” Opponents of Prop 90 accordingly adopted the slogan “It’s a taxpayer trap,” and it was enormously successful. It amounted to the argument that “we can’t afford it — therefore we shouldn’t have to pay,” but many conservative voters were confused by the idea that protecting property rights might also increase their taxes.

Meanwhile, the Natural Resources Defense Council sent out dire emails warning of environmental disaster if Prop 90 were to pass, and the Sierra Club, the Nature Conservancy, and other environmental organizations joined with League of Women Voters, trial lawyers, and even the Lutheran Office of Public Policy to oppose the initiative. In the end, the opposition campaign mobilized more than \$12 million against Prop 90.

Proponents of Prop 90 remained strangely silent. During the entire election season, not a single rally, billboard, T-shirt, or television ad supporting the initiative appeared. Although at least two commercials were filmed, none was aired, in part because the campaign — which only gathered \$3 million to promote the initiative — couldn’t afford to buy the air time. As is often the case in California, a worthy initiative’s proponents spent their money and energy collecting signatures, leaving little for the actual campaign. Throughout the late summer of 2006, voters were bombarded with television advertising against the “taxpayer trap,” without any but the weakest response from an almost nonexistent “Yes” campaign.

This silence lent credence to the opponents’ charge that the initiative was a Trojan horse constructed by a shady outsider. An opposition billboard appeared proclaiming that Prop 90 was “not about eminent domain; it’s about higher taxes” — an outright lie that elicited no complaint from the initiative’s supporters. Finally, only weeks before the election, Governor Schwarzenegger — whose re-election was now comfortably assured — announced his opposition to the measure, on the ground that it might endanger his plan for improving the state’s highways. Given the proposition’s vague language, the charge was understandable. But Schwarzenegger still carefully avoided any mention of *Kelo*, or of the need for reforming eminent domain.

The only surprise on election night was how close Prop 90 came to passing. In early returns it was running ahead, but by the end of the night it had collapsed, with a close but convincing 52% opposed. A similar initiative in Idaho failed by a much greater margin, and a proposition requiring compensation for regulatory takings — but not mentioning eminent domain at all — failed in Washington state. Only Arizona passed an initiative combining eminent domain and regulatory takings reform. In nine other states, where reform efforts focused simply on eminent domain, propositions passed by landslide margins, sometimes exceeding 80%.

While the failure of Prop 90 was predictable, it is no doubt frustrating to the state’s home and business owners.

Conditions in 2006 were ripe for true reform. Yet the Prop 90 campaign ignored the advice of the state’s leading property rights activists and addressed both eminent domain and regulatory takings — an extremely difficult undertaking in a state as populist as California. Moreover, the regulatory takings provision was worded in a way that would have required compensation for most government regulations that went beyond merely protecting individual rights: the state would have been free to regulate to protect public health and safety, but regulations that advanced the public “welfare” were not exempt from compensation. This feature of the proposition, however gratifying to libertarians, would have significantly altered the state’s longstanding police power traditions. Taking on all three issues simultaneously was simply too much to ask of many of the state’s voters. Worst of all, the initiative was riddled with serious flaws, such as its self-contradicting definition of compensation and its unnecessary ban on unpublished decisions, that embarrassed even its proponents.

Still, the campaign might have succeeded, if it had done the needed work. The victory of Measure 37 in Oregon proved that a well-written regulatory takings measure can succeed with voters in the right circumstances. Yet Prop 90’s supporters did no reliable polling and almost no campaigning. Contrary to the media’s insistence that the initiative was being promoted by a sneaky carpetbagger, the campaign was a genuine grassroots effort, up against a legion of well-entrenched, politically experienced insiders with a deep devotion to the status quo and the will to spend \$12 million. Such opposition requires a significant investment of time and money if an initiative is going to succeed. Without the will — or the money — reformers can rarely hope for serious change.

Advocates of Prop 90 have already announced that they will try again in 2008. But if they make the attempt, they should learn from the advice they ignored in 2006: focus on eminent domain and leave regulatory takings for another day; write a measure without the profound legal errors so glaring in Prop 90; and run a serious campaign with advertisements planned well in advance.

California has long proclaimed itself a bellwether of political change. Certainly it has a powerful populist cast to its politics. That Californians should lack eminent domain reform at the end of a campaign that saw reforms succeed in places

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like North Dakota, South Carolina, and New Hampshire is absurd and embarrassing. A little practical wisdom, and a little less gamesmanship, could see property rights vindicated the next time around. □

# Milton Friedman: The Rational, The Relentless

*by Bruce Ramsey*

*Being on the cover of Time gave Friedman standing. So did being on PBS. So did being an adviser to Goldwater, Nixon, and Reagan. So did the Nobel Prize. He climbed, and he was never brought down.*

Milton Friedman was, to educated Americans, Mr. Free Market. Nobody else was.

There were other possibilities. Investment people knew Alan Greenspan as a fan of the market, but his influence was over interest rates and Federal Reserve policy, not political ideas. Intellectuals knew Friedrich Hayek — well, some of them did — but Hayek was not Mr. Free Market to the American public.

Friedman was. He talked to Americans in ordinary language that intelligent people could understand. He did not demonize his opponents. Even when he attacked their ideas, it was always to promote capitalism and freedom — and, anyway, most of the times he debated it was not about their proposals but his. He was cheerful, polite, rational — and relentless.

Those who don't recall the 1960s won't appreciate the impact he had. Government was a success then. It had cured the Depression. It had won World War II. It was launching a war on poverty and was going to win that one, too. It was going to end racism, go to the moon, have a war in Vietnam, and keep the economy running at the same time. "Guns and butter," the promise was.

The good news for government had been brought in the 1930s by an Englishman named John Maynard Keynes. He and his disciples had marketed the happy theory that depressions could be kept away with state spending, paid for by the sale of bonds. If too much of this was done there would be inflation; if not enough, unemployment. The proper tradeoff could be calculated by smart economists from Harvard, so that there would be no more than the tiniest amount of inflation and lots and lots of growth.

On Dec. 31, 1965, Time put the late Keynes, with his horse face and brushy

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## The Rational, The Relentless

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mustache, on its cover. Keynes was It.

Against these theories Milton Friedman waged guerrilla warfare, in academia and in his fortnightly Newsweek column. Friedman didn't believe the economy needed a Harvard priesthood for direction. It had a natural rate of unemployment, and it would tend toward that rate if labor markets were left alone. It had a natural rate of investment, and of growth, and of other things the Keynesians did not understand. Like a car, there was a gas pedal and a brake, which was the supply of money. Government could hit the brakes or step on the gas, but this was hazardous, Friedman said, because the effect wouldn't come for six months, or maybe a year. There was a great risk of running into the ditch, which had been what had happened in the Great Depression. It was better to give the economy a small bit of gas all the time and otherwise let it alone.

The Keynesians were not letting it alone. The way they were going about it, Friedman said, the economy might have rising unemployment and rising inflation at the same time. The Keynesians said that was impossible, but it happened in the late 1960s and into the 1970s.

At the same time that Friedman was undermining the Keynesians' macroeconomic theory, he was applying classical economics to microeconomic problems. In his Newsweek column, he would hammer on rent control or the minimum wage law or farm subsidies. He also argued against the system of pegged currencies, which in many countries meant currencies were not freely tradeable. Back then, all major currencies were pegged to the dollar, and the dollar was pegged to gold, though you weren't allowed to own any monetary gold. Only foreign central banks could demand gold for greenbacks, and the government was asking them to please, please not do it. The result was recurring foreign-exchange "crises." Friedman argued that these financial spasms would all go away if currencies were allowed to float in the market.

People said it would be chaos. Businessmen wouldn't be able to plan. Friedman didn't think so. Markets are mostly orderly. The market offered no guarantee of future value, of

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*America had taken on the task of policing much of the planet, and abolishing the draft sounded very radical. Friedman stuck to his guns. Kill it, he said.*

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course — no free guarantee, though if people wanted to set up a futures market in foreign exchange, you might be able to buy one.

He was right about floating rates, and his public advocacy played a role in bringing them about. He was also right

about the risk of inflation and unemployment at the same time, the importance of the money supply, and the difficulties in "fine tuning" economic growth. The industrial countries have had fairly low inflation for the past 20 years. Much

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*Even when he attacked his opponents' ideas, it was always to promote capitalism and freedom — and, anyway, most of the times he debated it was not about their proposals but his.*

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of the improvement came when the Federal Reserve started targeting the supply of money, preventing it from growing as fast as it had. The Fed never did it quite the way Friedman said to do it, but it did it, and this did slow the inflation in prices. The collapse in the gold price in the 1980s was one result.

Friedman's influence wasn't just economic. He argued against the draft, which had existed for almost the entire time since 1940. Since then, America had taken on the task of policing much of the planet, and abolishing the draft sounded very radical. Friedman stuck to his guns. Kill it, he said.

The story of Friedman and the draft is told by David R. Henderson of the Naval Postgraduate School, in the August 2005 Econ Journal Watch, and by Gary North on LewRockwell.com, Dec. 20, 2003.\* In December 1966, when the Vietnam War still had the strong support of the American public, the University of Chicago held a conference on the draft. There were 74 participants. Friedman was there, and spoke against the draft, as did economist Walter Oi. Several politicians were there too, including Senator Edward Kennedy and a young Republican congressman named Donald Rumsfeld. Also anthropologist Margaret Mead, who favored the draft. In his and his wife Rose's autobiography, "Two Lucky People," Friedman wrote:

I have attended many conferences. I have never attended any other that had so dramatic an effect on the participants. A straw poll taken at the outset of the conference recorded two-thirds of the participants in favor of the draft; a similar poll at the end, two-thirds opposed. I believe that this conference was the key event that started the ball rolling decisively toward ending the draft.

One of the ball-rollers was Martin Anderson, who had written "The Federal Bulldozer," an attack on the federal urban renewal program. In 1968, Anderson was an adviser to Richard Nixon in his campaign for president against Vice President Hubert Humphrey, a New Deal Democrat committed to welfare, warfare, and conscription. Anderson pro-

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\*<http://www.lewrockwell.com/north/north235.html>



posed to Nixon that he come out for a volunteer army; it would get him votes. Nixon did, in a radio address on Oct. 17, 1968.

After the election, Nixon appointed a commission to consider a volunteer military. It was chaired by Thomas Gates, who had been secretary of defense under Eisenhower, and it included several generals. Altogether it had 15 members, and, according to Friedman, who was one of them, only five began as opponents of the draft; five favored it and five were undecided. Yet when they handed in their recommendation, 14 wanted to end it. (One had dropped out.)

Libertarians who denounce working within the status quo, and in government, and with Republicans, should ponder that story. In such a group of people — about the size of a jury — a smart, relentless person can change minds and history. Friedman did. Probably it was not all him, but I'll bet most of it was.

Friedman not only solidified the verdict against the draft; he vigorously defended it in congressional testimony. He had a famous confrontation with Gen. William Westmoreland, commander of the forces in Vietnam. Friedman tells it in "Two Lucky People":

In the course of his testimony, he made the statement that he did not want to command an army of mercenaries. I stopped him and said, "General, would you rather command an army of slaves?" He drew himself up and said, "I don't like to hear our patriotic draftees referred to as slaves." I said, "I don't like to hear our patriotic volunteers referred to as mercenaries." But I went on to say, "If they are mercenaries, then I, sir, am a mercenary professor, and you, sir, are a mercenary general; we are served by mercenary physicians, we use a mercenary lawyer, and we get our meat from a mercenary butcher." That was the last that we heard from the general about mercenaries.

It was a classic Friedman riposte. He called the general a mercenary, and called himself one, too, damning an idea without damning the person.

Nixon ignored his commission on marijuana. He might have ignored the Gates commission, too — he was no principled defender of freedom — but for the political feeling against the war. It was dragging his administration down.

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*In a group of people about the size of a jury, a smart, relentless person can change minds and history. Milton Friedman did.*

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When the draft was changed to a lottery, millions of young men knew from their lottery numbers that they were safe, and political tension eased. Probably Nixon took counsel from that. In any case Nixon and the Democratic Congress

let the draft expire in 1973 — and we haven't had it since.

Sometime when you're politically depressed, remind yourself of that. No draft — *for one-third of a century!* And now, whenever some humanitarian like Rep. Charlie Rangel runs conscription up the flagpole, *military officers* come out against it. They don't want it. Friedman, who wrote a book called "The Tyranny of the Status Quo," would smile.

In an interview with Brian Doherty of Reason, published in June 1995, Friedman said, "In the realm of policy, I regard eliminating the draft as my most important accomplishment."

That tells you what his values were.

I recently had an email from a Liberty contributing editor who asked how I could call Friedman a libertarian when he had proposed, in "Capitalism and Freedom," a "negative income tax" (which became the Earned Income Credit in the tax code today) and had helped devise income-tax withholding during World War II. This libertarian went on to say that Friedman was a classical liberal, and that his son David, an anarchocapitalist, is the libertarian.

Friedman once said, "I'd rather use the term 'liberal' than 'libertarian.'" But "liberal" is what people called the emblematic American Keynesian, John Kenneth Galbraith, and even these days, when the soft Left has adopted the label "progressive," "liberal" still denotes a leftward lean. If we are talking among ourselves, we can make words mean whatever we want, but if we are in the public square, we should minimize the use of a private language. Friedman knew that, and he called himself a libertarian.

He did hang out with Republicans, being an adviser to Sen. Barry Goldwater in 1964, briefly to Nixon, and then to Ronald Reagan. To Reason he said: "I am a Republican with a capital 'R' and a libertarian with a small 'l.' I have a party membership as a Republican, not because they have any principles, but because that's the way I am the most useful and have most influence. My philosophy is clearly libertarian."

Dragging out his work for the Treasury 60 years ago is a bit harsh. When Friedman helped devise tax withholding, he was a government employee and there was a war on. A real one. The choice was taxes or inflation (or, rather, how much of each). It was better to have taxes. He did not apologize for it, though the New York Times noted in his obituary that he said that Rose "has never forgiven me for the part I played in devising and developing withholding for the income tax."

Much of the difference between Friedman and his libertarian critics is over proposals to get partway to a private solution. Libertarian polemicist Murray Rothbard attacked Friedman for supporting tax-funded school vouchers. In 1991, in *The Individualist* magazine, he wrote that Friedman was "the Establishment's Court Libertarian" and a "statist." Rothbard attacked a lot of people; it was his way. It wasn't Friedman's, who would explain patiently and politely that his aim was to dismantle the education monopoly, an action that would help millions of people. They could worry later about state financing. "I would like to see the government out of the education business entirely," he told Reason, but

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## *The Rational, The Relentless*

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government had been in education so long that the only way to remove it would be in steps. Vouchers were a big step and — in contrast with abolition — a *possible* step.

Friedman's critics at LewRockwell.com would reply that he was too trusting of the state. Vouchers are dangerous because with state money comes regulation, and instead of

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*When Friedman helped devise tax withholding, he was a government employee and there was a war on. The choice was taxes or inflation, and it was better to have taxes.*

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saving us from the public schools they might end up wrecking the private ones. Friedman acknowledged that that was a possibility. A voucher system could easily be corrupted. His answer was: don't let it be.

Vouchers have taken root in a number of places, thanks partly to the Milton and Rose D. Friedman Foundation for School Choice. We shall see whether they work well or not.

The monetary standard was another issue that divided Friedman from his critics. They were for gold money managed by the invisible hand and he was for paper money managed by a central authority. Expand the supply of dollars by 3% per year, he suggested, to accommodate the increase in population and business, and let it go at that. You could do it with gold, but it took a lot of manpower and energy to dig that much gold out of the ground each year for the sole purpose of limiting the supply of dollars. Just limit the dollars.

Later he came closer to the gold advocates. He granted that central bankers had done a lot of damage by printing money too liberally. That damage, plus the institutions that a fiat-money world needed to hedge against more damage — futures markets, etc. — probably cost more than mining, refining, and managing the gold.

These were meaningful issues for libertarians, but not for the public. In the public view, Friedman was always the radical, always arguing for some new thing like the flat tax, marijuana legalization, or the volunteer army.

His public-policy involvement started in 1947, when Hayek invited some thinkers of like mind to a meeting in Switzerland of the group that became the Mont Pelerin Society. The Volker Fund, a libertarian seed fund that had financed Hayek, Ludwig von Mises, Garet Garrett, and others, paid the way of the American participants, including Friedman. There he met intellectually sympathetic people.

One of the consequences of that meeting was a summer seminar for academics in the mid-1950s, financed by the Volker Fund. Friedman spoke and Rose transcribed the tapes. They became "Capitalism and Freedom," which was published in 1962. It was a popular book, and it stated the case

for a volunteer army, floating exchange rates, the abolition of medical licensing, and a new idea called the school voucher.

Four years later, Friedman took over the Newsweek economics column from Henry Hazlitt, who had held it since 1946, the year he published the famous "Economics in One Lesson." Friedman held that column until 1983. It ranged widely: the May 1, 1972, column, for example, was "Prohibition and Drugs."

In 1976 Friedman won the Nobel Memorial Prize in Economics "for his achievements in the fields of consumption analysis, monetary history and theory and for his demonstration of the complexity of stabilization policy." The prize gave him an immediate cachet. A year later a public-TV producer, Bob Chitester, came to Friedman and proposed a series on capitalism. Interest from TV was unusual, and this was coming from state television. But PBS had run a series on Galbraith, and there was need of balance.

Chitester's ten-part series, filmed around the world, was called "Free to Choose." Chitester remembered: "Milton refused to write a script in advance of filming. Points to be made in each scene were agreed upon but his commentary was extemporaneous." Most people don't have the neuron count to do it that way; Friedman did. As with "Capitalism and Freedom," the transcripts became the raw material for a popular book. This one was "Free to Choose," published by Harcourt Brace Jovanovich in 1980. It was a bestseller and has been translated into at least 14 languages.

By this time Friedman had international influence. Most controversial was his influence in Chile. In 1970, a Marxist, Salvador Allende, had won the presidency with 36% of the vote in a three-way election. After Allende had plunged the country into triple-digit inflation, he was ousted in a bloody coup by Gen. Augusto Pinochet, who set up a military junta. That Friedman would give advice to a junta proved to the Left that he was a proto-fascist, and they made a big deal of it.

Recalled Harvard professor Greg Mankiw, on his blog: "Friedman was — and is — unrepentant. Of course, he did not endorse the dictatorship. But, he wrote, 'I do not regard it evil for an economist to render technical economic advice to

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*It was a classic Friedman riposte. He called the general a mercenary, and called himself one, too, damning an idea without damning the person.*

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the Chilean government to help end the plague of inflation, any more than I would regard it as evil for a physician to give technical medical advice to the Chilean government to end a medical plague."

No similar protests were made when Friedman met in

1988 with Zhao Ziyang, who was general secretary of the Communist Party of China — a government fully as authoritarian as the one in Chile. Zhao was the economic modernizer among China's leaders, and might have done great things, but he was deposed the next year for excessive sympathy with the students in Tiananmen Square.

China followed much of Friedman's advice, and benefited from it. But the Asians who appreciated Friedman the most were the Hong Kong Chinese, who, he said, had the purest and most successful form of capitalism on earth. After that, anybody who criticized how they did things got an earful of Milton Friedman.

His praise of Hong Kong came at a time when the colony had no political parties and the people couldn't vote. That rubbed some the wrong way. In my first piece in *Liberty* ("Capitalism Without Democracy, Hong Kong Without Hope," March 1990), an article written when I lived in Hong Kong, I criticized the people of that place for accepting a system that had been given to them, without understanding its political underpinnings or undertaking to defend it politically. I ended the piece by saying that the Hong Kong people had been "too busy in Mr. Friedman's capitalist paradise, making money."

A friend later took me to task for the dig at Friedman. Later Friedman himself spoke about some of the political issues I had raised, and I regretted using his name that way. He knew full well about the political underpinnings of the market.

And he kept an eye on Hong Kong until the end. A month before he died, *The Wall Street Journal* (Oct. 6, 2006) ran a piece by him attacking Hong Kong's appointed governor, Donald Tsang, who had subsidized Hong Kong Disneyland and talked of having a "pro-active" economic policy to fix "imperfections" in the market.

Friedman wrote: "Mr. Tsang insists that he only wants the government to act 'when there are obvious imperfections in the operation of the market mechanism.' That ignores the reality that if there are any 'obvious imperfections,' the market will eliminate them long before Mr. Tsang gets around to it. Much more important are the 'imperfections' — obvious and not so obvious — that will be introduced by overactive government." Friedman's statements were news in Hong Kong, and Tsang had to answer them.

Friedman had other overseas successes, big and small. Wikipedia credits him with influencing the Independence Party of Iceland, "including Davíð Oddsson, who became Prime Minister in 1991 and began a radical program of monetary and fiscal stabilization, ambitious privatization, reduction of taxes (e.g. the corporate income tax from 50% to 18%), the definition of exclusive use rights in the fisheries, abolition of various government funds for aiding loss-making enterprises and liberalization of currency transfers and capital markets."

In all these things, Friedman had *stature*.

When Reason's Doherty said in 1995 that Friedman had "a respectability and presence that most people and orga-

nizations labeled libertarian don't have," the economist replied: "That's because of one thing only: I won the Nobel Prize. What, are you kidding yourself?"

But it was Friedman who was kidding himself, at least partly. He had been on the cover of *Time*, Dec. 19, 1969, seven years before winning the Nobel Prize. Earlier in 1969 (Jan. 10), *Time* had run a long article about Friedman that began with this paragraph:

For years, the maverick views of Milton Friedman, the towering iconoclast of U.S. economics, attracted just about as much ridicule as respect. A monetary theorist, the bald and somewhat cherubic University of Chicago professor maintains that the U.S. and many other major nations mismanage their economies. They do so, he argues, by manipulating taxes, federal spending and money supply — techniques that were formulated by Britain's John Maynard Keynes. "Keynesian economics doesn't work," says Friedman. "But nothing is harder for men than to face facts that threaten to undermine strongly held beliefs."

*Time* wrote about Friedman — even though he was *Newsweek's* columnist — for several reasons. First, he had institutional standing (the University of Chicago) and was respected in his field, standing on ground that he had won and defended in intellectual combat. Second, he had made a relentless, public attack on Keynesian economics, predicting certain Keynesian policies would cause inflation and recession, and those predictions had begun to come true. Third, in doing all this, Friedman and his "Chicago School" threatened to supplant the Keynesians — and that made him interesting. And the Chicagoans *did* supplant them — at UCLA, and at my alma mater, the University of Washington, and at many other places. That was important, too.

Being on the cover of *Time* gave Friedman standing. So did the Nobel Prize. So did being on PBS. So did being an adviser to Goldwater, Nixon, and Reagan. So did the fact that there was never any time when Friedman had been publicly and obviously wrong in a big way. He climbed, and he was never brought down.

It was important to Friedman that the power didn't go to his head. In the interview with Doherty, he said: "If you really want to engage in policy activity, don't make that your vocation. Make it your avocation. Get a job. Get a secure base of income. Otherwise, you're going to get corrupted and destroyed."

Doherty's new history of the libertarian movement, "Radicals for Capitalism" (Public Affairs, 2007), says that Friedman "has done more to make more people understand and respect the general tenets and thrusts of libertarian ideas than any other libertarian advocate."

Milton Friedman was not just a figure in the libertarian movement. And though *The Economist* called him one of the two greatest economic thinkers of the 20th century — the other was the Englishman with the brushy mustache — he was not just a figure in the world of economics. He was, to Americans generally, a figure emblematic of freedom. □

# A Most Civil Adversary

*by Tibor Machan*

When Milton Friedman, the Nobel Laureate economist, leader of the Chicago school of economics, husband to Rose, devoted father of their two children, and friend of VIPs as well as not-so-VIPs, died this November, I couldn't find my voice. How little I could say! I wasn't a close associate or an intimate friend. I was only someone who now and then enjoyed the privilege of having Uncle Miltie in my life, sometimes as a mentor, sometimes as a celebrity intellectual, and sometimes as a critic — and a severe one. What I want to talk about here is his style of intellectual exchange, which was certainly one of the great contributions that this wonderful man made to our culture.

I began my involvement with the libertarian movement in America by reading Ayn Rand. I then quickly discovered that others were making significant contributions to the study of a free society. One of them was Milton Friedman, who was, among other things, a founder of the Mont Pelerin Society, the international association of classical liberal intellectuals established in the late 1940s as an antidote to the massive left-wing academic, intellectual, and literary movement that was then asserting its power throughout the West.

Ludwig von Mises, F.A. Hayek, James Buchanan, and Fritz Machlup were just a few of the learned people who felt the need to go on the philosophical offensive against that fantasy, the socialist ideal. Younger enlistees, such as I, had to immerse themselves in the works of these and many other defenders of individual liberty and the free-market society. We quickly realized, especially those of us who early in our lives had socialism and would-be communism shoved down our throats behind the Iron Curtain, that the political values and aspirations of the mass of intellectuals were seriously askew.

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In time I tried to make some contribution to the literature of liberty. I helped found *Reason* magazine as a serious, dependable monthly containing accessible yet in-depth analyses from the libertarian perspective. One of the magazine's features was lengthy interviews with important thinkers: Nathaniel Branden, Thomas Szasz, Yale Brozen, Bill Niskanen, Bill Buckley, Nicholas von Hoffman, Sidney Hook, F.A. Hayek . . . and Milton Friedman.

In February 1974 I was teaching at a small place in western New York when I drove to Chicago to interview Dr. Friedman at his apartment. I had along with me Professor Ralph Raico, and we were joined by one of Dr. Friedman's students, Joe Cobb. The interview lasted for several hours. When it was over, we were exhausted from the exhilarating exchange with the intellectually agile, superbly educated scholar.

We argued a good deal, exploring various approaches that one might take to understanding human affairs. We were in broad agreement, but had our differences. I had a very intense discussion with our interviewee on the topic of whether it is possible for people to know what is right or

wrong ethical conduct. One of Friedman's most memorable points was this: "I think that the crucial question that anybody who believes in freedom has to ask himself is whether to let another man be free to sin. If you really know what

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*The interview lasted for several hours. When it was over, we were exhausted from the exhilarating exchange with the intellectually agile, superbly educated scholar.*

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sin is, if you could be absolutely certain that you had the revealed truth, then you could not let another man sin. You have to stop him" (Reason, December 1974, p. 5). He, of course, held that no man could know when another sinned. I disagreed with this, and we fought a few rounds over it.

When teaching business ethics, I have always presented my students with one of Friedman's essays of 1961, addressing the topic of corporate moral responsibility. The essay is an uncompromising defense of economic liberty. It rejects the notion popularized by Ralph Nader and John Kenneth Galbraith, among others, that businesses must serve social purposes and not the goals of those who own them. Although here, too, I was in only partial agreement with him, Dr. Friedman held that managers must serve no other goals at all but those that the owners designate — which is mostly to pursue the prosperity of the enterprise, or profit. To do otherwise would be to betray a trust the owners extend to managers who voluntarily come to work for them. (Some years ago, when Dr. Friedman came to Chapman University for the unveiling of a bust in his likeness on the campus promenade, he told me and some others that, oddly enough, this essay of his had brought him more royalties than any other piece he had written in his long career.)

A few years later I had the good fortune of spending a year at the Hoover Institution at Stanford University, where Dr. Friedman had just started as a senior fellow. I was working on a project about government regulation of business. My approach focused on ethical concerns — in particular, on the way in which regulation violates due process by imposing burdens on people who haven't been proven to have done anything wrong. My way of looking at the practice didn't please him at all. He preferred straightforward, ethically neutral economic studies, nothing involving moral or even political evaluations, which he thought could not be well-grounded. He firmly rebuked my writing, and the project was eventually published without his support.

Yet he seemed to find some of my contributions to the struggle against statism worthwhile, so from time to time he and I would exchange views, in person or by mail or at some conference. I remember especially a conference he directed at the Silverado Ranch in Napa Valley, with the support of

the Fraser Institute, a Canadian free-market thinktank. We spent three days discussing aspects of the free society. We also revisited our earlier debates. Things became quite agitated when I again argued that moral knowledge is possible for human beings. He disagreed, calling this a view that lacks humility. When I noted that his claim was itself pregnant with moral overtones, he became quite upset. But very soon after the conference I received a copy of the Hungarian translation of one of his books, a work on price theory, with a wonderful note saying that despite our differences, what mattered most was keeping up the good fight.

Of course, these were minor encounters in his intellectual career. What they taught me, and poignantly, is how important it is to keep one's disputations civilized, to keep one's emotions in check as one examines even the most emotional topics. Not only in my rare encounters with him but in all his writing and public appearances — in his many Newsweek columns, in his appearances on "Meet the Press," in the PBS broadcasts of his wonderful series "Free to Choose," and everywhere else — there was exemplary conduct on display, the kind of conduct that too many who take part in public disputation cast aside in favor of character assassination, speculation about personal motivations, and imputation of ill will.

When Dr. Friedman produced "Free to Choose," something important emerged in the design of the show, particularly as compared with that of the show that John Kenneth Galbraith had done a little earlier, "The Age of Uncertainty" (1977). Both programs focused on economics. Both prominently featured the views of their hosts. But while Friedman ended each installment with a half hour of debate, inviting several adversaries to challenge him and leaving the ultimate resolution of the dispute to the audience, Galbraith pointedly did not. He simply closed with yet another reiteration of his views. The episode reminded me of a conversation I once had with a prominent neo-Marxist sociologist at UC Santa Barbara. I asked him why those on the Left had the tendency

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*Friedman's style of intellectual exchange was one of the great contributions that this wonderful man made to our culture.*

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to use their classroom as a pulpit, and he answered, "Well, we are revolutionaries, and for us teaching is always something in the service of the revolution."

I do not believe that many public intellectuals and academics reach the level of decency attained by Milton Friedman. Luckily for us, he left a large paper and media trail. Millions in the United States and abroad will be able to learn from it, and perhaps improve the quality of intellectual life everywhere. □



# Friendly Fights With Dr. Friedman

*by Mark Skousen*

"To keep the fish that they carried on long journeys lively and fresh, sea captains used to introduce an eel into the barrel. In the economics profession, Milton Friedman is that eel."

— Paul A. Samuelson

Milton Friedman, the intellectual architect of the free-market reforms of the post-World War II era, was a dear but prickly friend. We constantly argued over a variety of issues, but remained friends throughout. I was probably the last person to go out to lunch with him before he died of a heart attack on Nov. 16, 2006.

It was a privilege to know him, despite our policy differences. The triumph of free-market reforms introduced by Thatcher, Reagan, and other leaders in the post-Berlin Wall era (reforms such as lower taxes, deregulation, and privatization that showed the collapse of the Keynesian and Marxist paradigm) can be laid at the feet of a single giant figure: Milton Friedman. Other free-market economists made their mark, but Friedman was the most influential.

Founder of the modern-day Chicago school of economics, Milton Friedman was the force behind many new and exciting ideas: policies such as monetarism, privatization of Social Security, school choice, and futures markets in currencies, and also scholarly pursuits that transformed the economics profession from the "dismal science" to the "imperial science" of today. He was the first economist to counter effectively the Keynesian monolith and its myths: that capitalism is inherently unstable, that money does not matter, that there is a trade-off between inflation and unemployment. Friedman debunked them all. He demonstrated that money mattered a lot: "Inflation is always and everywhere a monetary phenomenon."

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His most important work is his 1963 magnum opus, "A Monetary History of the United States, 1867–1960," with co-author Anna J. Schwartz. This book carefully demonstrates a close correlation between monetary policy and economic activity. Friedman and Schwartz demonstrated beyond doubt that ineptitude by a government body, not free-enterprise capitalism, caused the Great Depression, when the Fed allowed the money supply to contract by over a third. This book marked the beginning of a counterrevolution, away from the Keynesian view that big government and the welfare state were beneficial. Now government was seen as the cause of our problems, not the cure, as Reagan used to say. Textbooks replaced *market failure* with *government failure*. And Friedman made it happen.

He was able to succeed where other free-market economists failed because he had impeccable credentials within the

economics profession — earning his Ph.D. from Columbia University, becoming president of the American Economic Association, being published by Princeton University Press, teaching at the University of Chicago, and winning the Nobel Prize in Economics (in 1976, appropriately on the 200th anniversary of America's Declaration of Independence).

After establishing himself as a top-ranked economist, he wrote for the general public, especially in "Capitalism and Freedom" (1962) and "Free to Choose" (1980), co-authored by his wife and fellow economist, Rose Friedman. (Rose was his beloved companion in life — they traveled and worked together, reared two children, and wrote the memoir "Two Lucky People.") Milton told me that he always regarded "Capitalism and Freedom" as his best book for the intelligent layman. I recommend it as an ideal libertarian document.

On a personal level, Milton was unique. He had an "open

door" policy toward people of all walks of life. Always intelligent and demanding of evidence, he kept his secretary busy with a huge correspondence with friends and strangers. When I met him in the early 1980s, he didn't know me from Adam, but he was willing to talk with me and answered my questions seriously. I kept up our friendship by letters, emails, telephone calls, dinners, and lunches over the past dozen years. In 1988, he invited me to my first meeting of the Mont Pelerin Society, and through his influence, I became a member in 2002. He generously wrote blurbs for my recent books and was a big fan of FreedomFest, my annual gathering of freedom lovers. When I had the opportunity to teach at Columbia Business School, he wrote a favorable letter to the dean, which helped me win the position.

Friedman loved to debate, and took on all comers. Unlike many erudite libertarians, he suffered fools gladly and, to my knowledge, never excommunicated anyone over intellectual disagreements. He disagreed sharply with Keynesian economists such as Paul Samuelson and John Kenneth Galbraith, yet he remained friends with both. At times, my own disputes with him were so intense that I thought our relationship was threatened, but my friendship with this happy warrior continued to the end.

Friedman and I were friend and foe on many issues, to the point where I was criticized for being both too sympathetic and too critical. In 2001, at my first board meeting as president of the Foundation for Economic Education, I was approached privately by Bettina Greaves, a long-time FEE employee and devotee of Misesian ("Austrian") economics. She said, "Mark, I support you in every way as the new president of FEE, but please be *more* critical of Milton Friedman." I thanked her for the suggestion. Then, half an hour later, another board member, Muso Ayau, past president of the Mont Pelerin Society and founder of the Universidad Francisco Marroquin in Guatemala, pulled me aside to give me some advice. He whispered, "I support you in every way, but could you do me a favor? Please stop being so critical of Milton Friedman!" When I told Milton this story, he had a belly laugh.

I first met Milton Friedman at the San Francisco Money Show. I approached him with a question about Murray Rothbard's book, "America's Great Depression," and he willingly engaged me. At the time, I was quite enamored with Rothbard's Austrian-school explanation of the depression — his argument that it was caused by an inflationary boom in the 1920s that had to collapse, and that the 1930s was actually a good cleaning for a defective financial system. Friedman quickly disparaged Rothbard's scholarly work, saying that the Fed's policies during the 1920s were not the problem and that Rothbard had artificially inflated the money supply figures to justify his Austrian position. "The Great Depression was caused by inept Fed policy in the 1930s, not the 1920s," he told me.

Afterwards, we continued our correspondence by mail, arguing largely about Austrian vs. Chicago economics. This correspondence eventually culminated in my book, "Vienna and Chicago, Friends or Foes?" (2005). When I asked Milton about the title of this book, he answered, "We're both friends *and* foes!" Once I made the mistake of referring to

### Friedman's Less Familiar Quotations

Milton Friedman was not only a great economist, but a memorable quotessmith. Besides the standard-bearers, such as "Inflation is always and everywhere a monetary phenomenon" and "There's no such thing as a free lunch" (which he popularized), here are some others less well known:

"If a tax cut increases government revenues, you haven't cut taxes enough."

"I favor tax reductions under any circumstances, for any excuse, for any reason, at any time."

"A society that puts equality ahead of freedom will end up with neither equality nor freedom."

"Competition is a tough weed" (George Stigler).  
 "Freedom is a rare and delicate flower" (Milton Friedman).

"Nothing is so permanent as a temporary government program."

"Inflation is taxation without legislation."

"The economy and the stock market are two different things."

"If government is to exercise power, better in the county than in the state, better in the state than in Washington."

"The great advances of civilization, whether in architecture or painting, in science or in literature, in industry or agriculture, have never come from centralized government."

"The minimum wage law is one of the most, if not the most, anti-black laws on the statute books."

"Nobody spends somebody else's money as carefully as he spends his own."

"The government solution to a problem is usually as bad as the problem."  
 — Mark Skousen

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## *The Rational, The Relentless*

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Anna Schwartz, co-author of "Monetary History," as his "researcher," and he blew up. He accused me of being "narrow-minded" and "intolerant" in a way he termed "typical of Austrian economists." He urged me to look at the background papers and letters dealing with "Monetary History" at the Hoover Institution, where I would quickly realize that Schwartz was clearly a bona fide "co-author" and not just a "researcher." This letter is still burning in my files. Funnily enough, a month later, I saw a picture of Anna Schwartz in the American Economic Review, and the short summary of her professional career listed the terms "researcher" and "research" seven times! But I dared not write him back with this comment for fear of retaliation.

A few years after the Money Show I was back in California for a meeting of political conservatives where Friedman was a speaker. I called his hotel room and invited him to lunch, just the two of us. He agreed, and we had a delightful two-hour luncheon overlooking the California coastline. I showed him a chart of M1, the narrowly defined money supply, noting that it had declined sharply in the mid-1980s. I interpreted this to mean that another economic collapse was imminent. He disputed my interpretation. "You can't rely on M1 anymore — it's out of date due to the deregulation of the banking system. If you look at M2, which includes money market funds, the money supply is growing. There isn't going to be any collapse." He was right. The Reagan era was booming.

When the lunch was over, the bill came and I insisted on paying. As I was signing the credit card bill, I turned to him and said, "Dr. Friedman, one of your favorite sayings is 'There's no such thing as a free lunch.' Well, I'm here to disprove it today because I'm paying for yours." Quick as a flash, he retorted, "Oh, no, no, Mark, that wasn't a free lunch. I had to listen to *you* for two hours!"

When my book "Economics on Trial" (1991) was published, I prepared an advertisement with the headline: "Japan and Germany Win World War III," followed by these words: "Their formula multiplies wealth so rapidly that they will achieve their goal of world domination by the year 2000." In the ad, I referenced the sound economic model that had transformed war-torn Germany and Japan into economic powerhouses and strengthened their stock markets in one generation. The principles were high savings rates, low taxes on capital and investment, low inflation, balanced budgets, and free markets.

I sent a copy of my ad to Friedman, and he took no time debunking it. "This prediction is a bunch of nonsense," he scribbled over the ad copy. "I will not live long enough to see it falsified, but you will. In the year 2000, the U.S. standard of living will be higher than the Japanese." He was, of course, proven right.

Friedman's anger flared again in the late 1990s, when we gathered in Vancouver for a Mont Pelerin Society meeting. Milton and Rose Friedman were in charge of the conference program. Its title was "Can Creeping Socialism Be Stopped?" In one of the breakout sessions I asked Friedman about his easy-money solution to Japan's economic problems. I held up an article he published in The Wall Street Journal, "Rx for Japan," in which he advocated a massive printing of

yen to jumpstart the Japanese economy, while ignoring such free-market solutions as cutting taxes, deregulating, or opening up the Japanese economy. "Isn't printing more money another example of creeping socialism?" I asked. He was not amused, and noted that, historically, increasing the money

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*Quick as a flash, he retorted, "Oh, no, no, Mark, that wasn't a free lunch. I had to listen to you for two hours!"*

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supply has stimulated economic recovery, and that fast monetary growth was necessary, given Japan's fragile condition. I countered, "Ah, so there is a free lunch, after all, Dr. Friedman?" "A free disaster!" he interjected with high emotion. Afterward, Professor Jim Gwartney came up to me and said, "You attacked God today!" Indeed. Yet even free-market icons can make mistakes.

A year later, Milton and Rose were invited to speak at the New Orleans Gold Conference, an annual gathering of hard-money investors. After Milton spoke, he took questions from the audience. I tempted him with the question, "Who's the better economist, Ludwig von Mises or John Maynard Keynes?" I knew Milton would answer straight; he didn't care what gold bugs thought. "Keynes," he proclaimed to a shocked audience. When asked who was the greatest economist ever, he didn't say Adam Smith, but settled on Alfred Marshall, the British economist who invented supply and demand curves.

Rose dissented. I had never seen her disagree with her husband in public, but she stood up and said that Marshall was infamous for treating his wife poorly and refusing to support her professional career as an economist. In all my private meetings with the Friedmans, Rose was always graciously reserved and seldom if ever argued with her husband. I had heard a rumor that she differed with Milton on Austrian capital theory, and one time I asked her if this was true. She simply smiled and winked.

My most embarrassing moment with the Friedmans came later that evening when I invited them to dinner at the best restaurant in New Orleans, Commander's Palace, along with two friends, Gary North and Van Simmons. After we ordered and exchanged greetings, Milton turned to me and asked in a serious tone, "Mark, why are gold bugs so passionate about gold?" It was a perfect opportunity to talk about the importance of "honest money," a theme that Ludwig von Mises, Henry Hazlitt, and other Austrian economists have taught for years. I pulled out of my jacket pocket a large oversized \$20 banknote, a "gold certificate" issued in the 1920s. Together we read the words spelled out on it: "This certifies that there has been deposited in the Treasury of the United States of America TWENTY DOLLARS IN GOLD COIN payable to the bearer on demand." I then explained, "Milton, we're passion-

ate about gold because under the gold standard, there's a contract between the government and its citizens. For every gold certificate issued, the government had to back it up with a \$20 gold coin. Under a genuine gold standard, the Treasury can't just print up money to pay their bills. It's honest money."

All along, I felt that Friedman was simply playing along, since after all, he was the world's foremost monetary historian. I went on, "So, what kind of contract exists today

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### *I ripped Milton Friedman's \$20 Federal Reserve Note into a half-dozen pieces.*

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between the government and its citizens? Milton, do you have a \$20 bill?" He reached into his pocket and handed over a \$20 bill. "See, the contract has completely disappeared. Now it only says 'Federal Reserve Note.' And the Fed doesn't even pay interest!" I paused and said, "Milton, this \$20 bill isn't worth the paper it's printed on." And I tore it up! I ripped Milton Friedman's \$20 Federal Reserve Note into a half-dozen pieces.

Suddenly, the atmosphere changed. He turned to me and said angrily, "Mark, you had no right to destroy my property!" Rose chimed in, "Yes, Mark, you shouldn't have done that. That was Milton's private property." Gary North and Van Simmons stared in horror and didn't say a word. Milton's voice rose, and other dinner guests looked over at us and could see emotions rising. At this point, I was worried. My relationship with the Friedmans seemed to be ending that very night. Finally, I said, "Well, I suppose you want your money back?"

They assented heartily. So I reached into my pocket and pulled out a \$20 St. Gaudens Double Eagle gold coin, handed it to Milton, and said, "Okay, here's your \$20!"

He looked startled and stared at the coin. I thought he would be pleased, but I was wrong. Suddenly, he handed it back to me. "I don't want it!"

I gulped, struggling for words. "But Milton, it's a gift. Here, take it. It's a \$20 gold coin, worth a lot more than a \$20 Federal Reserve Note."

"No," he repeated emphatically. "I don't want it."

After an agonizingly pregnant pause, I finally figured out a solution. Setting the coin aside, I reached into my pocket, pulled out a fresh new \$20 paper note, and handed it to him. "There, okay, will this help?"

He calmed down and took the \$20 bill. Gathering up some courage, I brought out the gold coin again. "Look," I said, as I handed it over to him, "look at the date." He examined the coin again. "Oh, 1912 — my birth year!" He laughed haltingly. Rose looked on and smiled.

I explained that the entire evening was a set-up, an opportunity for me to give him a St. Gaudens Double Eagle gold coin minted in the year he was born. The coin was in a PCGS

certificated plastic container with the words, "To the Golden Milton Friedman." I told Milton and Rose that my friend across the table, Van Simmons, was a coin dealer and had gone to great lengths to find a 1912 Double Eagle, which was rare. Van added that it had been shipped overnight from Switzerland and had arrived only an hour before dinner. I think that only then did the Friedmans recognize what was going on. The next morning they came up and thanked me for the coin and my gesture of appreciation.

Throughout the evening Gary North — a well-known economic historian and gold bug — said nothing. But in the morning, he came up to me at the conference and said something profound. "Mark, I've thought all night about what happened at dinner at Commander's Palace. You and I have an ideology of gold. And Milton has an ideology of paper money. Mark, last night you attacked *his* ideology!"

Milton and I never discussed the coin incident again. (I keep his torn-up \$20 bill in my wallet as a keepsake.) We met on many other occasions, but I shall never forget our last lunch together in San Francisco. There for the Money Show, I took the opportunity to call him. We met at his favorite Italian restaurant, the North Beach. For the past few years he had walked with a cane and traveled only on cruises or in private jets. At age 94, he had weak legs, a serious heart condition (after two open heart surgeries in the 1980s), and was losing his eyesight. Yet his mind was still sharp.

We discussed the latest Nobel laureates in economics. "We're running out of good names," he said. I showed him a Photoshopped picture I had created of him standing next to the 6 foot 10 inch John Kenneth Galbraith, the premier Keynesian and welfare statist of the 20th century. Galbraith towered over the diminutive Friedman. Beneath the picture\* was a funny line from economist George Stigler: "All great economists are tall. There are two exceptions: John Kenneth Galbraith and Milton Friedman." Milton was so pleased with the photo and caption that he sent it to all his friends.

As we left, I asked him, "Do you think you'll live to be 100?" He answered quickly, "I hope not!" But he was almost always upbeat about life, even to the end. He was not a religious man, but he expressed interest in religious topics near

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*Unlike many erudite libertarians, Friedman suffered fools gladly, and never excommunicated anyone over intellectual disagreements.*

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the end of his life. His favorite poem was Keats' "Ode on a Grecian Urn" which ends, "'Beauty is truth, truth beauty' — that is all / Ye know on earth, and all ye need to know." He discovered both in a full and complete life. I consider it a privilege and honor that I knew him. □

\*<http://www.mskousen.com/sknews.php?id=202>

# New York City as a Libertarian Heaven on Earth

*by Richard Kostelanetz*

*A little over a decade ago R.W. Bradford asked me to write in these pages about Libertarian New York City. I wrote an article that appeared as "I'll Take Manhattan" (Liberty, January 1995). It was later reprinted in my Political Essays (Autonomedia, 1999). Recently, Stephen Cox, his friend and successor as editor of Liberty, asked me to write about the state of liberty in New York today.*

*Initially doubting that I had anything fresh to say about the subject, I reconsidered the earlier essay, keeping only those parts that are still valid, and adding updated commentary. The dedication reflects Murray Rothbard's yet earlier observation, in these pages, that he differed from most libertarians (and most anarchists as well) in preferring man-made environments, beginning with cities, to Mama Nature. Truth be known, I loved Murray more for his culture than for his leadership as an economist and political thinker (whose changing politics I found problematic). For cultural and social liberty, New York City can't be beat; in my experience, the only American city approaching it is Las Vegas — which is, incidentally, the place where Murray spent most of each year during the last decade of his life, as a chaired professor at the University of Nevada, Las Vegas.*

## Remembering Murray Rothbard

When a fellow libertarian asked me a while back to identify my choice for the most libertarian place in America, the first thing I noticed was that his criteria were so rural-centric. How the hell would I know about laws governing "seatbelt use"? As a native New Yorker I don't own a car and never have. I ride in private cars, as distinct from taxis, much less than once a month. I do know that whenever my driver asks that I fasten my belt (which I do out of deference to my host), my initial response is "Bleep Ralph Nader." Motorcycle helmets? I haven't ridden a motorcycle in over two dozen years. Most bicyclists here don't have helmets, regardless of what the law might say. I do know that helmets or seatbelts are not required to ride the subway or a New York City taxi, let alone to walk the streets, where, incidentally, tolls are never charged.

I don't think that my mobility suffers for lack of a car. Thanks to our city-wide subway system, I can get to my seat in Yankee Stadium in less than 45 minutes, incidentally joining my fellow fans in our mutual pleasure of going en masse to a major league game, and I can get to a good ocean beach in less than an hour, in both trips reading most of the way, with no worry about traffic jams or finding a parking space. One genuine amenity unique to New York, in contrast to London or Paris or Berlin, is subways that operate all night — that's right, from sunset to dawn — implicitly meaning that we poor need not get home by midnight. You can tell that New York City subways must be safe, contrary to myths heard elsewhere, because you can see people riding them at all hours of the day and night. The obvious truth, likewise applicable to city streets, is that, if they weren't safe, nobody would use them.

Ever since Rudolph Giuliani became mayor, the streets and subways have been safer, not only because of preventive policing but because many New Yorkers carry visible cell telephones with which they can dial 911 as quickly as they can scream. Need I add that nothing, but nothing, scares this city boy as much as any venue completely devoid of people?



My fear of untethered creatures, including dogs, begins with the fact that they don't speak English or any other language. Don't tell me that any venue containing "wild animals" offers me more freedom than my city. No way.

I can purchase beer (though not hard liquor) in any of several all-night grocery stores within walking distance of my home. When one of my libertarian colleagues tells me he wouldn't live in a state with an income tax, my response is that I won't live anywhere where I might need to use a seatbelt, which is to say own a car. One advantage of living in SoHo, a former industrial slum, for more than three decades now is that I can walk to most places where I want to go — many cultural institutions, several bookstores, Tower Records (and the annex for cut-outs), photocopy shops, two medium-sized swimming pools, any of three post offices, a DVD rental open all night, my favorite restaurants and bars, and, often, my girlfriend's place. For many years guys sold recreational drugs around the clock in Washington Square, only a few blocks away; perhaps they still do. As even my chronically sore feet are more reliable than any machine, I need not worry about whether my car may have failed. If personal, physical mobility is a measure of liberty, as it should be, there is no doubt that my life in New York City is very, very free.

Licensing restrictions? Doesn't Hernando de Soto in "The Other Path" (1989) hold up New York as a healthy contrast, in respect to entrepreneurial opportunity, to his native Peru? To open a biz here you need only get a d/b/a (doing business as) certificate, unless you plan to use your own name, and a sales tax exemption, which lets you purchase without paying the tax, in return for requiring you to collect 8.25% on sales. You don't need to be a citizen or even a legal immigrant. Most street vendors wear some kind of city-authorized badge, but many don't (and don't collect sales taxes either). Street book-sellers and visual artists don't need licensing at all, because of a liberal interpretation of the First Amendment. Real estate taxes? Though they support a bloated city bureaucracy, they are much lower here than those in the suburbs, which lack commercial operations to tax; but since I don't pay real estate taxes directly, I don't "feel" them, perhaps naively.

Recreational opportunities? I mentioned the proximity of both Yankee Stadium and the ocean beaches, but more impor-

tant is my living once in and now near a neighborhood filled with art galleries that regularly have "openings," which is to say libation-oiled parties where friendships are refreshed, new lovers can be met, and you can be reminded, as I often am, even in this purported "expensive" metropolis, that many of the best things in life are free. Indeed, whenever I see a psychotic performing on the subway, I congratulate myself on the experience of "free theater." Another hidden benefit of living here is the variety and quality of free radio broadcasting, with

two stations playing classical music most of the time and university stations playing it (and much else esoteric) some of the time.

Quality of schools? New York City has had a tradition of specialized "public" high schools that provide the best applicants, in reportedly honest competitions, with the most advanced educations known. You may recall the pop movie "Fame" (1980), where teenagers receive a theatrical education elsewhere reserved for adults. My recollection is that, when I was a freshman at an Ivy League college, the best prepared — the guys and gals who knew how to write long papers and take tests — had gone to one of only six schools: Andover, Exeter, Bronx Science, Stuyvesant, Boston Latin, and Hunter, three of them "public" in New York City. When I got to my Ivy college I remember being awed by these academic athletes — awed and annoyed, because I had gone to a suburban high school that billed itself as "one of the best in the country." That was just a real estate ploy, because the parents with whom we lived in the 1950s wouldn't have permitted the amount of work required at those six schools

— wouldn't have tolerated it at all. Some of the private New York City high schools are reputedly top-rate as well, beginning with those (still) run by the Society of Jesus. Cathedral for women is nearly as tough as Hunter.

Cultural choice? That's what we New Yorkers have more of than people anywhere else, whether it's choice in schooling, lovers, merchandise, friends, concerts, or exhibitions. I remember that when I went to college in Providence there would be occasional cultural events of a quality that could not be missed. In New York, every week there are several events of comparable quality, few of which I ever get to see, though I'm glad they are happening here.



Sexual freedom? Freedom of speech? Freedom of drug use? Pornography? Social tolerance? Are you joking, to ask these questions of New Yorkers? Remember our motto: "None of your business." I know a European woman, well over six feet tall, who finds New York a relief from the rest of the world, because "people don't stare at me." Indeed, with so

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*Whenever I see a psychotic performing on the subway, I congratulate myself on the experience of "free theater."*

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much competing for your attention on a normal NYC street, it's hard for anything to monopolize everyone's view. (I remember being on St. Marks Place four decades ago; it was then a kind of alternative parade ground, and I noticed that no one could make eyes turn, not even scantily clad women, until I saw the exception — four West Point cadets in military costume!) Hookers of various genders, at various prices, can be found at any time of the day or night. Call some telephone numbers and they'll come to your house around the clock.

Three decades ago I taught for a year at John Jay College, whose students were mostly policemen. It was they who told me that any NYC cop making a marijuana bust would be ridiculed by his colleagues as a de facto goof-off. It was they who told me that the only "cure" for our putative drug problem is decriminalization. Since some of the police were black or Hispanic, we teachers used to joke that whenever the class seemed to be falling asleep, you should just mention the "r" word, "racism." That would wake everyone up for a debate. All were opposed to it, of course, but differently opposed.

Don't forget that a sure measure of social tolerance in a community is the visible presence of homeless people. Anyone found undomiciled within a hundred miles from here, without a family nearby, is allegedly put on a bus to New York, because, as one backwoods official once told me, "They know how to deal with such people there." Or not deal with them, to be more precise. Now that we have a construction awning in front of our SoHo building, where apartments are worth roughly a million bucks apiece, a few of those people regularly spend their nights on our stoops.

A friend of mine lives in a mostly black neighborhood of middle-class homeowners in the north Bronx. "No homeless," he reminds me as we come out of the subway onto his street. What he is really telling me is that, since his neighbors wouldn't give money to street beggars (and are generally inhospitable), those independent street entrepreneurs have taken the subways to elsewhere in the City. That's why SoHo, where I live, must be a nicer neighborhood — during the daytimes we have a beggar on every block.

Sales taxes? We got 'em up the wazoo, but we also have such a competitive retail environment that, even after the surplus gouge, common merchandise is much cheaper here. Since I purchase so much for so much less, I don't mind paying the additional sales tax. For some purchases I show the ex-

emption certificate, mentioned before, that I obtained for selling my art. I assume that this retail competition keeps out the tacky chains that fill suburban-exurban malls. We still have no Costcos, no Wal-Marts, and few Red Lobsters. In part because you can survive without a car, it is possible to live here for far less than, say, in the suburbs. That (along with proximity to the international airports) provides the reason why 40% of New York is foreign-born. (Oddly, the surest way the federal government could kill NYC's economy would be to limit immigration rigorously.)

Climate? To each his own. I live here because I like changes in the seasons. I don't mind the summers as much as I might if I had to take the subway to work every day, or the winters as much as I might if I didn't work at home. Given my tastes for the ballgames and the beach, it is not surprising that I get a lot more literary work done in the winter. Our airports are funnels aimed at Florida and Puerto Rico, with so many flights each day you need not fear getting stuck "waiting for the next plane out."

Scenery? The great New York City painter Ad Reinhardt inherited enough money, 50 years ago, to take a trip around the world. He shot pictures of whatever caught his eye. His slides, which I've seen, represent a wealth of verticals and horizontals, which is to say that everywhere he went Reinhardt captured a "nature" parallel to ours. I too prefer our urban landscape to any collection of trees. To my professionally aestheticized sensibility there are few views in the world equal to that of the New York City skyline that, incidentally, I can see from the rooftop of our eight-story apartment building. The filmmaker Woody Allen once complained that whenever he visited his companion Mia Farrow in the country he couldn't go out at night to look at people on the street. To him, as to me, that is compelling "scenery." Indeed, I routinely refuse all invitations to do a weekend to the country, in winter as well as summer, often to the consternation of hosts who think their bucolic hospitality irresistible.

The real estate situation here is more screwed up than outsiders know. Rent control means not only that ownership of certain kinds of rental housing is an unnecessarily bad business but, more consequently, that people don't move unless

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*Sexual freedom? Freedom of speech? Freedom of drug use? Pornography? Social tolerance? Remember our motto: "None of your business."*

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their income suddenly increases. Likewise if you own your own domicile. Happily, my SoHo co-op loft is now worth many multiples of what I paid for it three decades ago; but as the rest of New York has become so much more expensive as well, I can't afford to move elsewhere in Manhattan or Brooklyn.

Colleagues everywhere innocently wonder why their NYC friends never change their addresses. The explanation is

that almost everyone residing long here got “a good deal,” as did Murray & Joey Rothbard, who kept their rent-controlled apartment on the Upper West Side even after he became a professor in Las Vegas, returning home during academic vacations, when I would dine or see opera with them. Murray called Vegas “an all-night town, like New York.”

My SoHo colleagues “retire” to New Mexico or Florida and, as artists, are rarely heard from again. Aspiring painters and sculptors of the kind who came with me to SoHo three decades ago went to the Lower East Side two decades ago, and to Williamsburg in Brooklyn a decade ago. As those neighborhoods became too popular and thus too expensive for youngsters, people like me are now likely to begin their New York careers in Jersey City or Union City on the other side of the Hudson. Ambitious artists come to New York, don’t forget, because the place offers liberties, epitomized by opportunities and communities, unavailable anywhere else. That goes for homosexuals too, unless they go to San Francisco or South Florida. The kinds of people who might object to someone being long-haired, artistic, or gay in some provincial burg customarily keep their mouths shut in most of New York.

Level of pollution? A friend in medical school told me that he could distinguish New York City cadavers from those from elsewhere by the amount of “black junk in their lungs.” Likewise for smokers. But since I’ve lived here nearly all my life (and never smoked), let me say that I don’t feel a thing, yet. My father, who lived here most of his life and smoked for perhaps half of it, survived to 94, so you can’t persuade me that excess pollution alone “kills.”

Outsiders suspect that New York life has become less free in the wake of 9/11 (which happened less than two miles south of my home), but this is scarcely true. What has changed is that I can’t bring a bag into Yankee Stadium, most large buildings employ people to inspect your bags at the entrance, and I can’t drop off stamped packages weighing more than one pound at the post office — they must, instead, be presented

to a clerk who does no more than look at them. In the 2005 mayoral campaign, during the primaries as well as the election itself, candidates rarely mentioned 9/11 or national security, even though they were effective tokens for Dubya only a year before. Either New Yorkers were shell-shocked, which I doubt, or wiser.

While Mayor Michael Bloomberg, as the wealthiest man in the City by all latest calculations, wants a climate favorable to entrepreneurs both large and small, he’s also fanatically opposed to tobacco-smoking, initiating laws that forbid it in restaurants, thus driving smokers into staying home, decreasing restaurant business. Or the smokers step outside, where, especially in neighborhoods with many watering holes, such as Greenwich Village, they befool the narrow streets. And smoking is forbidden in Yankee Stadium, which, need I say, is outdoors! What domain might be next on Bloomberg’s agenda? Central Park? The Coney Island boardwalk? Though I no longer teach police, I doubt that many of them currently have much enthusiasm for arresting smokers.

I would be remiss if I did not say something about the anti-authoritarian instincts of my fellow New Yorkers. More than a half century ago the parallel street between Seventh Avenue and Fifth was officially renamed “Avenue of the Americas,” and even though all official signs on the thoroughfare are emblazoned with that name, New Yorkers still instinctively call it “Sixth Avenue.” Bless ’em. Use of the other epithet defines a hick. A Berlin friend, coming to New York for the first time, told the taxi driver to take her to a certain number on Sixth Avenue, which he did. As she emerged from the cab, she protested that the street sign read “Avenue of the Americas,” hick that she was.

What I’m trying to tell you, political comrades, is that rural-centric criteria discount the possibility of my urban libertarian heaven. You guys who love nature can take your tents and camp in the rain, but for cultural freedom I’ll take my SoHo loft, several floors below the solid roof. □

## Letters, from page 14

the goal is to prevent a fatal illness. I used to see young men die regularly of AIDS in the 1980s and early 1990s. Now I seldom see it except for those who do not take antivirals. HIV-deniers are surely complicit in such deaths.

There is also no doubt that American heterosexual men can acquire the infection from unprotected sex with women. I have several in my practice. Claims to the contrary increase risky sexual behavior and infection rates.

Approximately 5% of people with HIV infection do not progress to AIDS. Many of these have a genetic mutation in a chemokine receptor CCR5. Others have an unusual HLA allele. They are genetically lucky, but do not disprove the HIV etiology of AIDS.

Africa does have many problems but AIDS patients in demonstration

projects on antivirals are doing well. The medications are expensive.

One has to question the agenda of the HIV deniers. It comes across as misanthropic.

Douglas C. Cable, M.D.  
Newport Beach, Calif.

**Kostelanetz responds:** “Misanthropic” I’m surely not, and I have never been so identified by friends nor enemies. Even after reading Dr. Cable’s letter, skeptical about the familiar myth of AIDS I remain.

What makes me skeptical about him is the claim that “no serious scientist or physician doubts that HIV is the cause of AIDS,” which is not true, unless one claims that all AIDS skeptics, including veteran biology professors such as Peter Duesberg and Harvey Bialy, are *ipso facto* not “serious” simply because they likewise doubt. Behind the doctor’s declaration is not debate but authoritarian

aims more sinister that are incidentally exposed in Celia Farber’s book, “Serious Adverse Events,” which this reply gives me reason to once again recommend.

I hope that the doctor writes sometime soon about the “several” straight male patients (I assume residing in the U.S. at present) who, he says, got AIDS from unprotected sex with women. Such literature is scarce in my reading.

Since this magazine is edited by libertarians for libertarians, may I also wonder why he didn’t address my doubts about getting governments involved, especially since this appears to be the same Dr. Cable who disputed my fellow contributor Doug Casey’s assertion that for-profit hospitals generally perform better than nonprofits. Libertarians unlibertarian in their own lives remind me of American Communists I knew long ago who made their money as landlords.

# Reviews

*"Casino Royale,"* by Ian Fleming. Macmillan, 1953, 218 pages.

*"Casino Royale,"* directed by Martin Campbell. MGM, 2006, 144 minutes.

## The Once and Future Bond

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Jo Ann Skousen

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"Casino Royale," Ian Fleming's first novel, introduced James Bond as a simple entry in the well-established genre of men's adventure stories. Like their female counterpart, the sentimental novel, these stories had a strong sexual undercurrent, as suggested in the opening description of the Casino Royale, with its "brass rail which surrounded breast high the top table" and the cashier's shelves "on a level . . . with your groin." Bond is a manly man who breakfasts on "three scrambled eggs and bacon and a double portion of coffee without sugar" followed by his "first cigarette [of 70 a day], a Balkan and Turkish blend made for him by Morlands of Grosvenor Street" — no whole wheat muffin and Starbucks grande soy chai latte for him! He tends his 4.5 liter Bentley "with jealous care" and drives it "hard and well with an almost sensual pleasure." (All quotations are taken from the book.)

And yet — there is something just a little bit off about this original James Bond. He's supposed to be undercover,

but he registers at the hotel using his real name. He goes through an elaborate scheme to check whether his room has been compromised while he was out, but doesn't realize that spies are listening from the room upstairs through a bug they planted in the fireplace. A cable from his "controller" uses a carefully coded message about Havana cigars to throw counterspies off Bond's trail, but then draws attention to the secret part by emphasizing "ten million REPEAT ten million" in the middle of the message.

Outside the hotel Bond notices two suspicious looking men, but continues walking toward them and nearly gets blown up. When he and Vesper ("the girl") are captured and tied up by LeChiffre ("the bad guy"), he looks at her "with scorn. Damn fool girl getting herself trussed up like a chicken," when in fact he is trussed up like a chicken as well. These examples are scattered subtly throughout the book, so it isn't immediately apparent that Bond is less than perfect. In short, the original Bond was a lot like the men who read men's adventure novels — living in a fantasy world where he is,

as the joke goes, a legend in his own mind. Fleming cagily created a spy his readers could admire and still aspire to emulate, a Bond who recognizes himself as "an actor and spectator [who] takes part in other men's dramas and decisions."

Perhaps most telling of all is the torture scene near the end of the book. Bond films often include a mildly erotic torture scene; who can forget the elegantly tuxedoed Sean Connery spread eagled on an operating table with a laser beam creeping toward his crotch? But in the latest version of "Casino Royale" the torture scene seems both bizarre and inappropriate — Bond is stripped naked, seated in a bottomless chair, and whipped with a knotted rope from beneath. This scene is lifted almost directly from the book, except that in the book LeChiffre uses a carpet beater underneath the chair instead of a whip — in short, in both versions Bond is being spanked.

During this spanking Bond recalls having been told by survivors of German and Japanese torture that "towards the end there came a wonderful period of warmth and languor

leading into a sort of sexual twilight where pain turned to pleasure and where hatred and fear of the tortures turned to masochistic infatuation." But

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*There is something just a little bit off about the original Bond. He's supposed to be undercover, but he registers at the hotel using his real name.*

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Bond is spanked for about one hour — hardly enough time to be turned into a sadomasochist gaining pleasure from pain! More to the point, Fleming's readers might have received a "period of warmth and languor" while reading the passage from the comfort of their own well-stuffed chairs, a subtle eroticism that is the staple of both masculine adventure novels and sentimental romances.

So when did Bond become the master spy, cool, detached, and flawless, engaging in athletically impossible chase scenes? Some critics believe it was a deliberate change made in deference to President Kennedy, who read the book eagerly and praised it publicly. When Fleming saw that Kennedy missed the irony and took his spy seriously, rather than embarrass the presi-

dent he accepted the characterization, and a modern icon was born.

In the 1967 film version of "Casino Royale" Peter Sellers tried to play Bond the way he was originally written: supremely confident and oblivious to his faults, while stumbling his way through the caper. But Sellers went over the top, more Inspector Clouseau from "The Pink Panther" than James Bond. The film was nominated for three Oscars, including Best Picture, and won the Best Song award for Burt Bacharach's "Look of Love," but true Bond aficionados hate the film.

For all of these reasons I was skeptical about the newest James Bond movie, a return to "Casino Royale." Knowing the book as well as I do, I wondered whether the new screenwriters could be true to Bond's original fallibility without turning him into a buffoon. On top of that, a controversial new actor was stepping into the role, the relatively unknown Daniel Craig, a blond who would not sport Bond's "lock of black hair that subsided to form a thick comma above his right eyebrow." Brown-haired Roger Moore only just managed to succeed during his stint as Bond, and all others have been tall, dark, and handsome.

I shouldn't have worried. The new "Casino Royale" is one of the best, perfect for the 21st century. Daniel Craig seems to be channeling Steve McQueen with his piercing blue eyes and modest "gotta go save the world" approach, and I didn't miss the black

curl one bit. This Bond makes mistakes during the course of the caper, but they are honest and reasonable mistakes, the kind members of the audience would make and thus can forgive. The torture scene is a bit bizarre and out of place for fans of the film series alone, but fans of the book would have set-

tled for nothing less than that bottomless cane chair. Most importantly, the film is thrilling and captivating from start to finish.

With the end of the Cold War against the Soviets and a war in the Middle East that Hollywood does not want to acknowledge, finding an acceptable bad guy poses a problem for the modern spy flick. Fleming's original story solves this problem nicely, offering a caper that focuses on money laundering and high finance instead of politics. Bond's target (now spelled Le Chiffre) is the banker for a terrorist group that has ordered him to invest its money in a safe, conservative portfolio. Le Chiffre tries to make some extra money on the side by investing the funds in a stock scheme and skimming

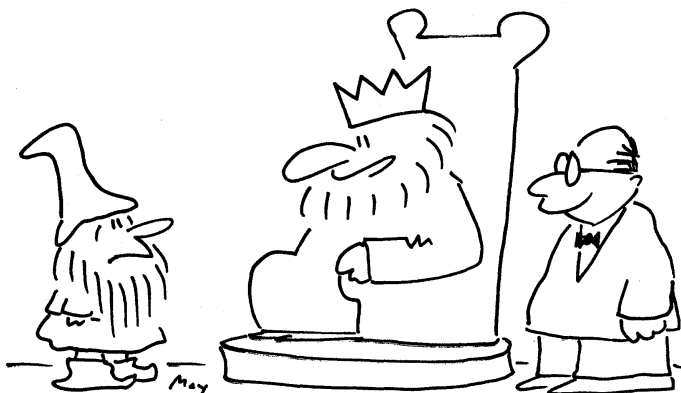
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*This Bond makes mistakes, but they are honest and reasonable mistakes, the kind members of the audience would make.*

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the profits off the top. But when Bond thwarts Le Chiffre's attempt to manipulate the stock market, the banker's only hope is to "follow the example of most other desperate till-robbers and make good the deficit by gambling," as Fleming writes in the original novel. Enter Bond, the cool, steady gambler whose job is to bankrupt Le Chiffre and then leave him for his underworld employers to finish off.

Pierce Brosnan's farewell performance as Bond in "Die Another Day" (2002), with its memorial nod to nearly every icon in the series, signaled a farewell also to the promiscuous, manly Bond of Cubby Broccoli, who produced the first 16 Bond films. I loved the Bond films of the 20th century, but it's time to move forward. And as this film demonstrates, the best way to move forward may be to move back — back to the Bond whom Fleming originally created. □



"Sorry, Rumpelstiltskin, but I'm replacing you with Alan Greenspan."



**"Myths, Lies and Downright Stupidity: Get Out the Shovel — Why Everything You Know Is Wrong," by John Stossel. Hyperion, 2006, 304 pages.**

# Flowcharting Stupidity

Gary Jason

John Stossel, popular speaker and TV reporter (one of the hosts of "20/20" on ABC), has written a new book that libertarians in particular will find entertaining, if not particularly revelatory. Stossel has the distinction of being the only openly libertarian figure on TV. He is also distinguished by having won a phenomenal 19 Emmy awards and being cited five times by the National Press Club for excellence in investigative reporting.

His book debunks dozens of myths of various sorts (many of which he has explored on "20/20"). In the first chapter he examines myths about the news media, such as the outlandish idea that the media present the objective truth. No, reporters are often scientifically illiterate, and often push bogus scare stories. Reviewing these media-driven stories, he challenges the idea that pesticides, food irradiation, and chemical pollution are major sources of disease; that schools are violent and full of teachers who molest kids; that the world is fast running out of oil; that we are drowning in our own garbage; that population growth is a bomb that is going to destroy us. . . . That's a pretty full chapter.

Then Stossel takes up various myths about gender differences. He argues that the EEOC bureaucracy and femi-

nist lawyers are not making America less sexist, just screwing people and enriching themselves. He debunks some other gender-related myths, such as the notions that men and women are basically the same emotionally and cognitively, that women earn less than men for the same work, and that women are worse drivers than men. He takes up the worrisome issue of whether size really matters to women. In a move unlikely to win the support of social conservatives, he claims that women are not hurt by polygamy.

Two chapters are about myths surrounding business. Chapter 3 defends the free enterprise system, making the point (which is obvious to classical liberals, anyway) that most businesses are legitimate, and that government regulation tends to do more harm than good. He addresses the related, bogus beliefs that price controls benefit consumers, that drug companies gouge the public, that a high minimum wage helps workers, that outsourcing costs American jobs, that "sweatshops" are evil, and that the jobs being created today are lousy jobs. Again, none of his ideas is new to classical liberals, but his point that businesses typically fail to support free markets, preferring to get the government to stop competition, is too often forgotten by those who otherwise have a decent grasp of economic reality.

Chapter 3 is nicely balanced by chapter 6, where Stossel reviews a number of consumer cons. He argues that brand-name products are generally no better than generics and that bottled water, expensive coffee, and premium dog food are all a total waste of money. Oh yes, and funeral parlors push overpriced caskets, and diamonds are a racket. Yet he notes that the competition of the marketplace keeps businesses in line — unlike government, which nothing keeps in line, as he shows in several chapters.

Chapter 4 looks at government itself, showing (to nobody's surprise) that it wastes an enormous amount of money, and (perhaps to somebody's surprise) that Republicans are just as pork-prone as Democrats. He discusses some egregious types of waste, such as farm subsidies, public broadcasting, and welfare-state programs (e.g., Medicare and Medicaid programs that subsidize erectile dysfunction drugs). His interview with Fred and Larry Starrh — two "family farmers" growing cotton in California and pocketing millions in tax dollars to do it — is worth the price of the book.

But chapter 5 is probably the best. Here his example of governmental inefficiency is our scandalous public school system. He begins by reminding us how generally ignorant our kids are. At age 10, American kids score in the top ten in international tests, but by age 15 they drop to 25th, out-ranked by poor countries like Poland and Slovakia. He rightly attributes this to government schools, where poorly motivated teachers reward mediocrity rather than excellence, promoting kids through each grade even when they aren't anywhere near grade level

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in proficiency. Stossel refutes a series of educational clichés: public schools are underfunded, teachers need teaching certificates to teach well, Catholic schools succeed only because they won't

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*The fault, dear John, lies not in our representatives, but in ourselves.*

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take problem kids, public school teachers are underpaid, and homeschooled students are poorly adjusted religious nuts. He makes the case for vouchers succinctly and well. Perhaps the gem of the book is his four-page flowchart showing what it takes to fire a New York teacher.

Chapter 7 considers lawsuit abuse. Stossel confesses that when he was a consumer reporter, he relied on personal-injury attorneys for much of his information. He has come to see that he was part of the problem rather than part of the solution. For every person helped by personal-injury attorneys, many are hurt — not only defendants, who are often innocent but are put through living hell, but also the general public. In discussing "defective-product" lawsuits, he uses Bastiat's distinction between the seen and the unseen. The visible benefit of such suits is that they constitute some deterrent to careless behavior on the part of manufac-

turers and service providers (although the result is often merely to make these people move their operations abroad). But there is an invisible cost: beneficial and even life-saving products and services are often delayed or denied because innovation is discouraged. He cites the more egregious cases: the annihilation of the American vaccine industry by trial attorneys, the needless asbestos lawsuits that stopped safer alternatives from being introduced, the silicone-implant lawsuits that killed Dow and plenty of good jobs, and the useful drugs that have been pulled off the market by frightened manufacturers. Stossel argues that the lawyers in this field operate strictly out of self-interest (as if that weren't already self-evident).

The last five chapters cover a mélange of issues. Stossel debunks various claims by *soi disant* experts — people who claim they can cure homosexuality or pick stocks that outperform the market indices over the long term. He argues that chiropractors can't cure diseases, that video games don't cause cancer, and that marriage between cousins is not a genetic disaster. In another chapter he critiques astrology, voodoo, psychic vision, homeopathy, and hypnotism. His skepticism about global warming is worth describing in more detail, if only to avoid the kind of misunderstanding I saw him subjected to at a recent Skeptics Society meeting at which he spoke. Stossel believes that it is established fact that the world is warming (by about 0.6 degrees Celsius over the 20th century), and that this

may well be attributable to human use of fossil fuels, although that is less clear, because half the increase occurred in the first half of the century, while much more fossil fuel was burned in the second half. But he doubts that the global warming will cause floods, dramatic climate shifts, or generally the end of the world, and he scoffs at the Kyoto Treaty. He touches on a point I think worth amplifying: global warming science is both heavily funded and highly politicized — a prescription for junk science. Basically, the government guarantees confirmation bias: those who find evidence of human-caused and ecologically disastrous warming are rewarded by more grants; those who don't find such evidence (or worse, find contrary evidence) get punished.

Stossel lampoons a number of health-related myths: being exposed to the cold causes colds; margarine is better than butter; eating at home is safer than eating out; chocolate is bad for you; reading in poor light is harmful to your eyesight; and a number of others. In a chapter on myths of parenting, his points are sometimes obvious, sometimes surprising. His research leads him to say that corporal punishment is more harmful than helpful, that children should be taught to think rather than blindly obey, that having kids often puts a strain on marriage, that boys and girls should not be raised identically, and that teens still need their parents.

Once more, in his chapter regarding happiness, some things that he says are more arresting than others: money doesn't buy long-term happiness, happiness is in part genetic, religious people are happier than nonreligious people, personal relationships and fulfilling work foster happiness, and the young are happier than the old. He makes a point I think libertarians ought to dwell on: research shows that feelings of power, of being in control, are important to happiness. This has enormous social implications, only a couple of which he notes: workplaces that allow employees some say in the operations of the company are apt to have happier employees; giving children more choices tends to make them happier; self-anointed minority leaders who work to convince people that they are "victims" are in fact working to make those people unhappy (even

### ***Calling All Economists!***

Amidst Milton Friedman's notable achievements was a glaring failure. The great empiricist could never explain how you observed the Invisible Hand.

His disparagement of the apriorist, Mises, was as though the kayoed Schmeling had belittled Louis. Max, have you seen the film; Milton, have you read *Human Action*? I hate to tell you this, but you were slaughtered.

The dispute between them was not simply whether economics was an apriori or empirical but amateur or professional science. For without empirical data, there was nothing to calculate, and no mathematical, "technical" barrier to outsiders, no closed shop and profession of economics. It was still the simple, wide-open science of its amateur founders and pioneers. And since a field open to everyone was closed to specialists, all that was open to them in economics was bastardization of it, anti-economics in the name of economics.

"All professions conspire against humanity," and all professional economists against economics. For the Invisible Hand, and always and ineluctably amateur science of economics, see *Intellectually Incorrect* at [intinc.org](http://intinc.org).

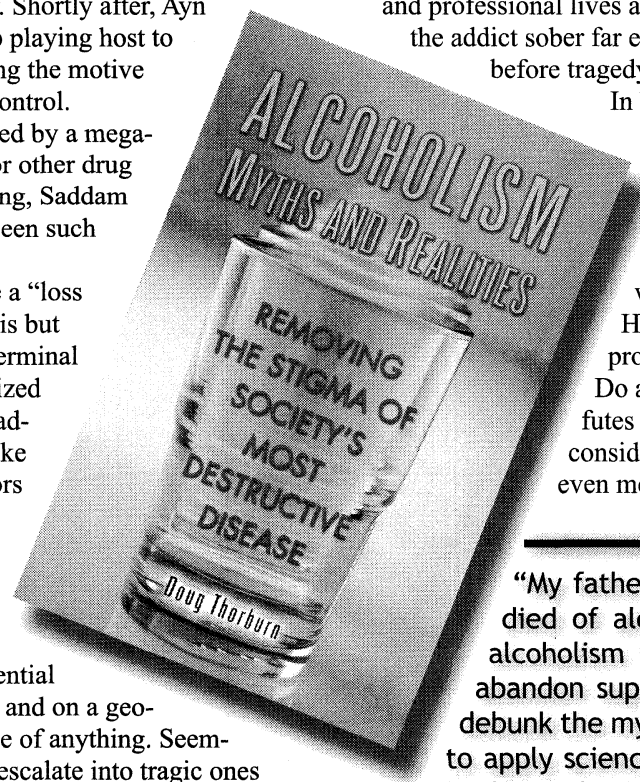
# Why do the worst get to the top?

In 1947, Friedrich von Hayek posed this question. While he explained the economics, he omitted the psychology of those driven to abuse power. Shortly after, Ayn Rand suggested that producers stop playing host to parasites, but also missed identifying the motive force behind the parasitic need to control.

The psychology can be explained by a megalomania usually rooted in alcohol or other drug addiction. Stalin, Hitler, Mao Zedong, Saddam Hussein and Kim Jong Il have all been such addicts. Coincidence? Hardly.

Most consider alcoholism to be a "loss of control over drinking." Yet, this is but one symptom of the disease in its terminal stages. The early stage is characterized by a differential brain chemistry leading the afflicted to develop a god-like sense of self. Resulting misbehaviors include unethical or criminal conduct, ranging from the relatively innocuous (verbal abuse and serial adultery) to the extraordinarily destructive (mass murder).

Understanding addiction is essential for our well-being, both personally and on a geopolitical scale. The addict is capable of anything. Seemingly innocuous misbehaviors can escalate into tragic ones



when addiction is allowed to run unchecked. Early identification can help minimize the effect it has on our personal and professional lives and, with the right treatment, may get the addict sober far earlier than is common — maybe even before tragedy strikes.

In his latest book, *Alcoholism Myths and Realities: Removing the Stigma of Society's Most Destructive Disease*, libertarian author and addiction expert Doug Thorburn enumerates and dispels more than 100 widespread myths about addiction. He answers questions such as: Does proper parenting prevent alcoholism? Do alcoholics lack willpower? Doug refutes a myriad of addiction-related falsities considered true by the general public and even medical professionals.

"My father died of alcoholism. His father died of alcoholism. Three generations of alcoholism is enough. Now is the time to abandon superstition and pseudoscience, to debunk the myths surrounding alcoholism, and to apply science to solving this problem. Doug Thorburn's book is a model example of how this should be done. Read it and be prepared to change your thinking on this important topic. When enough of us understand what is really going on with alcoholism, society can make the shift from treatment to prevention and early intervention."

— Michael Shermer, publisher of *Skeptic magazine*, monthly columnist for *Scientific American*, and author of *Why People Believe Weird Things*

"Every policymaker in America needs to read your book exposing the myths of chemical addiction.... Hopefully, your book will help educate those who write the laws so we, as a nation, can do what works — prevention and treatment! ... Excellent book."

— Congressman Jim Ramstad (MN), Member, Ways and Means Committee and Health Subcommittee

**Special offer** — Get Doug's new book, *Alcoholism Myths and Realities*, along with:

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if they do get welfare and affirmative action); and people in free societies are apt to be happier.

Stossel doesn't explain why this is so. May I suggest that we start with the theory of cognitive dissonance, which is pretty well confirmed after 60 years of research? Simply put, it holds that we

are all made uncomfortable by inconsistencies in action and belief. When we are forced in any way to do things at variance with our beliefs or goals, this is by nature psychologically unpleasant. But I will return to what I consider the loose ends of Stossel's book. He finishes it by taking pains to notice that he

is a libertarian, not one of those yucky conservatives he is too often accused of being — thus recalling Hayek's classic essay, "Why I Am Not a Conservative." He does note that conservatives have been far more willing to discuss his ideas than liberals, though he doesn't seem to know why.

# Filmnotes

by Jo Ann Skousen

**No grassy knoll in Morocco** — The story of Babel appears in the Bible right after the story of Noah and the flood. Years have passed since the deluge, and the earth is repopulated. Remembering the flood, the people decide to "build a city and a tower, whose top may reach unto heaven," a tower that could, perhaps, protect them from a future flood. God, seeing their plan, decides to "confound their language, that they may not understand one another's language," and the people are then scattered across the face of the earth, presumably grouping themselves by language.

I admit I've been a bit troubled by this story. Shouldn't God's goal be to encourage our communication with each other, rather than thwart it? Wouldn't war and mistrust be less prevalent if we all understood each other better? Alejandro Gonzalez Inarritu ("21 Grams," "Amores Perros") explores some of these same questions in his film "Babel" (Paramount Classics, 2006, 142 minutes).

Two young Moroccan brothers deal with the boredom of herding goats by seeing how far their rifle can shoot, unintentionally beginning a chain of events that reaches around the world, with three interlocking stories that affect several families. Filmed on location in Morocco, Mexico, and Japan, and presented in at least six languages with subtitles,

"Babel" will probably win an Oscar for Best Foreign Film come March.

Like last year's Best Picture, "Crash," "Babel" is almost preachy in its exploration of human interconnectedness and the limitation of language as a form of communication, but it delivers its message with powerful, raw emotion. The music in all three sections is particularly evocative.

The film has its flaws, however, especially in the Japanese section, in which nudity is used as a metaphor for alienation and yearning. Inarritu wants to demonstrate the role of vulnerability and self-exposure in true communication, but I think he goes too far. There is also a major mistake in the trajectory of a bullet fired at a woman — the woman is leaning against a window on the left side of the bus, but the boys shoot from a hillside high above the road on the right. For at least an hour I waited for a second gunman to appear and save the day, but it was just a director's mistake. There is no grassy knoll in Morocco.

As the stories unfold, Inarritu makes it clear that language is not the only way, nor is it the best way, to communicate. A group of deaf friends communicate with their hands; streetwalkers communicate with their clothing and their strut; teenagers communicate through music; an angry woman communicates with an upraised middle finger;

a distraught husband communicates his despair by cursing; a man tries to communicate his gratitude by giving someone all his money, while the would-be recipient communicates just as much by his refusal to accept it. A couple unable to talk because of their grief for a lost child communicate through the tenderness of holding hands; a brother communicates his love through sacrifice.

In short, the film demonstrates the inadequacy of language to convey our deepest emotions, and the need to communicate through touch and shared feeling. Perhaps that's the message of the original Babel as well — one can't reach God by building a tower. If God is love, then one can only find God through shared emotion, spiritual connection, open vulnerability, and true understanding.

**Time after time** — I'm a sucker for time travel movies and government intrusion movies. My favorites in each genre are "Frequency" (2000, Dennis Quaid and Jim Caviezel) and "Enemy of the State" (1998, Will Smith and Gene Hackman). "Déjà Vu" (directed by Tony Scott; Touchstone Pictures, 2006, 128 minutes) combines both of these genres in a tightly written, crisply directed, and well-acted film starring Denzel Washington and, again, Jim Caviezel.

The film opens as a New Orleans ferry boat explodes, killing hundreds of passengers, including school children on field trips, sailors on leave, and families on outings. Washington plays the government investigator called in to figure out who did it. The government has discovered a new surveillance technique that allows them to create a streaming video of the past by synthesizing all the satellite images and surveillance

This is one appearance of what I see as the book's major problem: its lack of depth. While Stossel supports some claims with good evidence, others seem to be mere *obiter dicta*. One example: he might have cited more of the scholarly work that backs up his claim that men and women are quite different emotion-

ally and cognitively — the work, among others, of Doreen Kimura. He might at least have recommended Anne and Bill Moir's recent survey "Why Men Don't Iron: The Fascinating and Unalterable Differences Between Men and Women." Another example: he alludes to the fact that Title IX has had a bad effect on

men's sports; but if you read Jessica Gavora's recent masterly book "Tilting the Playing Field: Schools, Sports, Sex and Title IX," you get a much more substantial exploration of the same point. A third example: he might have looked at evidence of the success of vouchers, by considering, say, Sweden's surprising adoption of the voucher system, which has turned out rather well (see "Lessons from Sweden," *Reflections*, January).

Lack of depth is especially disappointing when Stossel floats some of his more striking social proposals. Consider legalizing polygamy — to be clear, not just allowing men to have relations with numerous women simultaneously and sire offspring by the dozens, which is already legal and common in inner cities across the nation, but sanctioning this officially. Stossel quotes a few wives of polygamists who say they are happy (though he doesn't interview the underage women who are forced into such arrangements). But this is pretty meager evidence to justify a major change in marriage law. Where are the extensive studies of the children of polygamous unions that demonstrate that there is little psychological cost to them? Where are the cross-cultural studies exploring the effect of polygamy on society as a whole? If Sheik Yerbouti marries 500 women, perforce 499 men will have no chance at those stable unions that Stossel himself says conduce to happiness. Repeating the mantra "The state has no right to dictate morality" is a feeble justification, because we are talking here of a state-sanctioned institution, not merely a matter of private morals.

Another sign of shallowness is the inappropriately balanced coverage of topics. Stossel devotes as much time to proving the trivial claim that chocolate isn't harmful as he does to the important fact that control over your life is crucial to happiness. More broadly, he might have inquired into the causes of some of the phenomena he discusses, and some possible remedies for them. Think about the never-ending problem of pork-barrel spending. Stossel might have talked just a bit about public choice theory, which gives some economic explanation for the behavior of both Republicans and Democrats in this realm. The theory explains that politicians naturally vote their self-interest: they know that pork-barrel projects

tapes taken in an area. The catch: they have to decide ahead of time where to look, because the technique can be focused only on one spot at a time, and once that moment is passed, they can't go back and look again. Since they don't know exactly where the bomber was in the days and hours leading up to the attack, Washington must figure out where to look.

In the process Washington becomes infatuated with a woman who was probably killed by the bomber before the ferry blew up. While watching her movements in the days leading up to the attack in hopes of seeing her attacker, he begins to hope there is a way to change the past and save her. The resulting story is fast-paced, suspenseful, and has enough surprises that even when you think you know what is going to happen, you still feel deliciously off balance.

### **Pathetic characters —**

This is another film with a promising premise: what if an author's characters are truly alive somewhere in an alternate universe? I teach my students to talk about literature in the present tense because, as I tell them, "those characters are always inside the story, always performing this very act." Othello is always suffocating Desdemona; Rhett is always telling Scarlet he doesn't give a damn; Lassie is always coming home. What if those characters could actually communicate with their authors?

In "Stranger Than Fiction" (Sony Pictures, 2006, 113 minutes) we follow an author's protagonist (Will Ferrell) who has begun hearing his author as she narrates his story. It's a delightful idea, with all kinds of possibilities. Who is really in charge? Will the character begin to take control of

the story, moving and acting in ways that surprise even the author? Most novelists will tell you that this actually happens while they are writing. Will the two fight over how he gets the girl, explore different scenarios, argue about the ending?

Sadly, none of this occurs. The film plods along, its action as sterile as the oddly sterile background of the film. I kept trying to imagine what it might have been like with tighter editing to close up the dead spaces, with a more expressive actor than Will Ferrell so I would actually care that the author was trying to kill him, and with better direction. Dustin Hoffman, one of my favorite actors, is forced to be absolutely disgusting throughout the film, eating open-mouthed, peeing during conversation, and wandering around his office barefoot. (Oh, wait, I'm barefoot right now. Maybe that's not so disgusting.) Queen Latifah also plays against type with an overly subdued portrayal of the assistant sent by the publisher to help the author get through her writer's block. Latifah seems almost to be on Valium as she uncharacteristically sleepwalks through the role. Emma Thompson plays the psychologically fragile author brilliantly, but she isn't able to save the film.

I went to this movie with high hopes, expecting a script as wonderful as Thompson's Oscar-winning adaptation of "Sense and Sensibility." But alas, Thompson is not the author here; she just plays one in the movie. Director Marc Forster was magical in "Finding Neverland" (2004), but "Stranger Than Fiction" simply never lands. Perhaps the producers should find a way to meet up with Denzel Washington's character in "Déjà Vu" and start over with a new director and a new script.

(i.e., projects perceived as beneficial to the district, while the costs are borne by the rest of the country) are politically popular and buy them votes. So, pace Stossel, even if we vote in Libertarians, they will likely provide pork for their districts out of the same self-interest. The fault, dear John, lies not in our representatives, but in ourselves.

Then Stossel might have looked at a few of the suggested ways to control pork-barrel spending. The president recently signed a law setting up a publicly accessible database of a trillion(!) dollars in federal grants, loans, and contracts, a database that will allow scrutiny of the ways in which some of these programs have originated. The law could — and should — be extended to cover the congressmen and senators who “earmark” spending projects (Rep. Boehner has gotten a modest start on that). More radically, as I have suggested elsewhere, we could put all major spending programs on a system like the one that handles military base closings. Instead of letting Congress directly draw up the list of specific projects in the yearly transportation bill (for instance), we could require that it stipulate only the total spending figure, leaving an independent commission of people not up for election to make the actual list of projects and submit it to Congress and the president to accept or reject as a whole — no additions allowed.

To introduce another example: Stossel might have brought in the concept of rent-seeking to explain why trial-attorney lobbyists continue to make suing people so easy. As a solu-

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*His interview with “family farmers” growing cotton in California, and pocketing millions in tax dollars to do it, is worth the price of the book.*

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tion to the problem he might have explored “loser-pay” systems, under which people who lose a lawsuit have to pay the legal expenses of the other

side. This is in fact the predominant tort system around the world.

All this having been said, “Myths, Lies and Downright Stupidity” is a good book. It is full of sound, practical think-

ing, and it is written with humor and panache. It offers a nice survey of libertarian attitudes toward specific problems, and it would make an especially suitable gift for college-age students. □

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**“Depression, War, and Cold War: Studies in Political Economy,” by Robert Higgs. Oxford University Press, 2006, 221 pages.**

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# Governing on Margin

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Bruce Ramsey

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In 1997 Robert Higgs of the Independent Institute published a notable essay in *The Independent Review* called “Regime Uncertainty: Why the Great Depression Lasted So Long and Why Prosperity Resumed After the War.” In it, Higgs argued that the 1930s depression lasted so long because investors were spooked by the New Deal. That paper, updated, is the anchor essay in this new book.

The dominant view, which is that Franklin Roosevelt saved capitalism, argues that the Depression lasted so long because there wasn’t enough of the New Deal. It asserts that Roosevelt didn’t tax, borrow, spend, and regulate boldly enough until World War II — the implication being that if he had done less of these things, business would have been in a complete coma.

The opposite view — Higgs’ view — is seldom heard today but was common at the time. In 1935, Garet Garrett wrote in the *Saturday Evening Post*, “Wealth is looking for holes in which to hide itself; it is running to and fro in the world, seeking places of asylum, and willing to pay for them.” Many businessmen *hated* the New Deal and felt, accurately, that the New Deal

resented them. (Read FDR’s 1936 State of the Union address.) Many felt they were under a government that was leading them toward the same sort of society that existed in Germany, Italy, or Russia. And in the 1930s, spokesmen for business blamed the economic slack on a “lack of confidence.”

“Confidence” is a businessman’s word, and the social scientists, with their fetish for measurable quantities, have had little use for it. Higgs has recast lack of confidence as “regime uncertainty,” meaning a fear that America was sliding toward the kind of rule that would not protect property and contractual rights.

In defense of this thesis, he might have searched the letters and memoirs of businessmen to see how these views affected their investment decisions. Take, for example, the two most important businesses in my state in the 1930s: the Weyerhaeuser Company and the Boeing Company. Roosevelt’s government jumped on Boeing, which had bought United Airlines, and forced a divestiture. Congress, controlled by New Dealers, interrogated founder and CEO William Boeing, a kind of Randian figure who quit his job and retired early from the world of business. At the time (the mid-1930s) Boeing had also been



upstaged by Douglas Aircraft's DC-3; the company shrank down to almost nothing until World War II.

At Weyerhaeuser, the board of directors faced a decision about whether to pay property taxes on logged-over company land or let county governments seize it. It appeared to be cheaper to let

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*Many New Deal era businessmen felt the government was leading them toward the sort of society that existed in Germany, Italy, or Russia.*

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them seize it. To keep the land was to bet that 50 to 75 years hence the timber harvest would pay for the cost of holding and managing the property, and it didn't pencil out. Growing timber had never been a paying proposition. Add to this the antibusiness push from the Roosevelt administration — CEO Phil Weyerhaeuser detested FDR — and the push from the New Dealers toward state forestry. Phil Weyerhaeuser decided that if private forestry were to survive at all, someone would have to make a leap of faith. In 1936 he made a historic decision to pay the taxes on 200,000 acres of the company's better-quality land and keep it. In 1941 the company planted America's first tree farm. Weyerhaeuser's decision was done in fear of the New Deal, and also in the belief and hope that the New Deal would not last forever.

There must be many stories like this, and one could write a book about them. But they are anecdotal, and economists don't do anecdotes, they do data. Higgs has attempted to gauge confidence from such data as exist. The result is short of proof, and it does not rule out other, complementary explanations, but it is intriguing.

His first data are from polls. For example, in May 1939 *Fortune* asked business executives to choose between two statements: "(1) The policies of the administration have so affected the confidence of businessmen that recovery has seriously been held back.

(2) Businessmen generally have been unjustly blaming the administration for their troubles." With the first statement, 65% agreed; with the second, 26%.

There are a number of other polls that support this one, and there is no doubt that people in business believed in the statement that the majority chose. Particularly intriguing is the *Fortune* poll taken just days before the attack on Pearl Harbor. Executives were given four statements about the economic

system in America after the war. Only 7% said that America would have "a system of free enterprise restored very much along the prewar lines." Thirty-seven percent said it would become "a semi-socialized society in which there will be very little room for the profit system to operate."

In my view, such beliefs as this do affect investment, production, and jobs. But we have gone from anecdotes about what people said to data about

## Notes on Contributors

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what people said, which is still not quite science. Higgs moves on to "evidence from financial markets," making a case from the structure of interest rates. From 1935 to 1941, a large gap

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*What Higgs really shows is that the war economy was state-directed and fed on state investments, and was not comparable to a civilian economy.*

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opened between long-term and short-term interest rates. Higgs argues that this happened because the New Deal destroyed investors' confidence in the long-term safety of their investments.

One thing that happened which Higgs does not stress was FDR's repudiation of gold clauses in bonds, an action approved by the Supreme Court at the beginning of this interest-rate gap. The regime protecting long-term bonds was fundamentally changed from gold to fiat money, and it would be no surprise to see uncertainty reflected in bond prices.

No doubt there is truth here, but also an inconvenient fact: the gap that Higgs makes so much of was mainly created by a drop in short-term rates, not a rise in long-term rates. And such a drop, creating a steep yield curve, is normal during the recovery from a slump. In George W. Bush's first term, interest rates fell to 0.8% on some money-market funds, and the yield curve looked much like the one in the mid-1930s. But there was no regime uncertainty.

That does not falsify Higgs's theory. I think the theory does explain part of the story of the 1930s — but I am a journalist, and what I think validates the theory is the anecdotal evidence.

This could all be a piece of a larger theory. I read a paper several years ago by economists Harold Cole and Lee Ohanian: "The Great Depression in the United States from a Neoclassical Perspective" (Quarterly Review, Minneapolis Fed, Winter 1999). That paper used a series of data to argue that the reason why the Depression lingered

was that wages were pushed up too high. It is an interesting case, and it makes just as much sense as Higgs's. Nor do the two explanations contradict: the sit-down strikes of 1937 created above-market wages and regime uncertainty, and neither was good for the confidence of investors.

The second essay of particular interest in this book is, "Wartime Prosperity? A Reassessment of the U.S. Economy in the 1940s." Here Higgs takes issue with the dominant view that World War II pulled the United States out of the Depression. I think it's clear that the war *did* pull the United States out of the Depression, in the sense that it ran the economic machinery all-out and put everyone to work (though many of them in the military). What Higgs really shows is that the war economy was state-directed and fed on state investments, and was not comparable to a civilian economy. It was not a normal economy with a bigger dose of New Dealism, thereby validating deficit financing. It was a forced economy and provides little guidance for normal times.

Higgs makes the further point that virtually all the added production during the war went to the government, and that the statistics that show an increased standard of living are wrong. Some groups, particularly southern blacks, increased their standard of living by moving from sharecropping to industrial work, but others moved from industrial work to a life in uniform. The figures that show a general increase are wrong because they are measuring in dollars: dollars existing in a price-controlled, goods-rationed world in which unspent cash piled up in war bonds.

Higgs argues that the real recovery of the private economy came from mid-1945 to mid-1947. Most of the controls came off then. Roosevelt had died in April 1945, and was replaced by a safer man, Harry Truman. Then, in November 1946, the Republicans took the House and Senate. The New Deal was definitely over, and "regime uncertainty" faded away.

There are other essays in this book, including one on wartime socialization of investment and one on the return to a private economy from 1945 to 1947. But these are the two that define this as a pathbreaking book. □

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## Crickhowell, Wales

Crackdown on misleading product information, from the *Guardian*:

A spicy sausage known as the Welsh Dragon will have to be renamed after trading standards' officers warned manufacturers that they could face prosecution because it does not contain dragon.

The sausages will now have to be labeled Welsh Dragon Pork Sausages to avoid any confusion among customers.

## Denver

The Good Samaritan absconds again, reports the *Denver Post*:

After Stanley Yaffe put a quarter in a stranger's expired parking meter, a Denver "vehicle control agent" (VCA) told him, "I could have you arrested. You are interfering with the collection of city revenue. I could call the police right now." Yaffe managed to leave without a fine.

City Attorney Cole Finegan could find no crime described as "interfering in the collection of city revenue" in the municipal code, and Denver mayor John Hickenlooper starred in a campaign commercial in which he fed an expired meter as an actor playing a VCA started to write a ticket.

## Wauke, Iowa

Evidence of a generous retirement package, provided by the *Des Moines Register*:

An intoxicated school bus driver for Dallas Center-Grimes High School allegedly ran a stop sign and almost hit another vehicle while driving the high school girls' volleyball team from a tournament in Wauke. The driver, Michael Rolow, had a blood-alcohol level more than twice the legal limit, and a bottle of Hawkeye Vodka was found on the bus under the driver's seat. Police said Rolow was not driving when they arrived on the scene, so a drunken driving charge was not filed.

Rolow was chief of the Windsor Heights Police Department before retiring in 2002 after 23 years of service.

## Pyongyang, North Korea

Anarchy in the DPRK, from the Seoul division of Agence France-Presse:

A pro-North Korean organization says it is inviting American and other Western musicians to perform at an unprecedented rock concert next May in Pyongyang — as long as they avoid sexy or violent lyrics.

Songs should not contain "admiration for war, sex, violence, murder, drug, rape, non-governmental society, imperialism, colonialism, racism and anti-socialism," organiser Voice of Korea said in a statement on its website. "We welcome every musician as long as they are purely music-based without political intentions."

## Berlin

Holiday shopping in the shadow of the Reichstag, from the Reuters wire:

A German chain of shops has removed miniature wooden Santa Claus figures from its shelves and destroyed them after customers complained it looked like they were giving the stiff-armed Hitler salute that is outlawed. The figures depicted Father Christmas with his right arm stiffly upright toward the sky and holding a sack in his left hand.

## London

Breakthrough in hazmat cleanup, from the *London Times*:

Madonna has been lobbying the government and nuclear industry over a scheme to clean up radioactive waste with a magic Kabbalah fluid. The Kabbalah Center, which is based in California, believes water is a uniquely important substance that can be given magic healing powers through "meditations and the consciousness of sharing."

"According to science we aren't going to have a planet in about 50 years at the rate we're going with nuclear waste,"

Madonna has said. "I can write the greatest songs and make the most fabulous films and be a fashion icon and conquer the world, but if there isn't a world to conquer, what's the point?"

## Patna, India

Novel form of castration anxiety, described in *The Times of India*:

In India's largely informal cash economy the job of tax collection has always been a struggle. But the city of Patna, in the country's poorest state of Bihar, has devised a formula that may just work: public humiliation.

Castrated men, hermaphrodites, and transsexuals, caked in cheap make-up and wearing garish saris, are being paid to stand outside the homes and shops of repeat offenders and loudly sing ditties such as "Your reputation will be tarnished, fame would be malice, if you do not pay your tax your house would be auctioned."

"Most civilized defaulters are ashamed to find eunuchs at their doorstep with drums and other musical instruments to collect tax," said an officer for the Patna Municipal Corporation, who did not want to be named.

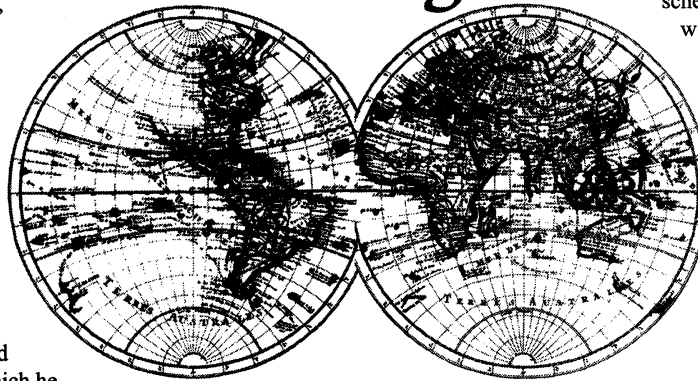
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Special thanks to Russell Garrard and David Zmuda for contributions to Terra Incognita.

(Readers are invited to forward news clippings or other items for publication in Terra Incognita, or email to [terraincognita@libertyunbound.com](mailto:terraincognita@libertyunbound.com).)

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- **Marshall Langer**, foremost international tax attorney: "Yes, You Can Still Live and Invest Abroad Tax Free."
- **Michael Denton**, M. D., microbiologist, University of Otago: "Evolution, Yes; Darwin, No!"
- **Lanny Ebenstein**, philosopher: "History's Most Dangerous Philosopher: Karl (but Not Marx)."
- **Nelson Hulberg**, America for a Free Republic: "How Ayn Rand and Murray Rothbard Took Liberty Down the Wrong Road."
- **Brian Doherty**, *Reason* Magazine: "Radicals for Capitalism: A Freewheeling History of the Modern American Libertarian Movement."

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