

Liberty

June 2006

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What Is
“V”
Really For?

Winning the Battle for Freedom

by John Mackey

They're *Still* Coming for Your Land

by Timothy Sandefur

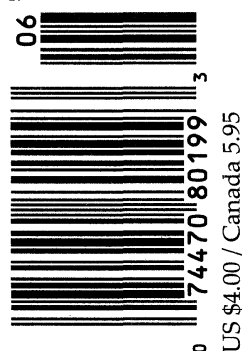
The End of Welfare?

by Lanny Ebenstein

The War on Drugs Turns 100

by Dale Gieringer

Also: *Richard Timberlake* pinpoints the cause of the Great Depression, *Lance Lamberton* tracks the Confederacy's course after victory at Gettysburg, *Bruce Ramsey* takes turns with a bookworm . . . plus other articles, reviews & humor.



"Liberty is always unfinished business." — Anonymous

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

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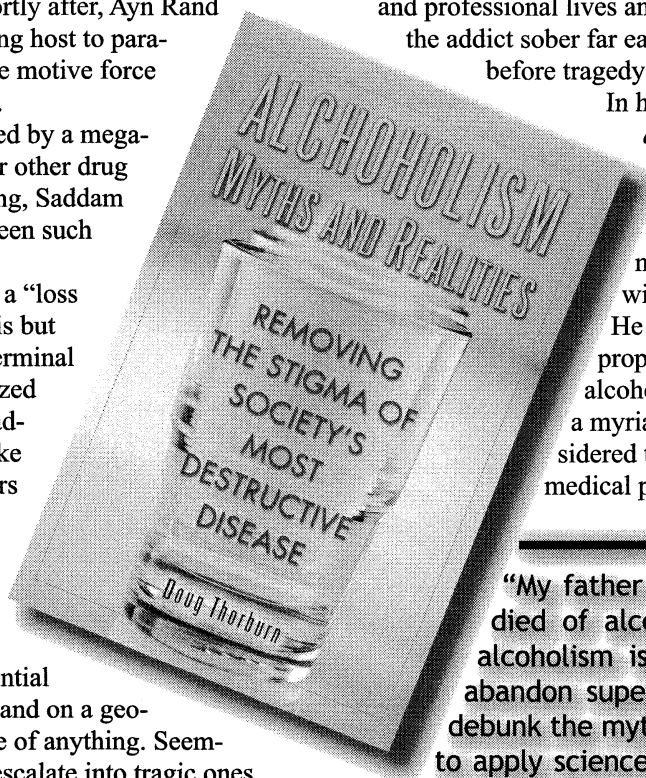
when addiction is allowed to run unchecked. Early identification can help minimize the effect it has on our personal and professional lives and, with the right treatment, may get the addict sober far earlier than is common — maybe even before tragedy strikes.

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 *Skeptical magazine*, monthly columnist for *Scientific American*, and author of *Why People Believe Weird Things*



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Inside Liberty

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Letters

The Call to Inaction

What Robert Higgs writes about the terrible consequences of war, both the foreseen and the unforeseen ("America Won, Americans Lost," April), is unfortunately all too true. Moreover, these consequences often destroy the lives and fortunes of both sides, the victors and the vanquished alike: the net benefit to the "victor" is zero, in spite of battles won. I do not know whether Higgs would be considered a "complete pacifist," but he provides no examples of wars that benefit the combatants. It would seem that his watchword in all cases would be "Don't enter the fray."

Yet there are occasions when the wisdom of this implicit motto is far from evident. At the end of World War II, most of Europe lay economically prostrate, yet many would claim that "the war was worth fighting," and that the defeat of the Nazis, even at this enormous cost, was worth accomplishing. This was perfectly obvious in the case of European Jewry, but evident also to millions of others who would have suffered intensely from a Nazi victory, or been extinguished entirely: the end doesn't always justify the means, but sometimes it does. Are we really to conclude that when attacked by the Nazis, the French should have surrendered without a whimper? Does war always produce more harm than good — even when among its consequences are the abolition of slavery or the restoration of a free society on the ashes of totalitarianism?

Let us assume that A is a powerful nation whose leaders, and the majority of its citizens as well, are only too happy to attack and conquer nation B, which is not warlike but is smaller and weaker than nation A. In time, B

becomes A's reluctant ally, accepting the "realistic prospect" of together vanquishing nation C, which then in turn is defeated by the A-B coalition. Before long the combined A-B-C forces are virtually invulnerable.

"But such coalitions do not endure." Perhaps, but such combinations of forces have sometimes endured for generations. The Mongols came near to conquering both Asia and Europe, and were only defeated in the end by a "small historical accident." When such an opportunity arises to grasp victory from the jaws of defeat, are we still supposed to chant the same refrain, "No: the consequences are too horrible — don't try anything"? Stalin wouldn't have minded if all Russians, indeed all Europeans, had accepted that same call to action, or inaction.

John Hospers
Los Angeles, Calif.

Doing What They Know

I commend Randal O'Toole for his ingenious ideas for rejuvenating Amtrak ("Can Trains Be Saved?", April). If the changes he recommends had been adopted in 1971, we would have a small but well-functioning and admired passenger train system.

O'Toole errs, however, in his statement that Amtrak "is truly a failure." Yes, it is by his (and my) standards, but not by the standards of the world in which Amtrak operates. This is not the world of American consumers but of American politicians and labor unions. These two groups have effective control of Amtrak, without the accountability that owners have. No one in this world is failing. The government's continuing infusion of funds keeps the trains running as the politicians heroically "save" Amtrak while the employees retain their jobs.

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Eliminate Amtrak and we would probably see a private, small-scale passenger train system emerge — one that would satisfy rather than frustrate its customers. But the people who are preventing this from happening are content with things as they are. For them, Amtrak is a success.

Jane S. Shaw
Bozeman, Mont.

On War

Stephen Cox has written a thought-provoking piece ("Wins, Losses, and Libertarian Ideas," April) on wars and the implications for libertarians. There were nevertheless a few arguments that did not resonate with me.

1) "Wins and losses are not just material; they are psychological as well." While this assertion seems correct, if the implication is that the potential for psychological benefits should (all other things being equal) cause the citizen to be more supportive of a proposed war, I would heartily disagree. Certainly many a Roman spectator at the Coliseum derived enjoyment and satisfaction from the carnage that took place there, though this would hardly justify those "games." As noted later, morality must (at least normally) trump potential gain.

2) "Human values cannot be quantified." Surely it is impossible for a government to aggregate the (projected) costs and benefits to rationally evaluate a potential war. This problem could be mitigated, though not eliminated, by requiring war supporters to finance and fight the war, since they must at least subjectively consider the venture to be worthwhile. Even so, this arrangement would not justify a war of aggression.

3) "Moral analysis must be distinguished from practical analysis." The fact that Cox is not prepared to return California to Mexico does not mean that morality needs to be set aside, only that the passage of time sometimes makes it difficult or impossible to right certain wrongs. Sometimes the best we can do is learn from past mistakes and avoid repeating them in the future. But it is always possible to take moral actions today, as best as we can determine them.

4) "Human choices commonly have unforeseen and unintended con-

sequences." On its face, this seems undeniable. Perhaps a drunk driver has a catastrophic car accident and goes on to have a much greater appreciation for life and even finds a new mission for what to do with his life. Nevertheless, no one would ever argue that we should encourage drunk driving because of its potential for life-affirming consequences. And while there is admittedly the potential for unexpected benefits to arise from a war, an honest assessment of the past would suggest that, generally speaking, government interventions of all kinds tend to turn out worse than their promoters would have you believe, not better.

D. Saul Weiner
New York, N.Y.

Piggybacking Vouchers

Lanny Ebenstein ("Rethinking Vouchers," May), apparently without embarrassment, uses the phrase "government would provide." Quite the concept for advancing freedom and personal responsibility, eh?

He makes pretty impressive claims for vouchers, given that the gist of his article is that they haven't been tried yet. Vouchers have supposedly encouraged reform — in an institution that has been reforming itself ever since the days of Horace Mann, and getting worse as a result.

Ebenstein now wants to piggyback vouchers on other reform efforts such as the one for a lengthened school year (now *there's* an advance in freedom for you). Apparently people don't care for vouchers straight up, so Ebenstein proposes to slip them in on the sly.

In the same issue, Michael Christian notes (in "The End of Soviet Poland") that "foreign aid that came to the East Bloc from capitalist countries, mostly the United States [the purported opponent of communism], helped sustain communism." Vouchers are the "foreign aid" of education, alleged to break union influence and improve children's learning, but really serving to prop up a tottering bureaucratic empire and damage its competitors.

Sixty-five years ago, at this season, libertarian philosopher Isabel Paterson wrote in her column in the New York Herald Tribune, "Last week we were startled to see the word liberty in a new novel. And it was spring again." Where there is liberty, it is always spring. I hope it is spring where you live.

This issue of Liberty offers a variety of articles and reviews on the history, culture, and current prospects of individual freedom — with reflections from our editors and contributors, who vigorously exercise their own freedom of speech.

And we have decided to bring up a topic that must have occurred to everyone who values a free society and a free economy: why aren't more capitalists outspoken advocates of the capitalist system?

I don't know. Maybe they're just not as cultured and intellectually curious as John Mackey, founder and CEO of Whole Foods. We're delighted to have John with us this issue, telling the story of himself, of Whole Foods, and of the libertarian movement. And he has some suggestions about what libertarians should do to attract more people to our side.

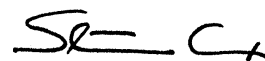
Now, any suggestion worth making is sure to infuriate somebody, and there's

no doubt that John's ideas will get him in trouble with a lot of libertarians. I'm not sure that I like all his ideas, myself. No matter; John can stand the controversy. So can we. If we couldn't, why would we be libertarians, in the first place?

But, speaking of Isabel Paterson, you'll notice that toward the end of this issue, Bruce Ramsey reviews the biography I wrote of her; and I want to tell you something about his review. It was commissioned by Liberty's founder, Bill Bradford, about a year before his death. Bruce immediately wrote the review, but Bill wanted to write his own comments on Paterson, and make it a double review. I know he was going to express both agreement and disagreement with her ideas; and I know that his essay would have been a lot of fun to read. Sadly, during his last months, he was just too sick to write it. But because he didn't want Bruce's work (which is always excellent) to go to waste, we're publishing it now. I've never read it. I hope it's favorable.

In any event, it's spring!

For Liberty,



Stephen Cox
Editor

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The only reform that is worth a damn is pulling one's own kids out of the government schools.

Paul Bonneau
Hillsboro, Ore.

Ebenstein responds: I appreciate Paul Bonneau's sentiments, but cannot agree with them. Public schools will, for another generation, educate most children. Accordingly, individuals who are concerned with school reform must perforce be concerned with the reform of public education.

Voucher advocates have heretofore most often taken the position that the only thing that will improve schools is the availability of vouchers. I don't take this position, and, as I point out in my article, this approach has resulted in the defeat of proposals at the polls, usually by two-to-one margins.

With respect to use of the phrase "government would provide," this is entirely appropriate in a libertarian publication. Libertarians do not believe in the absence of government (that's anarchism), but in government with a small, strictly defined role.

More Thorn than Rose

Lanny Ebenstein's comments on the future course of our economy (Reflections, May) are optimistic. We are three years into a debt-fueled recovery following the smash-up of the speculative mania of the late 1990s. As a result of the mountain of new debt, we are more likely now to decline than prosper.

Ebenstein cites first-quarter 2006 GDP growth of nearly 4% and the current unemployment rate of "under 5%" as support for his rosy outlook. These measures can and sometimes do turn on a dime. They are not leading indicators. In the first quarter of 2000, GDP grew 4.1% while unemployment was 3.8%. The stock market, nonetheless, coincidentally began a 2.5 year slide and we experienced a recession.

Also, when the Federal Reserve ceases to raise short-term interest

rates, the historical record shows stock prices are more likely to be down than up during the subsequent twelve months.

This year may well see the resumption of the decline which began six years ago with effects which will devastate the financial markets and economic output.

Edward Scherrer
Augusta, Wisc.

Ebenstein responds: Edward Scherrer's view of the economic future may prove more accurate than mine, but I do not think so. The world economy is growing faster now in absolute terms than at any previous point in history. Much of the developed world is growing in the range of 2-3% per year; the United States is growing in the range of 3-4% per year; many developing countries, particularly in Asia, are growing in the range of 6-9% per year. The world as a whole is on a course to double economic production in the next 20 or so years.

In the short term, as the Federal Reserve Board quits raising short-term interest rates, and as (and if) the price of oil continues to stabilize and perhaps declines, both short and long-term interest rates should resume their decline, resulting in continued strong economic growth.

Interest rates are largely tied to inflation. There is a very stable relationship existing for more than a century that interest rates are typically about 2.5 to 3 percentage points above the rate of inflation. If one believes, as I do, that the increase in inflation in the past couple of years is transitory, then interest rates should move lower in the future.

With respect to the stock market, its course is more difficult to project than the overall economy. My guess, nonetheless, is that the market is more likely to gain 500 to 1,000 points over the remainder of the year than lose this many.

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Reflections

Out with a whimper — I was annoyed when the Left kept bringing up Enron as if it were the emblematic capitalist company. Now I begin to accept it, at least in one respect: Enron is gone, or nearly so. It went into Chapter 11, and it's being sold off in parts. It acted badly and it died. It wasted resources and it will not get any more.

Imagine if it had been run by the government.

— Bruce Ramsey

Talking up teenyboppers — CNN reports that Brian J. Doyle, a deputy press secretary for the U.S. Department of Homeland Security, has been arrested on charges of using his computer in an attempt to seduce a child and transmitting harmful materials to a minor.

According to a police statement, Doyle contacted a computer crimes detective posing online as a 14-year-old girl and "initiated a sexually explicit conversation with her . . . Doyle knew that the 'girl' was 14 years old, and he told her who he was and that he worked for the U.S. Department of Homeland Security."

The things some people think impress 14-year-old girls . . .

— Ross Levatter

The icing — One of the topics being argued in the immigration reform debates is the net effect of immigrants on our country's economy. Ricardo's Law of Comparative Advantage suggests an influx of new labor would be beneficial. (Calculations based on viewing immigrants as "new labor" are extremely conservative, because people contribute to society and the economy in ways not rooted in physical toil.) Experience with previous waves of immigrants reinforces that conclusion.

As far as I'm concerned, it doesn't much matter. Yes, it would be a shame if it made us less wealthy, but even if that were the case, I don't believe it would justify preventing immigration. People deserve freedom, especially those who've had to chase it. The fact that immigrants make us more prosperous is just a bonus.

— Mark Rand

Migrant Messiah — Responding to the Republican House bill on immigration reform, Senator Hillary Clinton said that the bill, which penalizes not only illegal immigrants

but also Americans who help them, "would literally criminalize the Good Samaritan and probably even Jesus himself."

This got me to thinking. Criminalize Jesus! At first that seems harsh, but after all, Christ is *not* an American, so he can be imprisoned without a trial. In fact, now that I think of it, wasn't he born . . . in the *Middle East*? And doesn't he come to us through the hearts of Christians, rather than through any secure government-sanctioned border crossing?

I'm thinking the authorities just might need to have a talk with this Mr. Messiah, if that is his name . . . — Ross Levatter

Always apologize, never explain — According to several news outlets, Rep. Cynthia McKinney "apologized" April 6 for assaulting a Capitol Hill police officer. The officer had detained her when she tried to enter a secure area without proper identification.

The "apology" consists of a couple of expressions of "regret," and ends: "I apologize." Not "I apologize to the police officer I demonized," not "I apologize to the American people for wasting valuable time in the people's House," not "I apologize for being wrong."

It reminds me of a little kid caught stealing a candy bar from a store, with his mother making him face the clerk, trying

to pry an apology out of him: "I'm sorry." "Sorry for what?" "For stealing." "For stealing what?" I wish a member of the House had risen to do the same for McKinney: "You're sorry for what? Sorry for hitting a cop?"

— Patrick Quealy

Driving force — According to a Wall Street Journal editorial (April 1), the court's opinion on *Hamdan v. Rumsfeld*, due in late June, as to whether or not the government can use military tribunals rather than civilian courts to try the former driver of Osama bin Laden, will be "a turning point on the war on terror."

I agree. Clearly, our enemy cannot function without chauffeurs.

— Ross Levatter

Bureaucracy, red in tooth and claw — A coyote was spotted in Central Park in Manhattan in late March, loping through the mini-wilderness of Hallet Sanctuary, a



wooded island at the south end of the park. He was promptly nicknamed "Hal" and became the biggest nonhuman celebrity and media sensation in New York since the hawk who was evicted from his nest on the facade of a top-drawer Fifth Avenue building ("Nature au naturel," *Reflections*, March 2005).

Dozens of cops, who you would think might have something better to do, like nothing, got involved in the pursuit of Hal, as he eluded his would-be captors by jumping into lakes, streaking past a film crew shooting some Hollywood epic in the park, and leaping high fences. Finally, after two days of thrilling escapes worthy of a dozen car-chase scenes, he was shot, for his own good, of course, with a tranquilizer dart amid the rocks and woods of a rugged area in the park a mile north of where he was first seen.

He had survived all sorts of hazards at that point. He must have wandered down from the hills of the Hudson Highlands, where coyotes commonly roam, some 50 miles to the north, dodging traffic and real-estate agents down through the Westchester County suburbs and the Bronx, crossing over a railroad trestle or swimming the Harlem River to get into Manhattan without having to pay the exorbitant bridge and tunnel tolls imposed on most visitors. The speculation was that he had kept to the edge of the Hudson River along the west side of Manhattan, then boldly headed east past a mile of pricey apartments and shops to get over to Central Park, where the piles of feathers he left behind indicated that he had eaten quite well (and the same dish, *canard frais au parc central avec pigeon gras*, would undoubtedly have run \$50 or \$60 as an entree at nearby restaurants).

Word Watch

by Stephen Cox

Professor Leland Yeager of Auburn University, a good friend of this column — and this column needs good friends — writes to issue a warning about "incredible" and "incredibly." His evidence indicates, however, that the warning may have arrived too late. The problem has already become, shall we say, incredibly serious. Professor Yeager has found someone who describes an excursion to Lake Tahoe in the following way: "The whole trip was incredible, but Emerald Bay was incredibly incredible."

Well, maybe so. "Incredible" means "impossible to credit; incapable of belief." Maybe if I took a trip up to Tahoe I would see something that staggered my own imagination, something I *saw* but could not *believe*. It might be a parking lot for flying saucers. Or a comedy club staffed by talent from the Ayn Rand Institute. Or the Lake Tahoe Monster. Surely the second-deepest lake in the United States must have a monster in it someplace.

But I'm pretty certain that's not what the author of "incredibly incredible" had in mind. As Professor Yeager comments, "Incredibly" is usually just a pretentious way of saying 'very': 'Incredible,' the adjective, usually means something like 'possessing a high degree of whatever quality I'd have in mind if I bothered to figure out just what I wanted to say.' The reader or listener is expected to figure out just what the message is. The adjective and adverb are vague intensifiers."

I agree with everything he says, except for one thing. I would call such adjectives and adverbs *random* intensifiers. From the list of hot-sounding words, you just grab the first ones that come to mind, and from there on it's *all just so incredibly awesome. Definitely*. Every modifier is just one more word that could easily be replaced by something equally . . . appropriate. Compared with such words, "vague" expressions are tediously specific.

Yet the random intensifiers do have one specific effect: they sever any association with value judgments, at least as these are traditionally understood. "Incredible" and "awesome" aren't terms of value. Something that's "incredible" or "awesome"

could be good or bad; the words are about the person who comes up with them, not about the object under discussion. The speaker (or, God help us, the writer) is awestruck at the sight of Lake Tahoe, a sight that gives him or her an *amazing, incredible* feeling. What's avoided is any assessment of the thing itself. The lake isn't *lovely, beautiful, picturesque*. Those words have too many stodgy old associations. A *beautiful* lake . . . a lake like a landscape by Corot, a lake like Beethoven's Pastoral Symphony, a lake reminiscent of that crucial passage in Watteau's "Embarkation" . . . Ah yes. Such words as *beautiful* must be avoided. They intimidate the ignorant and the insecure. Besides, they lead us too far from the speaker's momentary feelings. That can't be good for the speaker's self-esteem.

Random intensifiers short-circuit traditional assessments, interests, expectations, processes of comparative evaluation; in so doing, they destroy the possibility of any serious or thoughtful response, even to themselves. *You* think of a follow-up to "Emerald Bay was incredibly incredible." Go ahead; try. But the rhetorical effect can be very useful. If you want to monopolize the conversation, just keep talking that way.

You know people who always seem to think they're on the radio. They cannot tolerate dead air. They can't put up with any pauses, interjections, or unprogrammed remarks. Their patter must be brisk and constant. To prevent any distracting interruptions, they connect every outburst of real words with the mislabeled "OK?", "y'know?", "I mean," "you hear what I'm saying?", and other random word-fill. When all else fails, they provide a steady stream of "uhs."

The same insecurity about the efficacy of the words one uses, the same well supported doubt about whether anyone else is paying any attention, the same unwillingness to attract attention by saying things that might actually be interesting, appears in writing loaded with the verbal stutters about which Professor Yeager complains. He mentions "incredible" and "incredible's" homely cousin, "unbelievable"; and "unbelievable" has many

But the ultimate hazard awaited the daring and handsome young (1-year-old) coyote. Bureaucracy and its Procedures. Good intentions abounded. He was, the announcement came, to be taken upstate and released somewhere in the Adirondack Mountains. How long could that take, for God's sake? You can drive up there from the city in five hours at most. Ten days later came the news that Hal had suddenly died in the custody of the state Department of Environmental Conservation, just as they were finally almost ready to get around to taking him upstate and setting him free. An expert's report was due, of course, but it was quickly revealed that the officials "caring for" the coyote had, according to the New York Post story, "aggressively hogtied the animal, wrapped his snout in tape and lassoed his neck because they feared being bitten. . . . Both his forelegs and hind legs were roped together . . . Workers [preparing to tag

accomplices, even in "formal" writing. How many words in the following sentence, which would be at home in virtually any political speech or op-ed essay, are anything more than pretentious forms of "uh"? *"I find it simply unbelievable, and totally unacceptable, that preschool education is not fully available to every single child of preschool age in America?"*

Every expression in italics is a random intensifier. Every expression in italics is word-fill. Junk.

There's worse. Just as no celebrity feels secure without his bodyguard, so no string of random intensifiers is thought to be secure without some big dumb word like "literally." If you listen to the stories that "literally" tells, this bodyguard has had many *truly amazing and awesome* adventures: "She literally bit my head off." "He was literally hung out to dry." "My boss was crawling all over me — literally!" But, sad to say, some bodyguards aren't everything they claim to be. Beneath the black leather jacket and the prison-issue pecs may lurk the heart of a dandelion. If "literally's" employers understood what the word means — *actually, truly, non-metaphorically* — then "literally" would be out of a job.

There are other random intensifiers, currently clogging the spoken language, that are almost too horrible to mention. During most of the past decade, "Will and Grace" has been satirizing two things: the "Lifetime Channel" and the expression "oh my God!" (as in, "I wanteda buy it but oh my God it wuz really *really* expensive!"). The result is that reruns of "Will and Grace" are now being shown on the "Lifetime Channel" and "oh my God!" has become a chronic illness of American speech.

Can it be long before this random intensifier follows the road well traveled and becomes part of the written language? Can it be long before Harry Reid writes an op ed in which he says that "the Congress" (have you ever noticed how pompous people use "the" before "Congress," as if there were some confusion about which Congress they had in mind?) "has *really and truly* tried to compromise with the President but *oh my God*, it's so *incredible*, but he's still *literally* wedded to this *unbelievable* budget"? Can it be long before Mrs. Clinton's press agent releases a statement reporting that "the senator finds it *literally unbelievable and oh my God, totally unacceptable*, that there's *really just* so little money devoted to the public schools *in this totally great country of ours*"? Of course, she might have something there . . . bringing up the public schools . . .

him] also held him in a noose using a 'catchpole' normally considered safe."

There was no indication whether the tape around his snout was red, but it was all clearly the equivalent of making him fill out forms, processing his application in triplicate, auditing him and certifying him, running a background and credit check, and looking into whether he had any unpaid parking tickets, while compelling him to wait, and to wait, and then wait some more for release from the bureaucrats' protocol-encumbered clutches.

Poor Hal. Having accomplished something heroic all by himself, he couldn't be left alone. No, he had to be seized hold of and protected by the state . . . and from *what*, exactly? What if he had simply been allowed to remain in the park, until he eventually got tired of New York and its frantic pace and decided to make his way back upstate again? Who was threatening him? Drug dealers? Tourists? Publishing agents looking for paperback and TV-movie rights? And aside from a few ducks and not exactly irreplaceable pigeons, no one was being threatened by him. But he was caged and bound until he died, maybe of stress, maybe of despair, since like the rest of us he may have realized that once in officialdom's smothering embrace it's all over, you're never really going to be allowed to be on your own again, you're hogtied, according to regulations, and for your own good, of course.

— Eric Kenning

Global warning — There is a tendency among libertarians to deny that the globe is warming or, more commonly now, that the warming is caused by human agency. I am not a scientist; I don't know the truth about why glaciers are melting, but the rise in atmospheric carbon dioxide is suggestive.

And if the theory is correct, it is a problem for libertarians, whose theory of public life is based upon individual cooperation and markets. The weakness of market theory is externalities, the costs that the participants shove onto others. Some externalities are easier to deal with than others. When there is one big polluter, you can sue him to make him pay, or you can pay him, Ronald Coase style, to restrain himself. The liberal state can use its police power to protect public health in the case of many little polluters, as in the late-20th-century story of car owners and leaded gasoline.

But human-caused global warming, if the theory is correct, is caused by all 6.7 billion humans. It cannot be solved by one airshed or one country alone, and there is no international institution designed to deal with it. For dealing with it in a decentralized way, the incentives are wrong. The greater people's economic success, the more combustion they tend to cause. The effects of warming are very slow, so there is an incentive to put off a solution to the next generation. Some people can be dragged by their social consciences to buy a Prius, but not most of them — and there is no guarantee that buying a Prius, riding the bus, using spiral light bulbs, recycling the garbage, etc., will actually do enough, or do anything measurable.

I don't have the answer, and I think when I see it I'm not going to like it.

— Bruce Ramsey

Adwaitya, R.I.P. — On March 22, the world's oldest conscious being, Adwaitya ("The One and Only"), an Al-

dabra Giant Tortoise, died of liver failure at the Calcutta Zoo. Adwaitya (1750[?]-2006) was regarded, with fair reliability, as approximately 260 years old, having appeared for the first time on the stage of history as a gift presented to Sir Robert Clive (1725-1774), the founder of British India.

Adwaitya was the last survivor of the 18th century, the century that, more than any other, created the modern world. Industrial capitalism, the representative republic, limited government, the idea of absolute individual rights — these things first appeared, in a recognizably modern form, in the 18th century. So did modern ideas of manners, modern ideas of scientific investigation, and modern ideas of relations between men and women, parents and children, self and society.

It was in the 18th century that America instituted the world's first firm separation between church and state. At the same time — and not by coincidence — America experienced the two great revivals of religious feeling that established its permanent character as the West's most religious nation. The 18th century was the age of Jefferson and Madison, Godwin and Wollstonecraft, Voltaire and Gibbon and Franklin and Talleyrand and Chesterfield, men and women of the world and of *this* world. It was also the age of Jane Austen and Hannah More and John Woolman, of William Blake and John Wesley, of religious visions and romantic poetry, of prison reform and the reform of social mores and the beginning of Christian agitation against slavery. It was the age of the "Messiah" and "Come, Thou Fount"; it was the age when Mozart used the same lovely tune in the Coronation Mass that he used in "The Marriage of Figaro." It was the age when Washington laid the cornerstone of the Capitol in a Freemasonic rite, when the Great Seal of the United States proclaimed, as it still pro-

claims, that God Has Favored Our Undertaking.

In 1858, Oliver Wendell Holmes published a comic poem called "The Deacon's Masterpiece; Or, the Wonderful One-Hoss Shay: A Logical Story." We know that mechanical devices usually break at their weakest point. That's "logic." In Holmes' story, a man constructs a carriage that can never break down, because every part is so much like the others, and every part is so perfect, that there *is* no weak point anywhere. That's his theory, anyhow.

According to the story, he builds the Wonderful One-Hoss Shay in 1755, at the heart of the Age of Reason, and it endures for a century with no apparent change. Then, on the first of November, 1855, the village parson takes the wonderful machine out for a drive; and suddenly . . . there is

First a shiver, and then a thrill,
Then something decidedly like a spill —
And the parson was sitting upon a rock,
At half past nine by the meet'n-house clock.

Well, what had happened?

What do you think the parson found,
When he got up and stared around?

He found himself surrounded by the ruins of the Wonderful One-Hoss Shay, lying shattered into bits all about him. He found that if something is so logically built that all its parts fit together perfectly and are perfect in themselves, it won't fall apart bit by bit — it will fall apart *all at once* — as the Old Regime in France fell apart in 1789, and the Bolshevik regime in Russia fell apart in 1991.

Holmes' poem has been regarded as an allegory of many things, including the collapse of the 18th-century Age of Reason, of the whole idea of an Age of Reason, and of the free institutions that have been built on the 18th century's ideas and theories. Well, if that's the truth about the poem, and if the poem itself is true, then libertarians should be dismayed when they consider the passage of time, because the roots of liberty are so embedded in the Age of Reason that they will never survive its final passing.

Many libertarians, indeed, regard liberty as a gift of pure logic, pure theory. They suppose that it cannot exist if its theory and practice are not complete and perfect in every part. Many opponents of liberty agree with them — in a way. They view individual liberty as merely a product of theory, a relic of an age of theories that, like all other products of human reason, are as weak and vulnerable as the One-Hoss Shay. Would you fight and die for Locke's theory of tacit consent? I don't think so. Or for Adam Smith's theory of economic value? No, definitely not. What about Jefferson's idea of an agrarian democracy? No again . . .

But that's not my view of individual liberty, or of the 18th century. To me, the Great Century is like Adwaitya the tortoise — huge, lumbering, armored for battle around and above, yet within, all tender with sensibility; individual, and possessing all the internal diversity and contradiction of individual life, but, like a real

News You May Have Missed

Bush Declares Holiday, Takes Day Off From Vacation to Relax

WASHINGTON, D.C. — As the third anniversary of his 2003 appearance on the U.S.S. Lincoln in front of a "Mission Accomplished" banner approaches, President Bush has declared the day, May 1, a national holiday, to be called Mission Accomplished Day, in which "Americans in all walks of life and all parts of the country will gather together, now and in future generations, to try and remember what the mission was and what it accomplished, because for the life of me I can't. Don't have a clue. You got me there."

Bush initially said that he planned to spend the new holiday taking a break from his vacation at his ranch in Crawford, Texas, to "do a little hunting with Dick Cheney,"

but press spokesman Scott McClellan quickly clarified the remark, saying that Bush would instead spend the holiday reporting to the National Guard in Alabama, as once again that seemed the safer option.

Bush went on to say that if the American people couldn't remember what exactly the "Mission Accomplished" banner was referring to any better than he could, he would appoint a special blue-ribbon commission to do a thorough investigation, and he revealed that he already had its two chairpersons picked out. "I'm sure Michael Brown and Jack Abramoff will do a heckuva job," he said, as a curtain behind him slowly rose to reveal a large banner proclaiming "Commission Accomplished." — Eric Kenning

individual, always the One and Only. I take Adwaitya the tortoise, the 18th century's last literal survivor, as an image, not of the vulnerability or failure of the Age of Reason, but of its determination and ability to survive. Wherever the idea of the rights and significance of the individual — however difficult or cranky or slow or passionate or inconvenient to others that individual may be — survives and continues its slow, erratic, but persistent progress in the world, the 18th century is still alive. Yes, very much alive.

— Stephen Cox

Don't cheer the Reaper — Scene: a rural hospital in the Congo. A man lies on a bed, vomiting, bleeding, dying. He is only the first: already three more with the same symptoms lie next to him in the quarantine ward. Tests confirm the doctors' fears: it's an outbreak of Ebola. But much, much worse news is to come. A lab in Kinshasa finds that the Ebola strain has mutated. Formerly it spread only through contact with infected blood; now it spreads through the air. Everyone in the rural hospital is as good as dead. There will be no one to bury them: once the virus spreads, via infected travelers and refugees, most of humanity (up to 90%) will die as well.

It's the kind of disaster scenario often presented in blockbuster movies and made-for-TV miniseries, an update of the nuclear-apocalypse drama popular during the Cold War. Actors like them because they get to show off their emotional range. Audiences like them, just as they've liked every iteration of the destruction of civilization story since the Mesopotamian flood.

At least one modern environmentalist likes them because he wants to see civilization destroyed, and 90% of humanity dead.

Dr. Eric Pianka is an evolutionary ecologist at the University of Texas, named by the Texas Academy of Science the 2006 Distinguished Texas Scientist. At a recent Academy meeting, Pianka spoke lovingly of the Ebola virus as a swift, efficient killer, lamenting only that the crucial mutation of his doomsday scenario had not yet come to pass — though he assured his audience that it was "only a matter of time." After his speech, the Academy members rose to their feet and gave him a resounding, jubilant ovation.

Why did they applaud him? Why didn't they censure the crackpot, and cast him from their midst? Simple: to most of the audience, he's no extremist. He's only taking their beliefs to logical conclusions.

The ecological movement has always had an "understand-

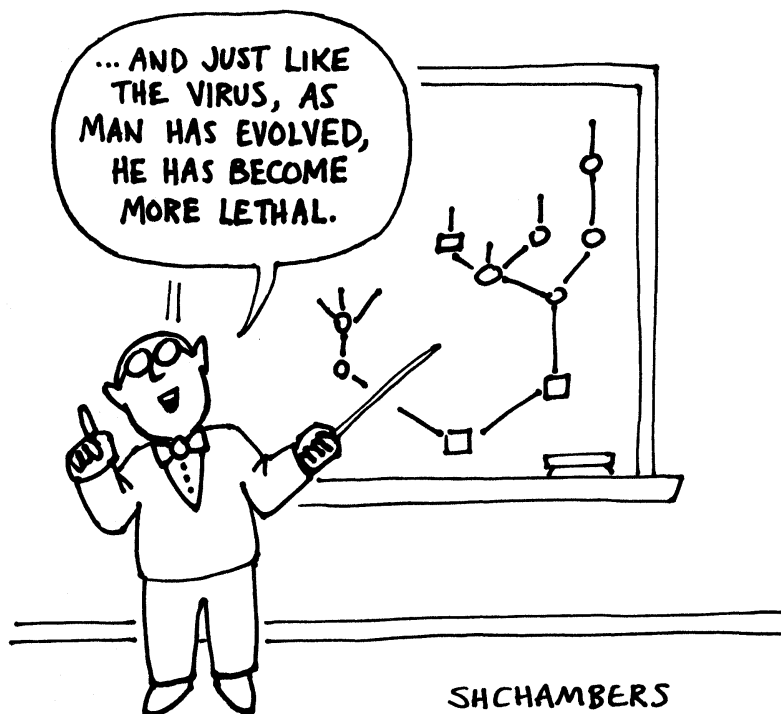
ing" with death (after all, it was ecological protests that got DDT banned, and indirectly sent millions who subsequently contracted malaria to early graves). The perennially pernicious "Population Bomb" played off that partnership — one can't help thinking that even had Ehrlich and his ilk known how to win "the battle to feed all of humanity," they wouldn't have wanted to. To the population bombers, human life is, at best, a nuisance. At worst, humans are the planet's nemesis, doomed to destroy the planet that spawned them. It's not a long hike from there to Pianka's precipice of madness.

There are, of course, still many environmentalists who don't long for the deaths of 5 or 6 billion. For all their talk of "sustainable development," they do want humanity to be sustained, and continue to develop. And they are the ones best equipped to deal with Pianka, by simply laughing at him. Ridicule from capitalists and Catholics is expected, encouraging even; it's Pianka's colleagues alone who can laugh him into academic obscurity.

Perhaps some are laughing already. It's just too hard to hear them over all the applause.

— Andrew Ferguson

All wet — Charles Murray has a new idea: abolish the welfare state and replace it with an annual cash grant of \$10,000 to every American. He has a book about it which I haven't yet read, but I did read his long piece in the Wall



Street Journal (March 26).

My first thought was, "of course this is not going to be done." Some of the recipients would take the \$10,000 and rip through it in three days — down their gullets, up their noses, into their veins. A lot of people would do that. Of course Murray would say that was their affair, and I would agree with him. But people wouldn't accept that. What if it was a kid who should have used the money as school tuition? What if it was a wino with liver disease? Or a mother with a baby?

My second thought was, "This is an ingenious proposal." Of course it is not serious. It is illustrative. It shows how big the welfare state is, and how much it is costing us. And by imagining this proposal, and the irresponsibility its implementation would create, one is forced to contemplate how much irresponsibility there is now. One is forced to separate the questions of self-responsibility and money.

Still, it is a snare. I think of the wet apartments. This is the street name for a new public housing project about six blocks from where I work. It's for bums. It's open only to rolling-down drunks who will not stop drinking. The idea is that the chronic inebriates will drink in their rooms, not on park

benches, and will roll over in a warm bed rather than in the cold gutter. There will be fewer expensive calls to 911.

Actually there have been quite a number of 911 calls since the wet apartments opened — more than the proponents predicted — but they argue that it is costing the public less than before, when these sponges were out on the street.

So the public authorities provide the rooms, and the winos provide the wine. This is in Seattle. Vancouver, B.C., two and a half hours to the north, is more progressive. There it is proposed that the government provide the wine also, on the theory of harm reduction.

Ten thousand dollars each. Sounds cool. I am afraid, though, that when it is mentioned in the future, it will be like Milton Friedman's proposal, decades ago, for a "negative-in-

According to a poll cited in The Economist, three-quarters of young French people want to become civil servants. Such ambition!

come tax": it will be mentioned by supporters of the welfare state in arguments for more. They have many arguments. A typical claim is that a new program will save the public money. The wet apartments are supposed to do that. Probably the free wine in Canada is supposed to do that, too. — Bruce Ramsey

Media masquerade — That supreme satirist William Schwenk Gilbert — of Gilbert and Sullivan fame — once remarked that "things are seldom what they seem — skim milk masquerades as cream." Gilbert understood that you ought to be skeptical of cream when it's defined by marketers of cream. Likewise, you shouldn't let a newspaper headline focus your world view. The priorities of most headline writers are — in descending order — sales, ideology, and finally the fluttering, illusive bird of truth.

Case in point: my hometown paper ran a story headlined "Winter of 2005–2006 is warmest on record for Canada." Bad news for the longevity of Antarctic glaciers, but great news for the National Popsicle Council, which prays for long, hot summers. And heated headlines for the eco-lobby.

I read the story and learned that temperatures have only been measured since 1948 (and 60 years of measurements is a blink of the climatological eye), and that Canada will spend the next year examining the data. Is it an aberration or evidence of a trend? Only a government or a similar stumbling bureaucracy could spend a year looking at 58 numbers to answer that question. I mean, how long can you juggle 58 numbers? They're either — to put it in scientific terms — sort of ascending, sort of descending, or sort of random.

That very same morning of March 14, the Wall Street Journal ran a story on the plight of shivering inhabitants of Beijing. The Chinese government, it seems, is in the utility business; and naturally it doesn't do a great job. Can you imagine the Commissar of Heating trying to decide how much of his limited hot water to pump into each of 12 million radiators? People are freezing. The Journal describes Beijingers wrapped in blankets, hugging lukewarm hot water pipes, even cuddling with each other (possibly illegal, since the state only allows one child per family). Anything to stay warm. The article also men-

tions that this March of 2006 has been "colder than usual."

A satanic editor attuned to global *cooling* (instead of warming) could have led off this article about government ineptitude with black climatic headlines. He could have presented it as a weather story.

Heating, cooling, we're at the mercy of the media and their passions. Things are seldom what they seem. Big black headlines always scream.

— Ted Roberts

Les Faux Nouveaux Soixantehuitards — In Paris and Nantes, a student revolt simmered for months, then boiled over in May of 1968. Students and activists of that generation became known as the "soixantehuitards," or sixty-eighters. Think of them as French hippies with a hard, revolutionary edge.

On May 2, The French government closed Nantes University. On May 3, the activist student unions in Paris called meetings. Their professors called the police. Riots resulted, and instead of dispersing under attack from police using truncheons and tear gas, the students dug in. They constructed barricades of burning cars, ripped up the cobblestones, and fought back.

Other students, communists, and labor unionists pitched in across the country in support of the Paris and Nantes students. The government nearly fell. At one point, the French president, Charles de Gaulle (named after a busy, rundown airport), was hiding at an air force base in Germany, preparing to admit defeat.

The goals of the protesters were a mixed bag of communism and anarchy, and quite revolutionary. Their slogans included:

Nous ne voulons pas d'un monde où la certitude de ne pas mourir de faim s'échange contre le risque de mourir d'ennui.

We want nothing of a world where the certainty of not dying from hunger comes in exchange for the risk of dying from boredom.

Depuis 1936 j'ai lutté pour les augmentations de salaire. Mon père avant moi a lutté pour les augmentations de salaire. Maintenant j'ai une télé, un frigo, une VW. Et cependant j'ai vécu toujours la vie d'un con. Ne négociez pas avec les patrons. Abolissez-les.

Since 1936 I have fought for wage increases. My father before me fought for wage increases. Now I have a TV, a fridge, a Volkswagen. Yet my whole life I've been a chump. Don't negotiate with the bosses. Abolish them.

Now, in 2006, the students and unions and communists are protesting again. What set them off? Legislation designed to make it easier for French companies to hire and fire young people in a country where jobs are theoretically secure but unemployment is high.

The protesters think they are the nouveaux soixantehuitards, but they are not; they are faux nouveaux soixantehuitards. The soixantehuitards wanted radical reform, but today's wannabe revolutionaries cry for the status quo.

In fact, they feel that their "world where the certainty of not dying from hunger comes in exchange for the risk of dying from boredom" is slipping away or being swept away by the forces of international capitalism. They very much want a return to the life of a chump with "a TV, a fridge, and a Volkswagen." And they want to keep the bosses, as long as the bosses must hire but can't fire.

In one thing, however, these protesters and the great majority of French people resemble the soixantehuitards — they believe that all goods and ills come from the government and

the institutions that it controls directly or indirectly. Therefore, they love to petition the government. "*Il faut se manifester*," they say. One must show oneself and protest. Middle-aged housewives repeat this as a reliable platitude. "*Tu vas à la manif?*" or "Are you going to the protest?" is heard in Paris as often as "Shall we have a cup of tea?" is heard in London. The French march on Paris by the hundreds of thousands in support of or against the pettiest of reforms.

And of course it's nice to *be* the hand that gives and takes. According to a poll cited in *The Economist*, three-quarters of young French people want to become civil servants. Such ambition!

Here in America, "civil servant," "bureaucrat," and "government man" are slurs. I love that about this country.

Unfortunately, we look to our government more and more for help. Think Katrina. Maybe someday when you ask your little ones what they want to be when they grow up, they will say, "A civil servant!" When that sad day comes, you can always blame the French concept of the state; it inspired Napoleon, Marx, and Stalin. It has infected the world for centuries.

— Michael Christian

Alien amnesty — Imagine, if you will, that tomorrow at noon, possession of marijuana is slated to become legal. Not just decriminalized, but made completely lawful. Should the police make as many busts as possible tonight and tomorrow morning, while they're still able? Should they continue their crackdown in the early afternoon, on the grounds that anyone who has pot that soon after legalization obviously had it before legalization? What of the people already serving sentences for simple possession — should they remain incarcerated until they've completed their sentences?

Now imagine that instead of marijuana possession, what has been made legal is entering the United States for gainful employment. One of the putative sticking points in the current immigration debate is whether, and on what terms, to grant amnesty to illegal aliens. Unless there's some reason that sneaking into this country to better provide for your family is more reprehensible than smoking a little pot, the dismissal of the punishment must be at least as complete. And no matter how it's gussied up, kicking someone out of the country (even if it's done in the name of "fairness for those who waited") is punishment.

— Mark Rand

Door price — While checking out of a hotel room the other day, I noticed that the room rate posted on the back of the door was way more than the price I paid. In fact, it was more than double.

I thought about how often I've looked at this rate in amusement, since it's never a reasonable price. Sometimes it is utterly ridiculous.

It occurred to me that the difference between the rate on the door, and the rate I paid, is the difference between a planned economy and the market. In many states, the posted rate is assessed by the state government, in an effort to protect consumers from price gouging. The state inspectors come into a hotel, look at the quality and amenities, and decide how much it should cost. On the other hand, the price a hotel actually charges is determined by the managers, who look at the vacancy rate, weather conditions, local events, and what other hotels in the area are charging. They set a price based on all these factors, trying to fill up the hotel at the best price they can get.

The difference in price is the difference between socialism and capitalism. If every hotel were run by the state, they would all charge the price on the back of the door. Travel would be way outside the budgets of most consumers, something done for necessity rather than leisure. Hotels would suffer from chronic vacancy, and the sparse revenue stream would make repairs and upgrades rare. Eventually they all would become musty and inhospitable.

This summer, when we all take to the road for our annual summer vacations, and check into the cheerful motor inns that freckle the nation's highways, it will be good to remember that these affordable, comfortable accommodations are just another blessing of capitalism; that it is the invisible hand turning down the sheets, and leaving the light on.

— Tim Slagle

Black speech — The world seems divided into those who regard such terms as *race* and *diversity* as important and those who blithely let them go by. Most of the former seem to be employed by nonprofit universities that are more effective than profit-making corporations at intimidating employee vocabulary. Having done my M.A. thesis some four decades ago on "Politics in the Negro Novel in America" (a thesis that subsequently appeared as a book with an adjectival epithet that was more up to date), I find myself having moved from the first universe to the second, thinking that the ultimate goal is the elimination of racial categories from American speech.

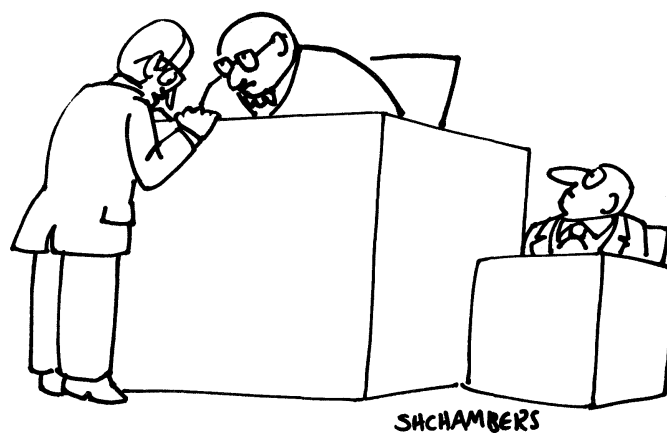
As soon as a word for any racial category appears under my eyes, I tend to skip ahead. Recognizing that bias, I now fear that some possible readers for my "Politics in the African-American Novel in America" (1991) might miss my elaborate analyses of fiction by Ralph Ellison and Richard Wright. Dammit.

Of the very few issues about which I've changed my mind over the past decades, this is perhaps the most serious.

— Richard Kostelanetz

Hillary's hermeneutic — Hillary Clinton's quick-out-of-the-gate start has put her way ahead of her fellow Democrats in "the hunt for the great American Catholic voter of 2008," writes New York Observer columnist E.J. Kessler.

While criticizing the Republican-passed bill in the House of Representatives that would make it a felony to be in the United States illegally, and make it a crime to aid an illegal im-



"Well, no wonder! You're using Constitution 4.2! That version is so outdated!"

migrant, Mrs. Clinton said, "It is certainly not in keeping with my understanding of the Scriptures, because the bill would literally criminalize the good Samaritan and probably even Jesus himself."

In 1994, of course, the Scriptures didn't stop Hillary from devising a health-care scheme that would "literally criminalize" the behavior of patients and physicians who dared to operate outside the dictates of her master plan, with fines up to \$10,000 and prison terms up to ten years for each instance. A physician who ordered a few extra X-rays for a patient he considered to be particularly at risk, X-rays not authorized under Hillary's one-size-fits-all model, might well have found himself behind bars. Not exactly the way one would think a good Samaritan doctor should be treated for going a bit outside the lines to help a patient.

In any case, today's Mrs. Clinton, speaking more of salvation than incarceration, has aimed her faith-based arrows at Senate Majority Leader Bill Frist, a Tennessee Republican, and other GOP leaders, stating, "It is hard to believe that a Republican leadership that is constantly talking about values and about faith would put forth such a mean-spirited piece of legislation."

Seeking to build up her religious, "pro-family" credentials, Mrs. Clinton recently threw caution to the wind and got in bed with Sam Brownback and "man-on-dog" Rick Santorum, described by Kessler as "the Senate's two most conservative Catholics," to push for a bill that'll have the government delving into the evil effects of electronic media on kids.

True, the Oscar this year for best original song went to "It's Hard Out Here for a Pimp," a tune that understandably causes jitters in some circles. But there's something even scarier about Rick and Hillary teaming up to launch a government-directed investigation into which albums, TV shows, and movies are harmful to human development or insufficiently helpful in

advancing the civic good.

That sounds too much like how things ended up in China, where for purity and the collective good the Maoists burned books and smashed records, destroying anything that didn't fit into the central plan. In the Maoist model, music, books, and the performing arts exist to increase productivity, downgrade individualism, and promote collectivism.

Nonetheless, Kessler sees Hillary hitting all the right notes: "Unlike most Democrats, she sounds sincere when she employs Jesus language." Even husband Bill, writes Kessler, can be employed to enhance Hillary's religiosity: "Once upon a time a follower of an evangelical denomination — a Baptist named Bill Clinton — begged her to marry him." Add some conciliatory and less-liberal language on abortion and gay marriage — plus some "pro-family" tinkering, like her bill to make cars safer for children — and Kessler views Mrs. Clinton, "one of the most overtly Christian politicians in the country," as the Democrats' best shot at recapturing the nation's so-called values voters. "Count on this: With Catholics and other faith-based voters, Hillary Clinton will be the Democrat best positioned to speak to their issues."

In other faith-based political news, Christian Coalition founder Ralph Reed may have joined the ranks of televangelists Jimmy Swaggart and Jim Bakker.

Reed's 1998 email to mega-lobbyist Jack Abramoff — including the phrase "I need to start humping in some corporate accounts," Salon's Michael Scherer reports — set the stage for Reed to rake in more than \$4 million from Abramoff's clients, including casino-operating Indian tribes.

"Reed worked, as he put it in one e-mail, to get 'our pastors all riled up' — organizing his unwitting followers to oppose gambling regulations and new casinos that would have competed with Abramoff's clients," writes Scherer.

Explained Abramoff's partner Michael Scanlon to one Indian tribe: "We want to bring out the wackos to vote against

News You May Have Missed

Theologians Fed Up With Newly Discovered Gospels

AL-KHAZELTZER, Egypt — Theologians throughout the world, already complaining about the paperwork involved in changing reservations and itineraries in afterlife packages in response to the Vatican's effective abolition of Limbo last December, said that now they were going to have to start all over again because, as Dr. Heinz Hinterschmerz of the Tübingen Theological Seminary put it, "some idiot has discovered and translated a previously unknown gospel that makes Judas look good, and us look bad. What's next, a best-selling novel that convinces people that Mary Magdalene was married to Jesus and they had kids? — oh, wait, we've already got that."

But the normally sedate international theological community was thrown into even more turmoil yesterday after it was

announced that a new trove of ancient manuscripts had been discovered in a cave near this small Egyptian village. Tentative early translations of the crumbling 2nd-century Coptic parchments suggest that the documents include the Gospel of Herod, the Gospel of Beelzebub, the Gospel of Baal, the Gospel of Nero, and the Gospel of Fast Eddie the Gadarene Grifter. As the news reached America, students and professors in university towns across the country could be seen streaming out of seminaries and divinity schools and heading for local bars. However, lawyers for Tom DeLay, Jack Abramoff, and Martha Stewart welcomed the news, pointing out that there was an excellent chance that in a couple thousand years documents will start turning up in caves that will make their clients

look pretty good, too.

Meanwhile, theologians were also being asked to look into the possibility that the "manna" mentioned in the Bible was an early form of steroids or Human Growth Hormone, and that certain miraculous, record-breaking passages in the Good Book might have to have an asterisk placed next to them. Major League Baseball Commissioner Bud Selig, noting that San Francisco Giants slugger Barry Bonds had said, when asked what accounted for his record-breaking home run pace a few years ago, "Call God. Ask him," announced the formation of a special commission of eminent theologians who would do just that in the hopes of clearing up baseball's steroid allegations once and for all.

— Eric Kenning

something. The wackos get their information through the Christian right, Christian radio, mail, the Internet and telephone trees."

The lesson, on all sides: Be very skeptical.

— Ralph R. Reiland

Tilting at windmills — I've heard a lot of environmental activists advocate a "New Manhattan Project" for finding an alternative to petroleum. It makes for a really tasty sound bite, which is why environmentalists like to swallow and regurgitate it.

But the parallel is fallacious. The original Manhattan Project had but one purpose: to build a nuclear bomb. It had already been proven on paper that such a bomb was possible; all that was missing was the technological initiative.

There is nothing on paper right now to indicate that there is any realistic substitute for petroleum. And there's more than one speculative substitute being considered, so it would be impossible to focus on a single solution in the same way. (A better parallel to a government-subsidized alternative fuel project would be the Pentagon project to build rayguns that can be used in the battlefield. After 40 years of research, and billions of dollars, they are no closer to making that idea work.)

All over the country, research is already being done on alternative fuels. Naming this research the "New Manhattan Project" will do absolutely nothing to further its progress. And if somebody actually discovers something, it will not need any government money, because the moneymaking potential of a workable petroleum substitute will draw investment capital faster than you can say "Internet bubble."

— Tim Slagle

The freedom to be — I came to Arizona in 1967 to fly for the Air Force at Williams Air Force Base, now called Williams Gateway. During the next five years I frequently had occasion to fly along the border with Mexico as I traveled back and forth between Williams and bases in southern California. It always seemed odd that the major populated areas that straddled the border had an obvious difference in appearance between the portion on the Mexican side and the portion on the United States side. The most obvious was the fact that the United States streets tended to be paved and the Mexican streets tended to be dirt or gravel. The housing and commercial properties on the Mexican side also seemed to be of poorer quality.

I often wondered why this would be so. The terrain was no different; the natural resources were no different; the people, for the most part, were no different. Why is there a clear economic division between the United States and Mexico? It was not until I began reading free-market philosophers like Ayn Rand and Milton Friedman that I figured out that the reason is that freedom works, and we have greater freedom in the United States. Conversely, systems of government oppression do not work, and there is greater government oppression in Mexico.

It then became clear to me how we can help the citizens of Mexico and reduce the immigration tensions: support and pursue more economic and political freedom for Mexicans. Then they will experience the same economic boom that citizens of the United States have. Mexican citizens will not have to face the huge personal and legal dangers inherent in cross-

ing our borders to experience the benefits that freedom provides.

One might logically ask why we do not hear politicians and editorialists calling for more freedom for Mexicans. I contend that it is because it is much easier to focus on democracy instead of freedom, because democracy is easier to obtain, and because, even though we have democracy in the United States, our own march toward socialism is causing us to lose more of our freedoms.

We should not focus on democracy as the solution. We are making the same mistake in Iraq: we are more concerned about allowing the citizens of Iraq the right to vote than we are about ensuring their ability to own property and have private contracts enforced, and having their individual rights protected. If we can't help make these changes in a country that is right on our border, what makes us think we can accomplish this in a country 10,000 miles away that has a markedly different culture?

I suggest the solution to the immigration problem is to do everything we can to help Mexico move in the direction of protecting individual liberties and that, in order to avoid hypocrisy, we stop the erosion of individual rights in our own country.

— Roy Miller

The meek shall inherit the legal bills — Sectarian strife spilled over into the music industry March 20 when the Christian Music Trade Association (CMTA) fired a salvo at the generally unarmed God-fearing pirates of gospel music. The dilemma is this: aided and abetted by the digital age, gospel music, often cited as the fruits of divine inspiration, is being replicated at a velocity 1st-century disciples could never have dreamed of. Thus, while the ranks of believers are swelling, the industry itself is losing billions every year. The Good News is getting out there, all right. Trouble is, no one's making a damned dime off it.

Said a CMTA spokesman: "The early disciples were regarded as small-scale violators. As such, they were never confronted on copyright issues. But God's honest truth is that evangelism got a free ride for centuries."

The grand dame of the religion business, the Vatican, was quick to counter with its own press release, arguing that, on the contrary, free access to religious music has enlarged the market: "Over the millennia, we've found that tithing goes up when singing praise to the Lord was left in the public domain. So we never pressed the issue." Actually, this is not quite accurate as, in 467, Pope Odious XVIII attempted an "alms for Psalms" program, but was promptly run out of Rome into the arms of hordes of milling Visigoths, who preferred bluegrass.

Still, there can be no doubt the CMTA isn't turning any cheeks: "Our industry group feels the time has come to crack down. The message is clear: wherever you rejoice in the Lord with pirated music, we will hunt you down."

At the time of this reporting, God was still considering his legal options. But judging by the remarkable speed of the avian flu mutations, many heaven-watchers suspect impending biblical wrath. Indeed, the burning-bush rumor mill is aflame with the notion that God is contemplating "one really kick-ass flood that would submerge all private property disputes once and for all."

Meanwhile, Lucifer clicked his cloven hoofs and grinned, saying, "This is getting too easy."

— Norman Ball

Bill Bradford's death is an irreplaceable loss to the libertarian movement, but he maintained his usual good cheer to the end. Shortly before he died, he suggested as his epitaph: "Bradford dies. Liberty lives!"

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Winning the Battle for Freedom and Prosperity

by John Mackey

Contributing Editor's Note:
On May 13, 2004, John Mackey, CEO of Whole Foods Market, spoke at FreedomFest in Las Vegas. His critique of the freedom movement created a controversy, so we obtained permission from Mr. Mackey to transcribe the talk and publish it, for the first time, in Liberty magazine. Mr. Mackey made small changes for the printed version of the talk and updated all relevant business numbers to the current day.

— Mark Skousen
Founder, FreedomFest

What I hope to accomplish tonight is to challenge your thinking about the modern freedom movement. I believe the freedom movement has been its own worst enemy by foolishly limiting its appeal and impact with an overly narrow interpretation about the meaning and purpose of freedom. From a business perspective, the freedom movement faces major marketing challenges, the result of its poor job of branding itself to the world.

Let me tell you a few brief things about myself as background. Before I started Whole Foods Market I attended two different universities, where I accumulated 130 hours of electives, primarily in philosophy and religion, and ended up with no degree. I never took a single business class. I actually think that has worked to my advantage in business. I spent my late teens and early twenties trying to discover the meaning and purpose of my own life.

My search for meaning and purpose led me into the counter-culture movement of the late 1960s and 1970s. I studied eastern philosophy and religion at the time, and still practice both yoga and meditation. I studied ecology. I became a vegetarian (I am currently a vegan), I lived in a commune, and I grew my hair and beard long. I'm one of those crunchy-granola types. Politically, I drifted to the Left and embraced the ideology that business and corporations were essentially evil because they selfishly sought profits. I believed that government was "good" (if the "right" people had control of it) because it altruistically worked for the public interest.

With that background, I felt well prepared to launch my business in 1978. My initial business, a natural foods market called Safer Way, was a small 3,000 square foot store that I opened with my girlfriend, with an initial \$45,000 in capital. We were very idealistic, and we started the business because we thought it would be fun. We were right — we had a blast then, and we've continued to have a great time during the last 28 years. The time has passed quickly.

Along with the for-profit business, I also created a business of "heart" and I think I have been equally successful with that venture. After running Safer

Way for a couple of years, we decided to relocate to a much larger building and we opened Whole Foods Market in 1980. No pun intended, but we grew the business organically from there.

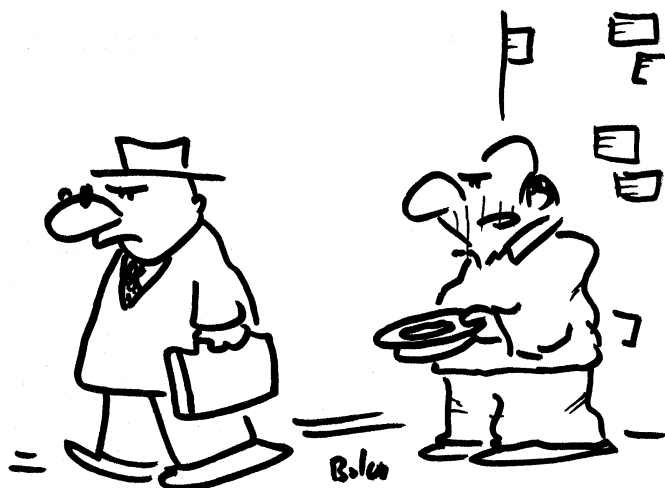
At the time I started my business, the Left had taught me that business and capitalism were based on exploitation: exploitation of consumers, workers, society, and the environment. I believed that "profit" was a necessary evil at best, and certainly not a desirable goal for society as a whole. However, becoming an entrepreneur completely changed my life. Everything I believed about business was proven to be wrong.

The most important thing I learned about business in my first year was that business wasn't based on exploitation or coercion at all. Instead I realized that business is based on voluntary cooperation. No one is forced to trade with a business; customers have competitive alternatives in the market place; employees have competitive alternatives for their labor; investors have different alternatives and places to invest their capital. Investors, labor, management, suppliers — they all need to cooperate to create value for their customers. If they do, then any realized profit can be divided amongst the creators of the value through competitive market dynamics.

In other words, business is not a zero-sum game with a winner and loser. It is a win, win, win, win game — and I *really* like that.

However, I discovered despite my idealism that our customers thought our prices were too high, our employees thought they were underpaid, the vendors would not give us large discounts, the community was forever clamoring for donations, and the government was slapping us with endless fees, licenses, fines, and taxes.

Were we profitable? Not at first. Safer Way managed to lose half of its capital in the first year — \$23,000. Despite the loss, we were still accused of exploiting our customers with high prices and our employees with low wages. The investors weren't making a profit and we had no money to donate. Plus, with our losses, we paid no taxes. I had somehow joined the "dark side" — I was now one of the bad guys. According to the perspective of the Left, I had become a greedy and selfish businessman.



"Don't act so self-righteous — if it weren't for us consumers, you producers would be *nowhere*!"

At this point, I rationally chose to abandon the leftist philosophy of my youth, because it no longer adequately explained how the world really worked. With my leftist interpretation of the world now shattered, I looked around for alternative explanations for making sense of the world.

I stumbled into reading Milton Friedman, Friedrich Hayek, Ludwig von Mises, Ayn Rand — I read all of them. I said to myself, "Wow, this all makes sense. This is how the world really works. This is incredible." Then I became Laissez Faire Books' best customer for the next five years. I think I read every book in their catalog. If any of you in the audience have written books, I have probably read them.

I identify myself as a Libertarian. I am one of those people who actually votes Libertarian. I have voted strictly Libertarian since 1980. You sometimes hear that argument, "Why do you vote Libertarian? You're just throwing your vote away." I always say, "Gosh, if everybody had that attitude toward their vote, then the Libertarian candidate would get elected."

What I love most about the freedom movement are the ideas of voluntary cooperation and spontaneous order when channeled through free markets, leading to the continuous evolution and progress of humanity. I believe that individual freedom in free markets, when combined with property rights through rule of law and ethical democratic government, results in societies that maximize prosperity and establish conditions that promote human happiness and well-being.

Unfortunately, despite all my enthusiasm and formidable debating skills, I have had little success converting people to the freedom movement. Has that been your experience as well? The freedom movement remains a small, relatively unimportant movement in the United States today. The question is: "Why?" I want the freedom movement to sweep the world. So how can we make the freedom movement a more vital and dominant intellectual and cultural movement in the United States?

I hope to do two things tonight. First, I will critique the freedom movement and highlight mistakes that have greatly lessened its impact and influence in the world. Second, I will challenge the movement to re-think its purpose and values. We need to evolve our paradigm along with the brand that we offer the world. As a businessman who knows something about marketing and branding, I can tell you the freedom movement is branding itself very poorly.

Let's start with the critique. How many of you have read Ayn Rand? How many of you have been influenced by her? "Atlas Shrugged" remains one of the five greatest novels I have ever read. Who can ever forget characters like Dagny Taggart, Hank Rearden, Francisco d'Anconia, from "Atlas Shrugged," as well as Howard Roark in "The Fountainhead"? These characters all demonstrated tremendous passions and drive, backed by high self-esteem. Each one inspired this young entrepreneur. I wanted to be just like those heroic characters in "Atlas Shrugged."

However, despite her literary greatness and many positive contributions to the freedom movement, I believe that Rand has also harmed the movement. How? She was overly provocative. The "virtue of selfishness" is an oxymoron. Selfishness is not a virtue. Now, I understand all the arguments — I've read all the books. I know that self-interest channeled to the social good, as expressed through Adam Smith's "invisible hand," is the single most brilliant insight about social

organization ever made in history. That being said, selfishness (as opposed to self-interest) is still not a virtue. It is something to be discouraged, and not something to be supported.

Similarly, I find insupportable the idea Ivan Boesky and Gordon Gekko made infamous, that "Greed is Good." Well, greed is not good. Greed is not a virtue. Excepting a few people on Wall Street and some people in the freedom movement,

Becoming an entrepreneur completely changed my life. Everything I believed about business was proven to be wrong.

almost no one else in our greater society will support selfishness and greed as "good" when they see it. So my question to you is, why doesn't the freedom movement condemn selfishness and greed? If we don't, we are inappropriately seen as supporters of selfishness and greed. In my opinion, this is a major branding mistake that continues to undermine our movement.

How many people in the audience believe that the only social responsibility that business has is to maximize profits? Before I make my next point, let me boast about Whole Foods Market for a moment. In 2005, we did \$4.7 billion in sales and realized \$136 million in net profits. With our current growth rates, by 2010 we should do over \$12 billion in sales. On a percentage basis Whole Foods Market is the most profitable public food retailing business in the United States, with the highest net profit percentage, sales growth, and sales per square foot. I make this boast to prove that (a) I believe in profit and (b) I am quite competent in producing it.

I love profit. Profit is good and it is socially necessary. However, some people in the freedom movement have long argued that the only social responsibility that business has is to maximize profits. I believe that profits are an essential purpose of business, but I would argue that they are not the sole, or even most important, purpose of business. Profit is the most important purpose to the business owners. But owners do not exist in a vacuum. I believe the best way to think about business is as an interdependent system of constituencies connected together in a "harmony of interests."

Is maximizing business profits a goal that customers have when they patronize a business? Are customers coming in thinking, "I'm so glad I'm in Whole Foods today because I want to help you maximize your profits"? What about the people who work for a business? "I took a job at Whole Foods because I was seeking to maximize the profits of the company." Or the community: "We're so glad you came to our community and we want you to maximize your profits." This is ludicrous, right?

Free-market economists, in their legitimate defense of the value of business profits, have often harmed the value of the larger brand of business in our society. These economists have not created a paradigm of business that will ever be fully accepted by society as "good." Business instead continues to play the role of the bad guy in our society. Selfishness, greed, worker exploitation, consumer ripoffs, and environmental destruction, all in the name of maximizing profits — this is

the reality of the brand that business is burdened with in the world today.

I believe that business has a much greater purpose. Business, working through free markets, is possibly the greatest force for good on the planet today. When executed well, business increases prosperity, ends poverty, improves the quality of life, and promotes the health and longevity of the world population at an unprecedented rate. This audience understands these truths, but how many people in our greater society comprehend it? The freedom movement has also poorly defended the social legitimacy of both business and free markets. A new paradigm for business and the free market is necessary — one that accepts the importance of profits, of course, but also one that recognizes that business has legitimate social responsibilities that go far beyond merely maximizing profits.

How many people in the audience believe drugs should be legalized? What about pornography? How many of you believe that prostitution should be legal? I believe all three should be legalized — within certain parameters which protect children. Who among you believes that private ownership of guns should be made illegal? I certainly don't. Gun ownership is protected by the 2nd Amendment of the Constitution. It is an important right.

I believe, however, that all four of these issues are far less critical for improving our society than creating educational choice, privatizing Social Security, deregulating health care, and enacting meaningful tort reform. The legalization of drugs, pornography, prostitution, and guns, as issues, are all too closely associated with the freedom movement. Aligning ourselves with these issues has hurt our brand tremendously, by associating the freedom movement with cultural decadence. Parents don't want their children's lives ruined by drug experimentation, or their innocence prematurely lost to pornography and prostitution, or their lives ended with a bullet.

These four freedom issues need to be de-emphasized by the freedom movement if we hope to create a mass movement and continue to evolve our society in positive directions. How many of you believe that lessening the power of government over our lives is the most important goal of the freedom movement? I believe that the freedom movement's biggest mistake today is focusing primarily on freedom "from" government

Business is not a zero sum game with a winner and loser. It is a win, win, win, win game — and I really like that.

coercion as its primary goal. Obviously this is a very important goal, but I strongly believe it must be accompanied by an equally important goal: the freedom "to" take responsibility for our own lives; the freedom "to" take responsibility for our own communities and our planet.

Freedom from government coercion is clearly a very, very important goal. But unless you live in a country like China, North Korea, Cuba, or Iran that lacks many personal liberties that we Westerners take largely for granted, freedom is not usually an important goal. American citizens mostly take their

liberties for granted. Unlike the people in this audience, most Americans forget that vigilance is the eternal price we have to pay for protecting liberties.

Once we are free, or relatively free, to live our lives in the manner we choose, we must answer the question, "How then shall we actually live our lives?" Will we live our lives as hedonists, indulging ourselves with various amusements, diversions, and pleasures? Or will we choose the more difficult path of personal development and acceptance of social responsibility?

The freedom movement needs to reposition itself and rebrand itself. *Personal freedom* may be the first goal we work towards — but we can't stop there; it isn't enough. There is so much more to life. Using our freedom to take on greater social responsibility, as well as striving to reach our fullest potential as humans, needs to be a goal we support just as much as freedom from government coercion.

When I was a naive (some people in the audience by this time probably think I'm still naive) and idealistic young man, I migrated to the Left for my value system. Why did I do that? Because the Left provided an idealistic vision of the way the world could be. However, the reality of the Left's vision proved to be terribly flawed. Its socialist economic system not only didn't work very well, but in its communist manifestation it justified monstrous governments directly responsible for the murders of over 100 million people in the 20th century. Despite the horrible track record of leftist ideology, millions of young Americans continue to migrate to an intellectually bankrupt Left because the Left still seems to be idealistic, and idealism is magnetic to the young. Idealism will always be magnetic to the intelligent and sensitive young people of the world.

How sad that the freedom movement often refuses to be idealistic. We usually don't even attempt to compete. We simply forfeit the field to the Left because we pride ourselves on our "realism" and "tough-mindedness." We talk about freedom and prosperity — and that is about it. We have no real

arrange themselves basically in a hierarchy. At the bottom of the hierarchy are the physical needs, such as food, water, sex. Once those needs are relatively well met, you move up to the next level in the hierarchy: safety needs, such as security and physiological safety, take precedence. Next you move into needs for love and community: affiliation, acceptance, affec-

The freedom movement must advocate the ideal of self-responsibility for health. We own our own bodies, don't we? This is no minor thing.

tion, community, and family. Once those needs are met, you tend to move to self-esteem needs: feeling competent, gaining approval and recognition from others, and garnering a sense that you are a worthwhile human being. The next level would be the attainment of aesthetic and cognitive needs which can be summarized as the pursuit of the good, the true, and the beautiful.

Finally at the top of this hierarchy is self-actualization (and the Army's advertising firm must have read Maslow): "Be all you can be." This means reaching your fullest potential as a human being. I believe that one of life's purposes is fundamentally to learn and grow. If we move up Maslow's hierarchy and don't stagnate at lower levels, life becomes an adventure of learning, growing, loving, and rejoicing. If we are not growing as human beings, then we are diminishing.

The freedom movement, in my opinion, needs to embrace the ideal, not just of economic growth, but also of personal growth. If we use Maslow's hierarchy of needs as our criterion for evaluating the freedom movement, we see that it is primarily focused on the lower need levels: meeting the physical needs and safety needs through increased prosperity. To be perfectly blunt about it: the freedom movement is largely materialistic in its approach to life, stuck in the lower levels of Maslow's hierarchy. The higher need levels — love, self-esteem, the good, the true and the beautiful, and self-actualization — are either taken for granted or simply ignored.

Study after study shows that material prosperity, by itself, does not create happiness. We have higher needs, as expressed in Maslow's hierarchy, and the freedom movement *needs* to stop ignoring them. The freedom movement needs to consciously create a vision that addresses meeting the higher needs of Americans, beyond basic physical and safety needs.

That is the secret of the success of the Left, despite its bankrupt economic philosophy. The Left entices the young with promises of community, love, purpose, peace, health, compassion, caring, and environmental sustainability. The Left's vision of how to meet these higher needs in people is fundamentally flawed. But the idealism and the call to the higher need levels is magnetic and seductive, nonetheless. The irony of the situation, as I see it, is that the Left has idealistic visions of higher human potential and social responsibility but has no effective strategies to realize its vision. The freedom movement has strategies that could meet higher human potential and social responsibility but lacks the idealism and vision to implement these strategies. I assert that the freedom move-

If we are to win the allegiance of the young people of America, we must create a vision of the good life and the good society that is irresistible to them.

theory of either the good life or the good society except the fundamental belief that if people have sufficient personal and economic liberties (as in Friedrich Hayek's spontaneous order) we will create a prosperous society.

Freedom and prosperity are important goals, but they must be only the *beginning goals* for us. If we are to win the allegiance of the young people of America then we must dare to be more idealistic. We must create a vision of the good life and the good society that is irresistible to the young.

How many of you are familiar with Abraham Maslow's "Hierarchy of Needs"? For those of you who aren't, Maslow was a psychologist who did most of his work in 1950s and '60s. His theory is that we can understand human motivations with a simple model. There are various "need" levels and they

ment can become a successful mass movement today if it will consciously adopt a more idealistic approach to its marketing, branding, and overall vision, and embrace a vision of meeting higher human potentials and greater social responsibility.

Now let us discuss some of the ideals and goals that I think we should embrace as a movement. Who among you believes that socialized medicine is the answer to the health care crisis in America? The Left believes this is the answer: equal access to the health care system for all Americans — no one denied for financial reasons, in a single-payer system. Socialized health care seems very idealistic, and as such, appeals to many people. However, as Milton Friedman taught us, there is no such thing as a free lunch — in health care or anywhere else. We know the single-payer system means health care rationing through queuing up in long lines for expensive treatments and denial of some services to many of the elderly as too expensive. We know that uncaring government bureaucrats will run a single-payer system and, without the discipline of competitive markets, won't provide quality customer and patient service. We know that health care innovation and progress will slow down tremendously, because much less money will be dedicated to medical research, since such research is long-term by nature and easily sacrificed to current budget limitations.

The United States continues its steady movement toward socialized health care partly because the freedom movement has not articulated an idealistic vision of what would be possible if we deregulated health care. We have fought a strictly defensive battle on this issue, and that strategy needs to change.

First of all, health is not merely the absence of disease. It is vitality and a sense of well-being. Health is partly about eating a healthy diet. Regular daily exercise and minimizing the poisons we take into our bodies, such as sugar, alcohol, nicotine, and caffeine, are also very important. Health is about getting adequate sleep, and also about having a sense of personal life purpose and maintaining an optimistic and positive attitude. Most importantly, our health and well-being are our own responsibilities. Our doctors cannot assume these responsibilities. Nor can the bureaucratic "experts" controlling a health care system.

The freedom movement must first advocate the ideal of self-responsibility for health. We own our own bodies, don't we? This is no minor thing, because the Left, by supporting socialized medicine, demonstrates a belief that common citizens are too stupid to take responsibility for our own health and therefore need the "experts" to step in and control things for our own good.

Next, we must advocate the ideal of free markets and competition in health care. The monopoly that medical doctors largely have in medical treatment must be broken. They should have to compete fully with other practitioners, such as chiropractors, acupuncturists, naturopaths — and yes, my skeptical friend, John Stossel, even homeopaths. Competition is beneficial in every market and it will be so in the health and wellness market as well. Doctors don't compete on quality or price right now. They don't post their prices, and it is almost impossible to get any real idea of the quality of their services except through trial and error. We don't currently have an efficient, competitive market in health care.

The final thing we must do in health care is to change the

tax structure. Eliminating tax incentives for health care would change everything. Most companies (like Whole Foods) would stop offering free or subsidized health insurance if the benefit wasn't tax-deductible. Individuals would no longer receive "free" health care and would start spending their own money. The power of the markets would increase both the efficiency and effectiveness of our health care system enormously.

Try to imagine, for just a minute, how much we could improve the health of Americans if we embraced the ideals that I have outlined here: self-responsibility, competition, deregulation, and tax incentives. Let markets truly work in health care and I have little doubt that the health of Americans would improve immensely. I predict that we would see an increase in longevity to nearly 100 years within just a few decades — true freedom and innovation. Are good health and increased longevity worthy ideals for our movement to embrace? I think they are!

Peace. Why should the Left own the peace ideal? Why should the idealistic young turn to the Left to find peace? Global peace is within our reach for the first time in history. Let me quote from Johan Norberg's wonderful book, "In Defense of Global Capitalism":

The number of wars has diminished by half during the last decade. Today, less than 1% of the world's population is directly affected by military conflicts. One reason is that democracies simply do not make war on each other. Another is that international exchange makes conflict less interesting. Cross ownership, multi-national corporations, and investment in privately owned resources make it hard to tell where one country really ends and another one begins.

Despite the war in Iraq, which looms large in our minds, the truth is that wars in the world are actually in decline. The majority of the world's nations are now committed to democratic governments and market economies. As this global network strengthens, peace will increasingly become the world norm.

The freedom movement should own the peace ideal; we do not own it now. Let us retrieve the peace ideal, because we know the truth: democracy + free markets = peace between nations who share these social, economic, and governmental structures.

Who in this room believes the United States has an excellent kindergarten through twelfth grade educational system? Who here believes that the way to improve education in the United States is to increase bureaucratic control by the gov-

What would happen with true competition in school choice, with students and parents becoming truly empowered consumers instead of virtual prisoners and slaves? We would have an explosion in educational innovation.

ernment? Socialism doesn't work. This was proven beyond a doubt in the 20th century. Nation after nation tried to replace capitalism with socialism and without exception their efforts to improve the quality of their citizens' lives failed.

Most Americans know that socialism doesn't work as an economic system. We allow competitive markets to produce our food, our housing, our clothing, our transportation, and most of the goods and services that we consume. Why then do so many people embrace socialism in health care and education? Because we have not created an idealistic vision of the way things could be if they were grounded in freedom instead of governmental control. What is the alternative to socialism in education? The free-market alternative is competition, innovation, and choice. The monopoly of the government over education needs to end. The domination of our children's education by the teachers' unions needs to stop.

What other reforms are needed? The following reforms are old news to people in the freedom movement: school choice through vouchers and tax credits, along with privatizing public schools and selling off their assets to the private sector. What would happen with true competition in school choice, with students and parents becoming truly empowered consumers instead of virtual prisoners and slaves, as they are in the socialized system that exists today? We would have an explosion in educational innovation, and unprecedented improvements as competition and choice systematically eliminated poor teachers and poor schools. In the marketplace, a series of successful educational organizations would grow and spread throughout the nation. We would see incredible diversity in types of schools and styles of education meeting the diverse needs and desires of students and parents, instead of the dictates of the educational bureaucracy and teachers' unions.

Educational empowerment is a noble ideal and one that I believe mainstream Americans will embrace, once parents understand how their own children will be the true beneficiaries of these reforms. Where the freedom movement has failed is in creating and articulating a vision to promote this ideal. We're too afraid to be seen as utopian or near-utopian in our thinking. There is so much cynicism in response. You have all heard "it's not realistic," and "it's a fantasy, you've got to be realistic." But for people to give up ideals like socialized education and medicine — equal access to schools and health care for everyone regardless of income — they need to believe the replacements are going to be substantial improvements. The way to lead them to support change is to create an idealistic vision of what is possible. Next, you need to evangelize this vision to create a sense of excitement. Then they will agree to travel down that road with you to create the necessary chang-

es. If there is no exciting, idealistic vision of what is possible, most people won't bother to join the struggle. Life is simply too short and most people have better things to do.

Who among you has read Bjørn Lomborg's book, "The Skeptical Environmentalist"? I cannot recommend this great book to you more highly. It convincingly demonstrates that the doom-and-gloom, apocalyptic crowd has greatly exagger-

The freedom movement must embrace the ideals of love, caring, and compassion, and return these words to their true meanings.

ated the decline of the global environment in many important areas such as air and water quality and the decline in natural resources. With that qualifier said, I still believe the freedom movement has erred strategically by letting the Left own the ideal of environmental sustainability.

The ideal of environmental sustainability is certainly going to grow in importance over the next several years. It isn't going to fade away. I personally think it is the Achilles heel of the freedom movement, and until it is proactively embraced as an important ideal by members of the freedom movement, the movement will become less and less relevant to the idealistic young in American society.

My company currently employs over 39,000 people. I estimate that nearly 100% of them care greatly about environmental sustainability. I know that I personally do. At Whole Foods, Team Members drift to the Left primarily because of the environmental issues.

Maintaining environmental sustainability is in the collective best interest of everyone. No one will argue that premise. The real question is, "What are the best ways to do it?" What are the trade-offs we need to make? When the freedom movement ignores the issue of environmental sustainability, the Left will dominate the discussion of the issues. Remember that the Left's goal remains either to cripple or to destroy capitalism. The freedom movement must embrace the ideal of environmental sustainability but must bring to the debate its commitment to property rights, markets, and proper incentives to effectively resist the inevitable leftist arguments for more bureaucratic controls and regulations.

Why should the Left own the ideals (and it *does* own them right now) of love, caring, and compassion — especially with its track record? How can a movement that in its extreme form is responsible for the murders of more than 100 million people, slaughtered in the name of its ideals, own those three words? What the Left has done is create a world of victims and a cult of victimology. Then the Left accuses everyone who disagrees with it of lacking love, caring, and compassion. What a bunch of baloney! The freedom movement must embrace the ideals of love, caring, and compassion, and return these words to their true meanings. Love, caring, and compassion do not equate to guilt, and they do not mean pandering to the demands of the various victims of the world. Spreading freedom through the world is the most loving, caring, and compassionate thing we can do for people. True freedom allows people to



"In other news, a Kurdish group today announced plans to send humanitarian aid to U.S. taxpayers. . . ."

continued on page 27

They're Still Coming for Your Land

by Timothy Sandefur

When it ruled on eminent domain, the Supreme Court sparked a people's rebellion in favor of property rights. But the revolution is not going well.

Last summer, when the Supreme Court declared in *Kelo v. New London* that states may condemn private property and transfer it to developers and businesses for "economic development" projects, the nation reacted with outrage. The House of Representatives overwhelmingly denounced the decision, and immediately began considering ways to forbid local governments from paying for such projects with federal dollars. Meanwhile, state officials picked up on the Supreme Court's statement that "nothing in our opinion precludes any State from placing further restrictions on its exercise of the takings power," and 38 of the states began drafting such restrictions. Columnists and bloggers began talking of a "*Kelo* backlash."

Today, eight states have enacted new laws in response to the *Kelo* decision. But despite the optimism that the "backlash" has generated among defenders of property rights, few of these laws provide meaningful protection for property owners. In fact, with the exception of South Dakota's new law, bills in Pennsylvania, Indiana, and Michigan — which have not yet been enacted — and part of an otherwise illusory reform law passed in Texas, these measures are major disappointments to property rights defenders. In some cases, such as that of Ohio, the reforms are outright frauds. These laws offer important lessons for what other states ought to avoid if they want to provide meaningful protection from eminent domain abuse.

Alabama

Alabama became the first state to respond to *Kelo* when it passed a law during a special legislative session only two months after the decision was announced. S.B. 68A, which was signed by Governor Bob Riley on August 3, prohibited the use of eminent domain "for the purposes of private retail, office, commercial, industrial, or residential development; or

primarily for enhancement of tax revenue; or for transfer to a person, nongovernmental entity, public-private partnership, corporation, or other business entity." Had this been the entire text of the bill, S.B. 68A would have meant significant protection for the property rights of Alabamans. Since at least the 1950s, the state's courts have upheld the kind of economic development projects that *Kelo* permitted. Alabama law allows local governments to condemn property for "urban renewal" or "redevelopment," each of which is described in a separate chapter of the state code.

Chapter 2, which covers redevelopment, explains that government may seize private property when it is in a "blighted area," which is defined as an area with buildings that suffer from "dilapidation, obsolescence, overcrowding, faulty arrangement or design, lack of ventilation, light and sanitary facilities, excessive land coverage, deleterious land use or obsolete layout, or any combination of these or other factors." Once such property is seized, it can be sold or leased to a private company to build a store or a hotel or whatever project bureaucrats believe necessary to improve the economy. More, Chapter 2 allows officials to seize property to *prevent* blight, even if the blight has not yet occurred.

And the state supreme court has allowed seizures of non-blighted property if it is near property that is blighted: "the mere fact that some of the buildings in the area are standard

and substantial," the court has declared, "does not require that they be omitted from the operation of the project." Urban renewal is covered under Chapter 3, which allows bureaucrats to write an "urban renewal plan" and implement it by seizing

The city was so enthusiastic for the condominium project that it defined "blight" as including any home that lacked a two-car garage or central air conditioning.

property in the neighborhood. Like the redevelopment chapter, the urban renewal chapter lets the government condemn non-blighted, commercially viable property, if it stands in the way of a new shopping center, hotel, or restaurant.

S.B. 68A does not alter these chapters in any way. In fact, immediately after prohibiting condemnations for purposes of economic development, the bill adds this sentence: "Provided, however, the provisions of this subsection shall not apply to the use of eminent domain by any municipality, housing authority, or other public entity based upon a finding of blight in an area covered by any redevelopment plan or urban renewal plan pursuant to Chapters 2 and 3 . . ." Thus economic development condemnations can continue in Alabama, so long as local officials first declare that their seizures of homes and businesses are necessary to alleviate "deleterious land use or obsolete layout" or other barriers to economic performance. Given the malleable definition of "blight" in Alabama law, it is not difficult for bureaucrats to target property by declaring it blighted before deciding to condemn it. When signing S.B. 68A, Governor Riley applauded himself for "leading" a "property rights revolt" that he claimed was "sweeping the nation." But S.B. 68A provides virtually no protection for the owners of homes and businesses in Alabama.

Texas

The same problem dogs Texas' S.B. 7B, which was signed into law on September 1. Like the Alabama measure, S.B. 7B prohibits any condemnation which "confers a private benefit on a particular private party through the use of the property" or which "is for a public use that is merely a pretext to confer a private benefit on a particular private party." While these prohibitions are laudable, they do not change the law in any way. *Kelo* itself declared that local governments are "forbidden from taking . . . land for the purpose of conferring a private benefit on a particular private party . . . [or from taking] property under the mere pretext of a public purpose, when its actual purpose was to bestow a private benefit."

What makes *Kelo* such a threat to property owners is not that it allowed condemnations for purely private benefits, but that it declared that condemnations which "create jobs" or "improve the economy," or even just raise tax revenue, *don't qualify as private benefits*. By expanding the definition of "public" to include the economic consequences of private transfers of land, the *Kelo* decision makes it virtually impossible for a court to recognize that a condemnation is really a private redistribution of wealth. *Kelo* does not allow private takings;

it just allows virtually any taking to qualify as public. Thus, the first two prohibitions in the Texas statute do nothing to change the current law.

The third prohibition is also an illusion. Like the Alabama measure, S.B. 7B grants government a loophole that undoes most of the protection that legislators promised to provide: bureaucrats may not condemn property "for economic development purposes," the bill declares, "unless the economic development is a secondary purpose resulting from municipal community development or municipal urban renewal activities to eliminate an existing affirmative harm on society from slum or blighted areas under . . . Chapter 373 or 374, Local Government Code."

These two chapters of the Local Government Code cover "community development" and "urban renewal," respectively, and they are unusually explicit in acknowledging the use of eminent domain to give property to private businesses.

Chapter 373 allows government to condemn property if it is "blighted, deteriorated, deteriorating, undeveloped, or inappropriately developed from the standpoint of sound community development and growth"; if it "is appropriate for . . . the beautification of urban land"; "for the provision of recreational opportunities or the guidance of urban development"; or if the property "is to be used for . . . other improvements eligible for assistance under this chapter or is to be used for other public purposes." The law allows government to condemn property for the purpose of "assistance in and financing of . . . private acquisition of those properties for rehabilitation," and for "disposition, by sale, lease, donation, or otherwise, of real property acquired under this chapter." And it authorizes officials to use seized property for "activities that are conducted by . . . private entities if the activities are necessary or appropriate to meet the needs and objectives of the community development plan."

Chapter 374 allows government to seize homes or businesses and to give, lease, or sell the property to private entities to use for their own profit. It allows for the "public acquisition of real property" so as to "prevent the spread of" blight and for "the disposition of property acquired in affected areas and incidental to the purposes stated by this subsection," and it reiterates that "private enterprise [should] be encouraged to participate in accomplishing the objectives of urban renewal to the extent of its capacity and with governmental assistance as provided by this chapter" — a clear invitation to companies to join with government agencies in employing eminent do-

Property rights, like other fundamental constitutional rights, are not supposed to be subject to political decisions in the first place.

main for "economic development" projects. As if this weren't clear enough, the law goes on to permit "the disposition by the municipality of property [that has been condemned] . . . including the sale or initial lease of the property at its fair value." Both chapters are preserved unchanged under Texas'

eminent domain reform law.

Astonishingly, these loopholes were not enough for Texas legislators, who, at the last minute, amended S.B. 7B specifically to allow the Dallas Cowboys to continue seizing land to construct a football stadium.

There are some beneficial aspects to S.B. 7B. First, the law does limit economic development condemnations to two sections of the state's law. Before, there were a variety of other statutes giving officials the power to seize property; the new

Kelo does not allow private takings; it just allows virtually any taking to qualify as public.

law closes off these additional sources of authority. But this protection is of little use, since virtually any property can still be condemned under Chapters 373 and 374.

Second, and more importantly, the new law clarifies that when the government decides to seize property, courts are allowed to review the decision independently. Although the courts have long claimed that power, in recent years they have adopted an increasingly deferential attitude toward local officials, declaring that condemnations will not be stopped except in extremely unusual circumstances. By creating more independence for the courts, S.B. 7B may possibly give property owners an opportunity to defend themselves in court. Still, that seems unlikely given the government's wide — and unchanged — power to use condemnation for "urban renewal" projects.

Wisconsin

Wisconsin's newly enacted A.B. 657 also provides weak protection for property owners. Although purporting to restrict the definition of "blight," the bill simply declares that government can seize property that is "detrimental to the public health, safety, or welfare" due to "dilapidation, deterioration, age or obsolescence," "faulty lot layout in relation to size, adequacy, accessibility, or usefulness," or other conditions — in the opinion of bureaucrats, of course.

Delaware

Vastly different from the Alabama, Texas, and Wisconsin measures is Delaware's newly enacted S.B. 217. Whereas the other laws claim to limit the eminent domain power, the Delaware law merely requires officials to tell property owners what they plan to do with land once they seize it. Bureaucrats must "describe" the "public use" for which property is to be taken "at least 6 months in advance of the institution of condemnation proceedings." The bill puts no limits on what sorts of things government may do with seized property, and does not try to define "public use." It merely requires the government to announce its plans six months in advance.

The idea, presumably, is to allow potential victims of condemnation time to rally with their neighbors and picket city hall. This may be a helpful idea; in some recent cases, political activism has stopped impending condemnations. Most notably, voters in Lakewood, Ohio, narrowly defeated a project that would have seized a tidy middle-class neighborhood for

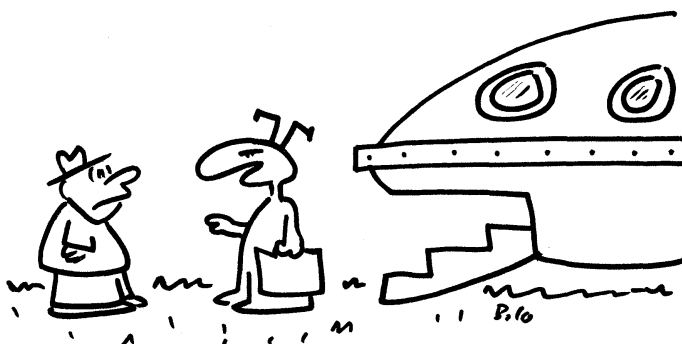
a condominium project. The city was so enthusiastic for that project that it defined "blight" as including any home that lacked a two-car garage or central air conditioning. After being featured on CBS' "60 Minutes," the redevelopment plan was voted down in a referendum.

But while it's gratifying to see property owners keep their homes, the Lakewood incident is not a sign of political health. Property rights, like other fundamental constitutional rights, are not supposed to be subject to political decision in the first place. As Supreme Court Justice Robert Jackson once explained, "the very purpose of a Bill of Rights was to withdraw certain subjects from the vicissitudes of political controversy, to place them beyond the reach of majorities and officials and to establish them as legal principles to be applied by the courts. One's rights to . . . property . . . may not be submitted to vote; they depend on the outcome of no elections." Citizens should not be forced to organize and protest to keep their homes or businesses free from government seizure. If their ownership depends on the political power they can muster on election day, then they do not have property *rights* at all, but merely *permissions*, which can be revoked at any time.

Ohio

The prize for the worst response to *Kelo* goes to Ohio. One of the worst abusers of eminent domain in the nation, the state seized more than 90 properties for private development in just five years. Nor were bureaucrats deterred by the debacle in Lakewood. In a case now before the state supreme court, city officials condemned non-blighted property to transfer it to a private developer who had lobbied the city council repeatedly to transfer the land to him. The city's excuse was that the seizure was necessary to prevent "deterioration" in an otherwise average middle-class neighborhood.

In response to public outcry over *Kelo*, Ohio lawmakers enacted S.B. 167, a bill which puts a one-year moratorium on certain condemnations. During this hiatus, a 25-member task force will write a report on the use of eminent domain. The legislature is not required to act on the report in any way, and the task force has been carefully designed to include several reliable advocates of redevelopment. Once the year is over, the government can return to its former practice without delay. What's more, the moratorium does not apply at all to property that has already been declared blighted. As the Cincinnati Enquirer noted, the moratorium "is expected to have minimal impact on development projects in Greater Cincinnati."



"Hello. I'm from the Galactic Bureau of Revenue, and your whole planet is delinquent!"

Perhaps it is no surprise that a state which regularly uses eminent domain for redevelopment projects would do nothing more than declare a one-year "time-out" — and not even apply that delay to most major condemnation projects in the state.

What Other States Should Avoid

If nothing else, the five laws I've reviewed are important examples of what property rights advocates must avoid if they are to accomplish meaningful eminent domain reform. In particular, reformers must avoid the temptation to allow government to continue engaging in economic development of "blighted" property.

Economic blight can be solved in far less intrusive ways — through tax cuts, better enforcement of property rights, and project plans that respect the rights of owners. Seattle recently completed a successful redevelopment project that involved no seizures of property, and there is no reason why this project could not serve as a model for other cities. If government does use eminent domain to combat "blight," however, then property owners must insist on a clear and narrow definition of that term, to ensure that cities are not allowed to continue condemning property virtually at will.

So far, only three states have enacted genuine protection for private property in response to *Kelo*: South Dakota, Indiana, and Georgia.

South Dakota

On Feb. 27, 2006, Gov. Mike Rounds signed H.B. 1080, which declares, in its entirety,

Section 1. No county, municipality, or housing and redevelopment commission, as provided for in chapter 11-7, may acquire private property by use of eminent domain:

- (1) For transfer to any private person, nongovernmental entity, or other public-private business entity; or
- (2) Primarily for enhancement of tax revenue.

Section 2. No county, municipality, or housing and redevelopment commission, as provided for in chapter 11-7, may transfer any fee interest in property acquired by the use or threat of eminent domain within seven years of acquisition to any private person, nongovernmental entity, or public-private business entity without first offering to sell such fee interest back to the person who originally owned the property, or such person's heirs or assigns, at current fair market value, whether the property has been improved or has remained unimproved during the interval, or at the original transfer value, whichever is less.

Unlike its predecessors, this law contains no exceptions allowing the condemnation of "blighted" property, or other similar loopholes. The law reflects South Dakota's tradition of respecting property rights; the state has no record of abusing eminent domain.

Indiana

Indiana has also enacted a powerful new law which restricts the use of eminent domain for redevelopment projects. H.B. 1010, signed on March 24, defines the term "public use" as "possession, occupation, and enjoyment of a parcel of real property by the general public or a public agency for the purpose of providing the general public with fundamental services, including the construction, maintenance, and reconstruction of highways, bridges, airports, ports," and other in-

frastructure. It also prohibits the use of eminent domain for "the public benefit of economic development, including an increase in a tax base, tax revenues, employment, or general economic health," and it carefully defines "blight" in a way that only allows the government to condemn property that is abandoned, vermin-infested, a fire-hazard, or in some similar way a danger to the community. It also guarantees attorneys fees for property owners who challenge condemnations, re-

Perhaps it is no surprise that a state which regularly uses eminent domain for redevelopment projects would do nothing more than declare a one-year "time-out."

quiring the government to pay 125% of the value of seized property. The fact that Indiana has, in recent years, shown an increasing willingness to abuse its eminent domain powers makes H.B. 1010 the most significant advance for property rights since the *Kelo* decision.

Georgia

Georgia's H.B. 1313, signed into law on April 4, also significantly limits the term "blight," allowing government to seize property only when it is "conducive to ill health, transmission of disease, infant mortality, or crime in the immediate proximity," and specifically barring officials from declaring property blighted "because of esthetic conditions." Although the new law still allows government too much leeway in condemning blighted property, the new protections ensure that Georgians will face far less danger from such condemnations than formerly.

Pennsylvania

An even more welcome change from the charlatanism of Alabama-style "reforms" is Pennsylvania's H.B. 2054 and S.B. 881. The Pennsylvania House and Senate bills — virtually identical measures that are now being worked into a single bill for the governor's signature — declare that property may not be taken for economic development at all. They allow condemnations for purposes of eradicating blight, but they define "blight" as actual dangers to public health and safety: for instance, "a structure which is a fire hazard or is otherwise dangerous to the safety of persons or property," or a vacant lot in a residential neighborhood which "by reason of neglect or lack of maintenance, has become a place for accumulation of trash and debris or a haven for rodents or other vermin." In addition, the bills place a ten-year limit on the lifespan of any declaration of blight. This is a welcome improvement, given that current law allows cities to condemn property at any time after it has declared an area blighted, even when market forces have improved the neighborhood in the interim.

Michigan

Finally, the Michigan legislature has agreed to put before the voters an amendment to the state constitution that would prohibit "the taking of private property for transfer to a pri-

vate entity for the purpose of economic development or enhancement of tax revenues." More: the amendment would require the state to pay 125% of fair market value whenever it seizes a private residence. The proposal — called Senate Joint Resolution E — is the first proposed state constitutional amendment to reach the ballot box, making Michigan the leader of eminent domain reform in the nation. After all, it was Michigan's Supreme Court that prohibited redevelopment condemnations only months before the *Kelo* decision was announced. "If one's ownership of private property is forever subject to the government's determination that another private party would put one's land to better use," the court explained, "then the ownership of real property is perpetually threatened by the expansion plans of any large discount retailer, 'megastore,' or the like."

But it remains to be seen whether the Pennsylvania or Michigan bills will become law. On March 8, New Mexico Governor Bill Richardson vetoed H.B. 746, which had passed both houses of the state legislature by unanimous votes. The bill declared simply that "The state or a local public body shall not condemn private property if the taking is to promote private or commercial development and title to the property is transferred to another private entity within five years following condemnation of the property."

Richardson insisted, despite his veto, that he "take[s] a backseat to no one when it comes to protecting private property rights," and he promised to appoint a committee to examine the issue. But he complained that the bill would "stop public projects that encourage environmental conservation, mass transportation and smart urban development, simply because private entities play a role in the project." Nevertheless, the bill would not have restricted the state from con-

demning dangerous property. It would not have affected traditional public projects such as highway construction in any way. And nothing about environmental conservation requires the government to transfer title to property from one private owner to another.

Richardson's claims that conservation and transportation projects would have been obstructed by the bill were disingenuous. His reference to "smart urban development" reveals his real concerns. Contrary to his claims, his veto was simply an endorsement of *Kelo*-style takings.

One reason for the slow pace of reform so far has been that most state legislatures went out of session shortly after the *Kelo* decision was announced, and only returned with the

Texas legislators, at the last minute, amended the law specifically to allow the Dallas Cowboys to continue seizing land to construct a football stadium.

new year. As lawmakers reconvene, there is hope that more meaningful reform, on the Indiana or Pennsylvania models, will soon follow. But if private property rights are to receive serious protection from the government, citizens will need to watch carefully that their representatives do not follow the lead of Alabama, Texas, Wisconsin, Delaware, and Ohio. Otherwise they will find that both their property rights and their faith in representative democracy are delusions. □

Winning the Battle for Freedom and Prosperity, *from page 22*

create prosperity and gives them the opportunity to move up Maslow's hierarchy of needs towards self-actualization. True freedom gives us the opportunity to take social responsibility and to work towards making the world a better place.

The freedom movement needs to support economic globalization. Globalization is the most caring and compassionate strategy we can implement to help the developing world lift itself out of poverty. This is the simple truth. But how many people understand this truth? The Left has convinced the idealistic young that globalization is harming the developing world — that it is a plot by greedy corporations to rule the world. The freedom movement has a responsibility to explain the wisdom of globalization and to hold it up as a noble ideal.

I began my talk tonight by telling you that I spent my late teens and early twenties searching for the meaning and purpose of my life. My strategy was really a very simple one: I decided to follow my heart wherever it took me. My heart has led me to distant places and to great worldly success. What I have learned on this journey is that in the core of my inner being there is endless creativity and there is limitless love. I believe if each of you look deep within your own inner being, you will likely also discover these two passions within yourself.

It is my belief that we should act in this world with open

loving hearts, and that we need to channel our deepest creative impulses in a loving way toward other living beings. Do we really want to win the battle for freedom and prosperity in the world today? If we do, then let us bind these words together, as tightly as we can, with the words love, care, and compassion.

Freedom belongs with love. Prosperity belongs with compassion. This is the vision I hold for the future; this is the world I strive to create. I urge you to join me. Together we can create a world where people have lives full of purpose, love, adventure, a world of freedom, prosperity, and compassion.

Now, I have a brief commercial. Along with a few friends, I am starting a new initiative within the freedom movement. We call this initiative "FLOW", for Freedom Lights Our World. What we envision will bring into the freedom movement the idealistic young that are being lost systematically to the Left. Many of the ideas I've talked about tonight are core concepts of FLOW. If you're interested in learning a little more about FLOW, visit our web site: www.flowproject.org.

I am going to end with a quotation from Goethe. This sentiment should be memorized by every aspiring entrepreneur in the audience:

Whatever you can do, or dream you can, begin it.
Boldness has genius, power and magic. □

Centennial of an Unnatural Disaster

by Dale Gieringer

In 1906, an innocuous law started us down the slope that led to the War on Drugs.

"Was the government to prescribe to us our medicine and diet, our bodies would be in such keeping as our souls are now [i.e., under the established church]. Thus in France the emetic was once forbidden as a medicine, and the potatoe as an article of food."

— Thomas Jefferson

Notes on the State of Virginia, Query XVII¹

This year is a noteworthy landmark in U.S. history: the centennial of the first federal drug control laws. Americans have long forgotten that for the first half of the nation's history there were no illegal drugs. In my own grandparents' time, Americans could obtain any drug at the pharmacy — including so-called narcotics such as opium, morphine, cocaine, and cannabis — without criminal sanction. This began to change a hundred years ago, just after the great San Francisco earthquake, when Congress effected a seismic change in U.S. drug policy by enacting the first federal laws aimed at restricting sales of dangerous drugs.

The most celebrated of these was the Pure Food and Drugs Act, enacted on June 30, 1906, which outlawed the manufacture and sale of adulterated, misbranded, poisonous, or "deleterious" foods and drugs. While generally well intended, the law incidentally gave unprecedented power to federal bureaucrats to decide what kinds of drugs consumers could purchase, a power that would soon be abused to prohibit consumer access to otherwise harmless and even beneficial products.

Less well known, but more drastic in its implications, was the District of Columbia Pharmacy and Poisons Act, aimed at prohibiting the sale of habit-forming drugs to drug fiends.

Enacted a few weeks earlier, on May 7, 1906, the act prohibited the sale of habit-forming drugs such as opium, morphine, cocaine, and chloral hydrate* without a doctor's prescription. Although the act applied only to the District, it was conceived as a model bill for the states, since Congress was still widely held to lack constitutional power to regulate drug sales outside the District (a doctrine long since abandoned by the courts). The act was the first in a succession of antinarcotics laws that would ultimately culminate in the first comprehensive national narcotics prohibition law, the Harrison Act of 1914, which would be passed in the guise of a tax bill so as to pass constitutional muster.

The 1906 legislation marked a watershed in U.S. drug policy. Until the 20th century, the national drug market was governed by a laissez-faire policy. The prevailing philosophy was that buyers and sellers should be free to engage in trade, unfettered by government regulations. The basis for nonintervention was set forth by the great antiprohibitionist and classical liberal economist John Stuart Mill in his famous treatise, "On Liberty": "That the only purpose for which power can be rightfully exercised over any member of a civilized community, against his will, is to prevent harm to others."² From this, Mill argued against limitations on free trade in alcohol and opium as unjustified infringements on the rights of the buyer, though not the seller.³ By the late 19th century, a num-

*Chloral hydrate, a sedative that is still on the market, has long lost its status as a drug of abuse. This aptly illustrates the transitory, contingent status of drugs of abuse. Conversely, the DCPPA neglected to restrict heroin, which was originally sold as cough syrup, but is now illegal even in medical use.

ber of states and cities had begun to reject this philosophy by experimenting with local prohibition laws regarding smoking opium and cocaine as well as alcohol. Nonetheless, it was still

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widely held that this was a matter for local, not federal, government. These restraints were cast off by the 1906 legislation, which gave the federal government a dominant role in determining which drugs Americans could consume.

The intent of the Pure Food and Drugs Act, to prevent the sale of adulterated, misbranded, and often fraudulent products, was basically sound. It passed on a wave of popular revulsion against widespread abuses in the patent medicine industry, stirred up by the journalist Samuel Hopkins Adams in his exposé "The Great American Fraud" in *Colliers* magazine.⁴

One of the act's central provisions was to require that medicines bear warning labels if they contained habit-forming drugs such as alcohol, opiates, cocaine, cannabis, or chloral hydrate (plus the now-forgotten alpha- and beta-eucaine, chloroform, and acetanilide). It further required that the quantities of these drugs be specified on the label. In essence, this was a "truth in labeling" policy, which, being informative, not prohibitive, was altogether consistent with the principles of J.S. Mill. Contemporary observers credited the act with a substantial decline in the use of patent medicines with dangerous intoxicants.⁵

However, the act had a dark side as well, as it put the power to make decisions about what drugs could be sold into the hands of a new federal regulatory agency — the Department of Agriculture's Bureau of Chemistry, the predecessor of today's FDA. In specific, the Bureau was empowered to remove products that it found to be "adulterated" with substances "deleterious" to human health, and to ban the importation of any drug deemed "dangerous to the health of the people of the United States." The definition of such terms inevitably involved subjective value judgments, which under the act would be determined by federal bureaucrats instead of individual consumers and producers in the market. The dangers of this arrangement were aptly pointed out by Sen. Nelson Aldrich (grandfather of Gov. Nelson Aldrich Rockefeller, the eponymous author of New York's punitive drug law), who warned that "the liberty of all the people of the United States" would be undermined by "chemists of the Agriculture Department" with an interest in regulation.⁶

No doubt Sen. Aldrich's remarks were aimed at the Bureau's crusading director, Harvey Washington Wiley, who had championed the new law. An aggressive proponent of regulation, Wiley was a forerunner of today's consumer protectionists, highly averse to chemical additives, inclined to exaggerating scientific evidence about their dangers, and prohibitionist with regards to many substances, including alcohol. Taking an aggressive interpretation of the act's provisions regarding "adulteration," Wiley sought to have several pop-

ular ingredients banned from the food supply, among them saccharin, sodium benzoate, and caffeine. His efforts eventually got him canned by President Theodore Roosevelt, who remarked, "Anybody who says saccharin is injurious to health is an idiot."⁷

However, Wiley was more successful with cocaine, which enjoyed popularity as an ingredient in several tonics and beverages but had recently come into disrepute. Cocaine is derived from the coca leaf, used since time immemorial by South American Indians with no evident ill effects. It was first popularized in the form of relatively mild tonics such as the famous Vin Mariani — endorsed by Thomas Edison, Pope Leo XIII, and President McKinley — and the original Coca-Cola. Like the coca tea enjoyed in the Andes, these beverages contained low levels of cocaine, and produced no evident ill effects.

However, problems began to arise with the introduction of more potent cocaine in pure, powdered form following the announcement of its remarkable pharmaceutical properties by Carl Koller in 1884. A brief flurry of medical enthusiasm was soon dampened by disturbing reports of addiction, as previously normal patients became transformed into crazed "cocaine fiends." In the South, cocaine was blamed for inciting violent behavior in blacks. In the nation's capital, cocaine was seen as "one of the growing evils of the city among the lower classes," and became a motivating factor in the District Commissioners' push for the D.C. Pharmacy and Poisons Act.⁸ By 1906, nearly half the states had laws prohibiting the sale of cocaine except on a doctor's prescription — essentially the model followed in the Harrison Act.

Although the Pure Food and Drugs Act was not *prima facie* a prohibition law, its provisions regarding food adulteration gave the Bureau leverage to intervene in the marketplace. In specific, the act defined adulterants to include any "deleterious ingredient" that might render the article "injurious to health."

Seizing on this provision, Wiley declared cocaine to be an "adulterant" and sued to have it removed from beverages. At no point did Wiley ever show that the low levels of cocaine in coca beverages were actually injurious to health. Indeed, coca beverages and leaf remain legal to this day in the Andean countries, where they are thought to help stave off fa-

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tigue, hunger, and diabetes. Nevertheless, Wiley succeeded in pressuring manufacturers to withdraw all cocaine from their beverages.

Ironically, that left only the more potent, addictive form of cocaine available on the market as a pharmaceutical drug. Although cocaine was ultimately restricted to prescription-only use under the Harrison Act, nothing could stop it from leaking

out into the nonmedical black market, eventually metastasizing into other countries and becoming one of the world's largest criminal enterprises. Wiley's ban on coca would eventually be incorporated into international law by the Single Convention Treaty (1961), at the insistence of U.S. drug bureaucrats. While criminalization of the coca trade has effectively "protected" American consumers from harmless coca beverages, it has left millions more exposed to illicit, high-potency cocaine. Meanwhile, it has inflamed a violent war in Latin America that has cost U.S. taxpayers billions of dollars, claimed thousands of casualties, and injected corruption, violence, gangsterism, and criminality into what was a peaceful and lawful business a century ago.

As time passed, the Pure Food and Drugs Act would be vastly expanded to encompass virtually every aspect of pharmaceutical choice. The FDA was given the power to decide what new drugs could be introduced by the 1938 Food, Drug and Cosmetic Act, which established the modern drug approval system. In time, the definition of new drugs would be stretched to include even familiar old ones like cannabis indica, known to medicine for centuries but presently banned as a presumably unsafe, unproven "new" product.

One consequence of the FDCA was to empower the FDA to enact a new labeling regulation making it illegal for prescription drugs to be sold over the counter, effectively repealing the right to self-medication. As a result, Americans are now substantially less free than their Mexican neighbors to purchase needed medicine.

Drug approval requirements were stiffened by the 1962 Amendments, which required that drugs be proven "effective" as well as safe. This greatly increased the time and cost of new drug development, depriving U.S. consumers of beneficial new medications that had already been approved in other countries, a phenomenon that became known as "drug lag." The FDA was also given sweeping powers to regulate unapproved, investigational drugs. By law, no such drug can

be given to any human subject without prior FDA approval. Pursuant to these powers, the FDA has suppressed many drug studies entirely; patients with incurable diseases have been denied access to new, experimental treatments. Some

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have sought treatment abroad; others have broken the law to smuggle drugs back to the land of the free. Entering the 21st century, Americans are no more free to use unapproved medication than the colonists of Jefferson's day were to practice unestablished religion.

If the Pure Food and Drugs Act was the slippery slope to prohibition, the D.C. Pharmacy and Poisons Act was the step off the cliff. The DCPA was explicitly intended to curb the "drug-habit evil" in the District by prohibiting the sale of narcotics without a prescription — a policy adopted by other antinarcotics laws of the era, including the Harrison Act. The DCPA explicitly covered sales of opium, morphine, cocaine, and chloral hydrate. The act also prohibited physicians from prescribing narcotics to addicts, except for purposes of treating illness or curing addiction. This officially marked the abandonment of the 19th-century libertarian principles of John Stuart Mill and the embrace of 20th-century prohibitionism.

The DCPA was the work of two rising forces in American politics: the waxing temperance movement, which would eventually succeed in imposing alcohol prohibition, and the turn-of-the-century progressive movement, which championed a more activist role for federal government in social regulation. The progressives were led by professional groups and incipient drug bureaucrats, with strong support from President Theodore Roosevelt.



"I've felt a lot better ever since John D. Rockefeller started me on liposuction."

The moral groundwork for drug prohibition was laid by temperance groups such as the Women's Christian Temperance Union, which had been agitating against the use of intoxicants for a generation. While alcohol was far and away its leading concern, the WCTU also took an interest in narcotics, sponsoring an international petition against opium traffic and successfully lobbying for antinarcotics and antialcohol education in the schools.

Internationally, British opium traffic in China represented the Evil Empire for the antinarcotics crusade. As a result of its defeat in the Opium Wars, China had been forced to open its ports to free trade in opium from British-ruled India. In Britain, religious and moral reformers, predominantly from the Liberal party, formed the Society for Suppression of the Opium Trade in 1874.

For a generation, the society waged a futile fight against British imperial interests, which welcomed the revenues from the opium trade. The battle was joined by a network of Protestant missionaries in China and Asia, many of them Ameri-

can, who communicated through numerous publications and organizations. Among the most prominent were the Anti-Opium League, whose president, the Rev. Hampden Coit Du Bose, would be instrumental in drafting the Chinese Empress Dowager's 1906 edict prohibiting opium,⁹ and the International Reform Bureau, founded by the Rev. Wilbur Crafts, which successfully lobbied Congress to pass the Gillett-Lodge Act (1902) prohibiting sales of firearms, liquor, and opium to aboriginal natives of the Pacific Islands.

In an era when opium was widely accepted as the most effective household analgesic (aspirin not being introduced until 1899, one year after heroin), the Chinese habit of smoking opium was looked down on as an alien and degrading vice. Chinese smoking opium was readily differentiable from household medical opium, since it was prepared in a different manner. It became the target of the very first local antidrug law in the United States, San Francisco's 1875 Opium Den Ordinance, which made it a misdemeanor to keep or frequent a den for the purpose of opium smoking. The San Francisco ordinance was passed at a time of intense anti-Chinese hysteria, and was quickly copied in other towns and states with Chinese settlements. By 1900, 22 states and territories had enacted statutes banning opium dens.¹⁰ For the most part, these were not strictly speaking prohibition laws, since they did not actually ban the sale or use of opium, only the ownership of public premises for its consumption. The notable exception was Nevada, which in 1877 became the first state to enact a full-scale opium-control law, prohibiting its sale without a physician's prescription.

During the late 19th century, professional pharmacy and medical groups began to propose additional measures to address the proliferation of dangerous drugs. The period saw the development of newer, more potent agents such as morphine, cocaine, chloral hydrate, and heroin, along with better hypodermic syringes to deliver them. At the same time there grew a flourishing trade in patent medicines containing secret, often toxic ingredients. In this climate, poisonings, both accidental and malicious, became the leading drug problem of the

poison, and the purpose for which it was being used. The register was subject to inspection by the authorities. In addition to lethal agents like strychnine and arsenic, the listed poisons

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typically included narcotics such as opium, morphine, chloral hydrate, and cocaine, which were poisonous in overdose. In principle, the registration requirement was intended to discourage criminal misuse, not limit consumer choice. Hence poison laws were endorsed by John Stuart Mill himself as an appropriate precaution against accidents and criminal activity.¹¹

In practice, the poison laws had an incidental restraining effect on narcotics sales. This was partly due to the warning labels, which discouraged careless use. Yet even more significant may have been the "purpose of use" recorded in the register.

In general, the sale of drugs for nonmedical ("recreational") purposes was considered unethical by pharmacists, many of whom refused to sell cocaine or morphine to "fiends" lacking a doctor's prescription. In practice, fiends had to seek out the less scrupulous druggists and peddlers to supply their habits, creating what was described as a "shadow market" for recreational drugs.¹² In the District, the shadow market for cocaine was supplied by just four or five licensed pharmacies.¹³

More explicitly prohibitionist measures began to be proposed in the 1880s, when the modern phenomenon of the drug habit began to manifest itself. As medical science advanced, doctors became increasingly troubled by evidence of iatrogenic addiction resulting from overprescription of narcotic drugs. Just as troubling was the emergence of a new class of street addicts given to drug use without medical justification — a type characterized by ne'er do wells, criminals, gamblers, prostitutes, and other undesirables, plus the occasional gentleman addict.

In an era of growing temperance sentiment, such behavior faced increasing social hostility. In the late 1880s, a handful of venturesome localities attempted to tackle the problem by adopting pioneering narcotics prohibition laws similar to the D.C. Pharmacy Act. Among them was San Francisco, where the county medical society petitioned for narcotics legislation, deploring the "lamentable fact that opium smoking is becoming fearfully prevalent among certain classes of young men and women in our city."¹⁴ In 1889, the city supervisors enacted a comprehensive ordinance forbidding the sale of morphine, opium, and cocaine except by a doctor's prescription. Ironically, for a city that would later become a Mecca for '60s drug culture, the ordinance also specifically disallowed prescriptions for the purpose of satisfying "curiosity or to experience any of the sensations produced thereby."¹⁵

The ordinance was naturally attractive to physicians, since it gave them a monopoly on the dispensation of narcotics. However, it was opposed by pharmacists, who objected, not unreasonably, to the "undue hardship" it would pose to "the

Wiley's efforts eventually got him canned by Theodore Roosevelt, who remarked, "Anybody who says saccharin is injurious to health is an idiot."

day. (The Washington Post online archive lists 6,342 articles mentioning "poison" in the 30 years before 1907, versus 4,184 for all narcotics combined; from 1987 to the present, "poison" mentions total 6,725, versus 15,913 for cocaine alone.)

In response, states began to enact "poison laws" requiring warning labels and other precautions for listed poisons. Pharmacists, represented by influential lobbying organizations, promoted passage of these laws, which also conveniently restricted sales to licensed pharmacies.

Another important feature of the poison laws was the requirement that sales be recorded in a "poison register" listing the name of the purchaser, the name and quantity of the

respectable portion of the community" in order to prevent "disreputable and criminal elements" from obtaining their drugs.¹⁶

With such opposition, enforcement of the ordinance proved spotty, and within a few years it was considered to be a dead letter. Comprehensive antinarcotics bills were also passed in Oregon (1887) and Montana (1889), two other states with a sizable Chinese opium-smoking minority, but these were the exceptions to the rule. Towards the end of the cen-

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tury, some states began to enact laws specifically against cocaine, beginning with Illinois and Colorado (1897). Still, at the national level, federal policy remained imperturbably laissez-faire, caveat emptor.

As the new century dawned, most Americans could legally obtain any drug with no more trouble than signing the poison register. Despite this, drug abuse was hardly a raging problem. By 1900, the use of opium had crested and begun to decline.¹⁷ Newspapers of the day gave far more attention to alcohol and the growing temperance movement than to narcotics. As for drug crime, that pervasive scourge of modern civilization, it was virtually nonexistent in the absence of modern drug control laws (aside from the occasional opium den bust).¹⁸ Despite their widespread availability, narcotics were such a minor issue in turn-of-the-century America that they rarely rate even a footnote in history texts.

Unlike alcohol prohibition, narcotics prohibition was not caused by any widespread public pressure or political campaign. Rather, it was the work of government insiders, led by progressive-era professional groups and anti-opium missionaries, with crucial support from President Theodore Roosevelt. The push for national drug legislation was consistent with the broader progressive agenda, which favored aggressive federal government action for social and moral betterment.

While progressives were united in supporting food and drug purity laws, they were divided on the moral question of alcohol prohibition. Many were drinkers themselves and did not regard moderate alcohol use as intrinsically evil. Though a fearless champion of progressivism, President Roosevelt was politically cautious on prohibition, distrusting temperance extremists, preferring to leave the matter to the states. Like many Americans, Roosevelt was familiar with social drinking and comfortable with moderate, responsible use. Narcotics were another matter, however; outside of the despised opium dens, social use of narcotics was unknown, and no respectable Americans would admit to their use except for medical purposes. Public opposition to narcotics controls was therefore nearly nonexistent, clearing the way for the prohibitionists.

It was foreign affairs that proved the crucial factor in winning Roosevelt's support for narcotics prohibition. Fittingly, the scales were tipped by events in the Philippines, which

had been captured by the U.S. at Roosevelt's initiative when he was assistant secretary of the Navy during the Spanish-American War.

In acquiring the Philippines, the U.S. also acquired an opium problem. The islands' Chinese minority was given to the habit of smoking opium, as were Chinese settlements throughout the world. For many years, this population had been supplied through a state-licensed opium monopoly under the Spanish colonial government. Four years after taking over the Philippines, the American colonial government of William Howard Taft proposed reviving the monopoly, which had been an important source of taxes to the Spanish administration.

Taft's plan met fierce resistance from local missionaries, led by Manila's Episcopal bishop, Charles Brent, who protested sanctioning the opium evil. In May 1903, Brent collaborated with fellow Christian prohibitionists from the International Reform Bureau, headquartered in Washington, D.C., to deluge the White House with telegrams against the opium licensing plan. Impressed by this showing of moral outrage, Roosevelt ordered Taft to withdraw the plan, and a committee was appointed for further study. The committee, under Bishop Brent's direction, recommended a policy of "progressive prohibition," in which opium would initially be limited to confirmed addicts for three years, then banned entirely. On March 3, 1905, Congress passed a bill directing the Philippine government to "prohibit absolutely the importation or sale of opium" except for medical purposes by March 1, 1908. In this act, Congress first explicitly embraced a policy of narcotics prohibition.

Meanwhile, the pharmaceutical lobby had been brought around to the concept of prescription-only sales. In 1903, the American Pharmaceutical Association approved a model bill to ban nonmedical use of narcotics, including opiates, cocaine, and chloral hydrate. A revised version of the bill was adopted two years later by the National Wholesale Druggists Association, National Association of Retail Druggists, and the Proprietary Association of America.

In 1904, the first draft of the D.C. Pharmacy and Poisons Act was proposed to Congress. The bill encountered opposition in committee. Local druggists were of divided opinion. Some objected that self-destruction could not be stopped by law, and that mandatory prescriptions would pose an unfair burden on the poor. Others thought the law fully justified: "They can't make the law too stringent for me," one said. "It

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has been my rule since I went into business to refuse to sell morphine, cocaine or any of these drugs without a prescription."¹⁹

The bill died because of opposition from patent medicine manufacturers, who objected that it would unduly restrict low-potency medicines with small amounts of opium. When the bill returned the next year, the patent medicine indus-

try dropped its opposition, having voluntarily lowered the potency of its products. The bill boasted support from the American Pharmaceutical Association, the National College of Pharmacy, the District Commissioners, and a conference of physicians and pharmacists.

There was no dispute about the basic intent or design of the bill. Advocates pointed out the need to restrict the cocaine habit. The sponsor, Rep. Joseph Babcock of Necedah, Wisc., invoked the ever-popular *argumentum ad infantes*, explaining, "I have come to my house, day and night, mothers, widows, and parents begging for some legislation that would prevent their children being able to buy cocaine. The cocaine habit

The Opium Den Ordinance in San Francisco was passed at a time of intense anti-Chinese hysteria, and was quickly copied in other towns and states with Chinese settlements.

has grown in Washington here in the last five years until it is a thousand times worse than the alcohol habit."²⁰ Rep. John Fitzgerald of Brooklyn expressed qualms that the bill's fees might not cover its enforcement costs. Rep. Thetus Sims of Tennessee pertly replied that if additional appropriations were required to "stop the wholesale poisoning and the making of lunatics and maniacs in this District," then so be it.²¹ The bill passed with no discussion of whether its provisions might actually realize its goals, or whether there might be possible adverse effects from prohibition.

The press did not mention the bill's passage. However, just two months later the Washington Post reported troubles enforcing the law:

"It has been a truism so trite as to be outlawed that prohibition never prohibits. . . . The same rule applies for the cocaine fiend. . . . [The laws] are broken continually in the city. In spite of the vigilance of the police, the dope fiends who have the requisite money can obtain supplies of the drug. Victims of this habit — among whom are frequently the panderers to the vice — are most secretive and cunning. No subterfuge is too base for either buyer or seller, nor is any trouble too great to take, provided it result in satisfaction to both sides, one getting the money and the other the poison. . . . The immoral women of the town, among whom the habit is strongly prevalent, are responsible for the distribution of much of the poison in the city. They make trips to Baltimore and Alexandria, and lay in a stock of poisons for themselves and their friends."²²

Nonetheless, by this time the nation was firmly committed to a policy of drug prohibition. Other states quickly followed the District's example. By the time the Harrison Act was passed, more than 30 states had already enacted comprehensive antinarcotics laws.

Thus, the war on drugs began at the local level. State pharmacy boards pioneered the tactics of today's drug police state. Pharmacy boards sent out agents posing as addicts to try to wheedle drugs from unsuspecting pharmacists, then busted them, publicizing arrests in the local press. Drug agents swept down on Chinatowns, cleaning out the dens and burning their

opium and paraphernalia in public bonfires.

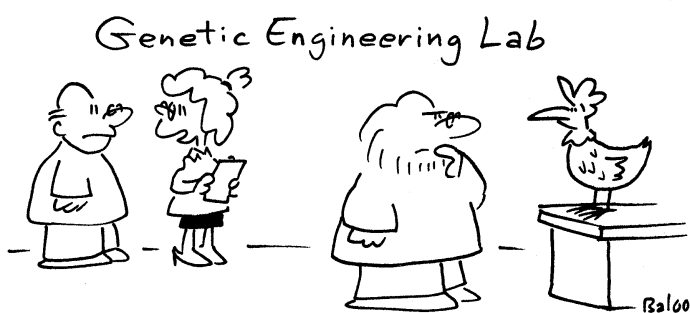
While arrests soared, the problem persisted, leading authorities to seek further powers. Having first restricted only sales, legislators proceeded to outlaw possession as well. From that point on, America's drug users became a criminal class. Although it had initially been proposed that drug addicts be sent to state hospitals to be cured, funds for treatment languished, so addicts were sent to prison instead. As time progressed, penalties became increasingly harsher. While early laws made sales a misdemeanor, later laws would make mere possession a felony.

Under the Harrison Act, effective in 1915, narcotics prohibition became federal law. This was done by placing a tax on narcotics prescriptions, allowing the U.S. Treasury to regulate and restrict their use. Before long, federal courts and prisons were flooded with thousands of physicians, pharmacists, and addicts charged with illegal prescription, sale, and possession of narcotics.²³ As the government cracked down on the pharmaceutical companies that had traditionally supplied narcotics, the traffic was pushed into the hands of illicit black-market suppliers, creating an enormous and lucrative new field of criminal enterprise. The Harrison Act was eventually supplanted by more sweeping legislation that extended and strengthened federal power over drugs. Under the Controlled Substances Act, passed in 1970 and still in effect today, prohibition was expanded to countless more substances, to the point where even Indian hemp, a common crop at the turn of the century, is no longer legal for agriculture or medical use, state laws to the contrary.

The year 1906 proved fateful on the international front as well. In Britain, a landslide victory by the Liberal Party brought the anti-opiumists to power, ending the longstanding dominance of imperialist free traders. In July, the Chinese government, encouraged by U.S. missionaries, announced its intent to crack down on opium smoking, removing previous doubts about the commitment of the Chinese.

Roosevelt sensed the opportunity to improve U.S. relations with China, which had been badly frayed by American anti-immigration laws. At the urging of Bishop Brent, he proposed an international conference on the opium trade be held in Shanghai. In 1909, the Shanghai Commission issued recommendations aimed at suppressing the opium trade, while Congress passed the Opium Exclusion Act, prohibiting the importation of smoking opium altogether.

There followed another international conference at The Hague in 1912, which established the first multinational treaty



"He's trying to figure out how to install a snooze alarm."

to limit international trade in opium and cocaine. This became the first in a long line of treaties that eventually culminated in today's international drug prohibition scheme, set forth in the Single Convention Treaty of 1961 and its sequels. Pursuant to these treaties, the entire world now lives under a regime of global prohibition, not only of opium, morphine, and cocaine, but also of cannabis, coca leaves, and almost every other hallucinogenic or psychoactive substance of interest to human consciousness (except for alcohol, nicotine, and caffeine).



Looking back, the toll of the 1906 drug laws seems as fearsome as that of the great San Francisco earthquake itself. Over the past century, an entire criminal industry came to flourish; tens of millions were arrested for drug offenses; hundreds of billions of dollars were spent on drug enforcement; nearly half the U.S. population was implicated in drug crime; thousands were killed in drug war violence, and thousands more by overdoses from dangerous black market products.

But what about narcotics abuse — hasn't that abated?

The number of opium addicts in 1900 has been credibly estimated at around 200,000 to 400,000 — less than today's population of drug prisoners — or less than 0.5–1% of the adult population.²⁴ As of 2002, the number of Americans dependent on illicit drugs was estimated at 4,636,000, or over 1.5% of the

population, according to the National Household Survey on Drug Use.²⁵

To be fair, this figure is likely overstated because it includes cannabis, but the bottom line seems to be that the total drug addiction rate has been relatively stable at around 0.5–1% over the last century. What has not been stable is the rate of drug criminality. In 2004, some 1,740,570 Americans were arrested, and a half million imprisoned, for drug offenses that simply did not exist a century ago. In short, the drug laws have served as a giant crime-creation program, turning what had been addicts' private health problems into a major public crime problem, accounting for nearly one quarter of all criminal offenses.

As the 21st century begins, it is well to consider how to undo the damage of 1906. In retrospect, it is hard to escape the conclusion that the 19th-century system — a free market supervised by labeling and registration under the poison laws — worked better than ours. A strong case can be made for ending the prohibition of nonmedical use of drugs and allowing their sale in pharmacies with appropriate informed consent. Before this can happen, however, Americans need to recognize the historical failure of prohibition, to understand that the best protection from dangerous drugs comes from their own personal responsibility, and to once again assert the right to freedom of choice in medication they had in the days of Jefferson and Mill. □

ENDNOTES

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16. "Board of Supervisors: Druggists Oppose the Passage of the Cocaine Ordinance," *S.F. Daily Alta Californian*, May 14, 1889.
17. David Musto, "The American Disease: Origins of Narcotic Control" (Yale University Press, 1973), pp. 3–4.
18. Opium smuggling was also a sporadic problem due to the fact that the U.S. periodically imposed a stiff tariff on smoking opium. When the tariff waned, so did the smuggling. Jerry Mandel, "The Opening Shots of the War on Drugs," Chap. 9 in "How to Legalize Drugs," ed. Jefferson Fish (Jason Aronson, Inc., 1998).
19. "Stop Sale of Poisons: Druggists Discuss the Proposed District Law," *Washington Post*, Aug 5, 1904, p. 12.
20. *Congressional Record*, Feb 12, 1906, p. 2437.
21. *Ibid.*, p. 2438.
22. "How the Washington Dope Fiend Satisfies his Desire for the Drug," *Washington Post*, July 1, 1906, p. SM10.
23. In the first year of the Harrison Act, over 23,700 violations were recorded, with 663 convictions; ten years later, the number of violations had declined by a half, but convictions had soared to 5,000 per year. Annual Reports of the National Commissioner of Internal Revenue and the Commissioner of Prohibition (courtesy of Jerry Mandel).
24. Musto, *op. cit.*, pp. 4–6, 253–4.
25. <http://www.oas.samhsa.gov/nhsda/2k2nsduh/sect5peTabs1to12.pdf>.

The Notion that Caused the Great Depression

by Richard H. Timberlake

Protecting the economy from the dangers of “speculation” seemed like a good idea at the time.

The Great Depression, 1929–1941, was two distinct periods in U.S. economic history. First came the Great Contraction, 1929–1933, during which prices fell 8% per year, the stock market crashed — declining much more than prices, the economy’s stock of money fell 25%, real national income fell 30%, unemployment increased to a high of 25% of the work force, and business confidence fell to almost zero. No one knew what had happened, but everyone had a “theory” and a scapegoat.

Most people today think, as most thought then, that some kind of fatal and untreatable weakness in the private enterprise market economy suddenly manifested itself and had to run its course. Their key indicator is the horrendous decline in the stock market, an indicator that is right out in plain sight for every layman to analyze.

Since most of the collapse in the economy occurred during the administration of President Herbert Hoover, his administration and the Republican Congresses of that period have received everlasting popular condemnation for the debacle. While the policies of Hoover and his administration certainly did not help matters, neither did they have anything to do with the fundamental cause of the collapse, or its persistence.

The ensuing Great Depression, 1933–1941, coincided with the election and administration of Franklin Delano Roosevelt. Since the economy was already bottoming out when he took office in 1933, FDR’s subsequent policies could not have caused the Great Contraction either.

The fundamental cause of the Great Contraction, the only event I discuss here, was the evolving monetary policy of the Federal Reserve Board and Federal Reserve Banks. Most interestingly, it was One Big Idea — a dogmatic belief guiding Fed policymakers — that caused the economic downturn in 1929, and continued the deflationary pressure for four long years.

That policy dogma, and not a gold standard, nor any brand of political activism, nor the stock market collapse, nor a misguided tariff policy, nor any other popular scapegoat such as “big” corporations, powerful labor unions, international Jewish bankers, or “economic royalists,” was the root cause of what happened.

The One Big Idea to which I refer was a policy norm that monetary economists label the Real Bills Doctrine. It is a theory of banking and banking policy that has been around for as long as fractional reserve commercial banks — about 300 years. As a principle for a commercial bank’s lending operations, it is harmless; but as a theory for central bank monetary policy, it is disastrous. Unfortunately, in late 1928 and early 1929, the Real Bills Doctrine became the dominant and unconstrained principle of Federal Reserve policy.

The Gold Standard and the Real Bills Doctrine

The place to begin an examination of monetary affairs in the 20th century is with the functioning international gold standard that was in place before World War I. A gold standard provides for a supply of money in the economy. If the gold standard is international, it provides for supplies of money to all the countries committed to it.

A gold standard law typically describes a gold coin of some convenient denomination containing a weight of gold of

specific fineness, and rules that this coin is legal tender for all debt payments public and private. Mints, either public or private, then monetize any and all gold brought to them by coining it on the fixed terms that the law stipulates. In the United States, for example, Congress defined a ten-dollar gold Eagle as a coin weighing 247 grains (slightly less than half a troy ounce), and 0.900 fine (pure), as the standard.

Once the legislature puts the gold standard machinery in place, no additional law ever needs to limit, constrain, or promote gold coinage. The system works on the principles of *spontaneous order*. Nobody manages it. Rather, everyone who lives under it “manages” it within the rule-based framework. It is the money-market heart of a market system.

Under a gold standard banks hold gold reserves to redeem the checkbook accounts of depositors. On the basis of their gold reserves, the banks make loans to households and business firms, thereby generating deposit moneys that are their demand liabilities. The amount they create depends fundamentally on how much gold they hold as reserves.

By way of contrast, real bills — no, not those things that come at the end of the month, as one lady friend suggested to me — come into existence when banks make loans to businessmen who need credit to finance their prospective productions of goods and services. Borrowers and banks agree that such forthcoming productions serve as collateral for the dollar value of the loans. When the business borrower sells the new goods, he pays off the bank and thereby consummates the loan.

From such conventional and unexciting beginnings, many bankers and a goodly number of economists of the pre-1935 era took the next step. They argued that if bankers extend bank credit only on the basis of these loans — that is, on the money value of real bills — the dollar value of the new credit and bank money (checking deposits) will exactly equal the dollar value of the new goods and services. This twist is what makes ordinary harmless real bills into the real bills doctrine — an advised policy for gearing the creation of new money to the money value of new goods and services. What could be cooler than that?

However, bank monetization of real bills, unlike bank monetization of gold, cannot be done on fixed dollar terms. A bank loan to a borrower must always include the banker’s estimate of the dollar value of the real goods or services that the borrower offers as collateral to secure the loan, as well

Most people think some kind of fatal and untreatable weakness in the private enterprise market economy suddenly manifested itself and had to run its course.

as the likelihood of repayment. The interest rate the bank charges reflects this judgment. If bankers are too optimistic, they overextend credit, thereby oversupplying deposits. New loans and deposits exceed the market value of the goods and services that the borrowers can generate, and monetary inflation results. If bankers are overly pessimistic, creation of bank

money is insufficient to maintain prices at their current level, and deflation follows. These rising and falling prices raise and lower the dollar value of the real bills collateral that constitutes the basis for the creation or destruction of bank money.

Once the legislature puts the gold standard machinery in place, the system works on the principles of spontaneous order. Nobody manages it.

Consequently, when the system is put into motion, it does not move toward equilibrium. Several economic studies have emphasized this dynamic instability (Mints, Humphrey, Girton).

Fortunately, a genuine gold standard, if it is in good working order, and if it is the dominant monetary institution, will not allow banks to generate too much or too little money for very long, no matter how much credence bankers attach to the real bills doctrine. The stock and rate of increase of monetary gold, under a true gold standard, determine the stock of common money, the price level, and the trends in both. If bank credit based on real bills tends to generate too little money relative to what the gold standard demands, bankers’ reserves continue to be excessive, and banker pessimism moderates. If bankers allow too much bank credit, gold flows out of the monetary system, depleting bank reserves and bringing bank lending up short. The important principle here is that no matter how invalid the real bills doctrine is as a basis for creating the “right” quantity of money, the system’s higher ranking commitment to an operational gold standard completely overrides any weaknesses in that doctrine (Schumpeter 721–722, Andrew 114–115).

Appearance of the Federal Reserve System

Both a gold standard and a real bills doctrine are means for supplying money to the economy. A central bank does likewise. So, let’s see how a central bank, such as the Federal Reserve System, fits into the picture.

The Federal Reserve System, the central bank of the United States, came on the scene in 1912–1913. This new system consisted of twelve super-commercial banks that would hold the gold and other (legal tender) reserves for the national and qualified “member” commercial banks in their districts. Fed Banks were to be gold-standard reserve banks. Besides holding the gold reserves of their “member banks,” they would occasionally provide additional bank credit and bank deposits as needed, in step with seasonal peaks and troughs in the productions of goods and services. Acting also as lenders of last resort, Fed Banks would supply extra reserves to their district member banks by making loans — conventionally called “discounts” or “rediscounts,” from which interest charges are deducted up front when the loan is made — whenever the banks’ depositors for any reason redeemed unusual amounts of checkbook balances into gold. Fed Banks rationed the supply of credit among the commercial banks they served by increasing or decreasing the interest (discount or rediscount) rate that they charged the banks to borrow. To expand bank loans and deposits, Fed Banks would lower their rates; to re-

strict lending due to anticipated inflation, they would raise rates. Each Fed Bank had charge of its own discount rate, but all Banks' policies were "subject to the review and determination" of the Fed Board in Washington.

To function properly, a Reserve Bank was supposed to limit its loans to "eligible paper," which the Federal Reserve Act defined as "notes, drafts, and bills of exchange arising out of actual commercial transactions . . . issued or drawn for agricultural, industrial, or commercial purposes" (1961, 43). "Eligible" also meant short-term and self-liquidating. "Eligible paper," therefore, was just another name for "real bills."

The Stable Price Level Policy After World War I

During World War I, the government's wartime fiscal needs forced Fed Banks to adjust their policies to the dictates of the Treasury. Not until 1921, three years after the end of the war, were Fed Banks able to shake themselves free of Treasury dominance.

Fed policy in the years from 1922 to 1928 operated independently of Treasury pressures, but also without the constraints of a gold standard. The original Act had stated that Fed Banks were "to furnish an elastic currency," which meant that they would discount commercial paper of member banks for gold, or other legal tender. By this means, Fed Banks would prevent undesirable reductions in the total quantity of money. Such action was also complementary to the notion in everyone's mind of Fed Banks serving as lenders of last resort for solvent but illiquid banks in a financial crisis, to prevent a collapse in the existing level of bank credit and deposits (Timberlake, 111). In accordance with these principles, Fed Banks would keep their discount rates higher than general market rates, so that they would become financially active only in a liquidity pinch, i.e., as lenders of last resort (Hepburn, 531–534).

The policies and reports of the Fed Banks and the Board of Governors during the 1920s, however, reflect anything but such a defensive role. Starting in 1922, the New York Fed, the largest and most important bank in the system, formed an Open Market Investment Committee (OMIC) with some of the other Fed Banks to coordinate purchases and sales of government securities in New York's financial market. By this means, the Fed as a federated central bank gained decisive control over the economy's stock of money.

The purpose of the OMIC was to make money tight or easy depending on what the OMIC managers thought the financial and productive sectors of the economy needed. Their unofficial indicator for stability was the general level of prices, which they wanted to keep close to constant. They also insisted that this policy was not official and would be terminated when political authorities in the trading world could re-establish a functioning international gold standard.

Fed Banks at this time, particularly the Fed Bank of New York, were inundated with gold reserves, which is why gold was not a constraint on their operations. Indeed, to prevent current gold monetization and gold inflation — yes, there is such a thing — and a subsequent deflation when the gold returned to European banking systems, Fed policymakers "sterilized" the gold that had come into the U.S. as a result of WWI financing. Instead of letting the additional gold become reserves for new money creation, Fed Banks sold off their holdings of government securities and the loans they had made to commercial member banks, and were thus able

to sequester the redundant gold without monetizing it. Had they not done that, the additional gold would have inflated U.S. prices significantly. As it was, U.S. prices were remarkably stable between 1922 and 1928, and gold did not flow back to Europe. In short, the Fed as a central bank operating in lieu of a gold standard prevented the gold from being monetized into bank reserves, and then by the banking system into money. It thereby avoided what would have been a gold inflation in the United States. Consequently, throughout the 1920s the Fed Banks had a huge volume of excess gold reserves — more than double the amount that the Federal Reserve Act required of them — to back their outstanding Federal Reserve notes and the reserve-deposit accounts they held for their member banks.

The principal driving force behind Fed policy at this time was Benjamin Strong, governor of the New York Fed. Strong was instrumental in forming the OMIC; he was its chairman, and he particularly favored price level stabilization. Besides his practical experience as a banker who had witnessed private clearinghouse operations that stabilized the financial markets during the Panic of 1907, Strong had the counsel of several competent economists who recommended price stabilization by central bank control of the quantity of money. Strong once remarked, "[N]o influence upon prices is so great in the long run as is the influence of changes in the quantity of money" (Strong, 175). At the same time, he felt that a law requiring price level stabilization was inappropriate — that the gold standard was the only lawful institution to control the quantity of money, and that it was the proper means for preventing the government from assuming undesirable control over monetary policy. He and his associates anticipated the full restoration of an operational gold standard when the current period of instability had ended. Furthermore, Strong pointedly and emphatically rejected all aspects of the real bills doctrine as either a guide to or a norm for effective policy. His disavowal of that doctrine, however, did not speak for the opinions of the Fed Board and many of the Fed Bank governors (Chandler, ch. vi).

The Shift in Policy from Stability to Real Bills

By 1928, three operating methods and supporting arguments had appeared in Federal Reserve policy: the gold standard, in remission throughout the world since 1914, but still the ultimate norm in official discourse; price level stabilization



"Do you consider yourself a paleoconservative or a paleoliberal?"

tion by quantitative control of bank reserves through open-market operations; and the real bills doctrine that argued for credit control under the discretion of the Board of Governors and the Reserve Banks, using the Fed Banks' discount rate as the controlling mechanism. When Strong died of tuberculosis in October 1928, real bills policymakers within the system moved to take charge of the policy machinery. Unfortunately, they succeeded.

Both the administrations of the twelve Reserve Banks and the Federal Reserve Board, which was based in the U.S. Treasury Building in Washington, had policymaking powers. The Board operated as a supervisory-and-review body, and had a veto power over discount rates set by individual Reserve Banks. It also made the final determination of the "character of paper eligible for discount," and could set other regulations and limitations on discounting (Board of Governors, 1961, 44-48).

Besides its proscriptive powers over Fed Bank discount rates and the eligibility of commercial paper, the Board also had extensive emergency powers that it could use in a crisis. Most importantly, it could order the suspension of "any [gold] reserve requirements specified in this Act" for a period of 30 days, and it could renew such suspensions every 15 days thereafter for an indefinite period (Board of Governors, 1961, 34-35; emphasis added). This reasonable provision gave the Board the power to let the Reserve Banks use all their gold, if need be, to maintain gold payments for their paper currency as long as they had any gold. It emphasized that the Fed was designed to be a gold-standard central bank. If the Fed Banks had run out of gold, they could not have "failed." Their existence did not depend on their gold holdings. They simply would no longer have had decisive control over the quantity of money.

The Fed Board in Washington, however, had no tradition of active policy, and most of the other Reserve Banks were mainly concerned with local affairs. Most important was the theory under which both Board and Banks operated. With the exception of the New York Fed, all of them were steeped in the real bills doctrine — as the Federal Reserve Act suggested they should be.

An especially prominent member of the Board, who had served on it from the date of its establishment in 1914, was Adolph C. Miller, a conventional academic economist with a master's degree in political economy. Both Miller and another economist, H. Parker Willis, were instrumental in writing real bills norms into the Fed Act when it was passed. Both had been students of J. Laurence Laughlin, who began as a histori-

his colleagues in academic positions. Both shared Laughlin's real bills prejudices. Willis received his doctorate in economics (1898) under Laughlin, and contributed chapters to two of Laughlin's books. Miller managed to get appointed Assistant Secretary of the Interior in 1912, and then to the Fed Board by President Wilson in 1914.

Another major player in real bills doctrine was Congressman Carter Glass from Virginia. When the Federal Reserve bill came before Congress in 1912-1913, Willis — who had taught economics to Glass' two sons at Washington and Lee University around 1910 — had become the resident expert in monetary policy for the congressman, who was Chairman of the House Banking and Currency Committee, and thereby the most influential voice in the formulation and passage of the Federal Reserve Act. The Real Bills Doctrine thus became the dominant theme of the Federal Reserve Act (Bornemann, 1940; White, 1983). At one point in time, 1918-1920, Miller was on the Fed Board; Glass was Secretary of the Treasury, and, therefore, Chairman of the Fed Board; Willis was Secretary to the Fed Board; and Laughlin was basking in retirement from his prestigious position at the University of Chicago. Real Bills were in the ascendancy!

As a member of the Fed Board, Miller was instrumental in writing the Board's Tenth Annual Report in 1923, which is virtually a prescription for real bills policy. Again, during Congress' Stabilization Hearings in 1928, Miller displayed his Real Bills dogma. "The total volume of money in circulation," he declared, "is determined by the [productive activity of the] community. The Federal reserve system has no appreciable control over that and no disposition to interfere with it." Miller was particularly opposed to the price level stabilization policies of Governor Strong, and was almost indiscreet in charging that Strong was one of those "amateur economists" who "constitute one of [the System's] dangerous elements." A few months after Strong's death, Miller, who had been on the Board since 1914, was able to establish his effective leadership over Fed policy.

Besides emphasizing that banks and central banks should buy only real bills, the real bills doctrine has an important negative aspect: it fundamentally opposes and prohibits several other forms of bank lending — long-term loans, mortgages, government bonds, and especially speculative loans that support real estate bubbles and stock market frenzies. Fed Board governors now in charge of monetary affairs were determined, under Miller's urging, to wage an active crusade against "speculation."

In accordance with the precedent Strong had unwittingly set in promoting a stable price level policy without heed to the Fed's gold assets, real bills proponents could proceed equally unconstrained in implementing their policy ideal, also without heed to the Fed's gold assets. System policy in 1928-29 consequently shifted from active price level stabilization to active antispeculation. "The" gold standard remained where it had been — nothing but official window dressing, waiting an opportune time to reappear.

The Real Bills Central Bank in Operation

Fortunately for the record, Miller had the temerity to write an article for the American Economic Review of February 1935, "Responsibility for Federal Reserve Policies, 1927-1929," in which he confirmed his assumption of leadership over Fed

Had Fed authorities allowed "their" gold reserves to run down, the monetary contraction would have been halted.

an (Ph.D., Harvard, 1876), but osmosed into economics. By the time he became head of the economics department at the new University of Chicago in 1892, Laughlin was the most influential and dogmatic real bills proponent in the economics profession. He subsequently appointed both Miller and Willis as

policy in 1929 and the Board's subsequent directive of a massive antispeculation policy for the Fed Banks.

Miller noted critically that the district Fed Banks during 1927–1929 had taken no initiative to check the growing tide of speculation in the stock market. The leadership of the Fed

No one blamed Federal Reserve managers and their operational emphasis on the real bills doctrine: only a scattered handful of economists and Fed officials knew how the monetary machinery functioned.

Bank of New York under Strong, he charged, “proved to be unequal to the situation . . . in this period of optimism gone wild and cupidity gone drunk” (453).

In 1929, with Strong no longer on the scene, Miller recounts that the Fed Board’s “anxiety reached a point where it felt that it must itself assume the responsibility for intervening . . . in the speculative situation menacing the welfare of the country” (454). On Feb. 2, 1929, by which time Miller was controlling Board policy, the Board sent a letter to all Fed Banks stating that the Board had the “duty” to correct current financial conditions, “which in the immediate financial situation, means to restrain the use of federal reserve credit facilities in aid of the growth of speculative credit” (454). To do so, he continued, it ordered the Fed Banks to initiate “the policy of ‘direct pressure,’ [which] restricted borrowings from the federal reserve banks by those member banks which were increasingly disposed to lend funds for speculative purposes” (454).

Miller initiated “direct pressure.” In 1929–1930, when Fed Banks already had in place higher than normal discount rates, “direct pressure” added a major hurdle to the discount rate. It enjoined the Fed Banks not to lend, even at a “high” discount rate, if the potential borrowing bank had brokers’ loans or anything else in its portfolio that might have contributed to the “high” prices of stock market securities (Warburton, 320). “It put the member bank,” Miller argued, “which was seeking federal reserve credit facilities in order to support or increase its extensions of credit for speculative uses, under pressure by obliging it to show that it was entitled to accommodation . . . [I]t was, a method of exercising a discriminating control over the extension of federal reserve credit such as the purely technical and impartial method of bank rate could not do” (455–456, emphasis added).

Monetary historian Clark Warburton, writing some years later, emphasized the viciousness of the direct pressure tactics. In the early 1930s, Warburton wrote,

Fed Banks . . . virtually stopped rediscounting or otherwise acquiring “eligible” paper. This [policy] was not due to any lack of eligible paper . . . Nor was this virtual stoppage . . . due to any forces outside the Federal Reserve System. It was due to “direct pressure” [from the Federal Reserve Board] so strong as to amount to virtual prohibition of rediscounting for banks which were making loans for security speculation, and a hard-boiled attitude towards banks in special need of rediscounts because of

deposit withdrawals. . . . Federal Reserve authorities had discouraged discounting almost to the point of prohibition. (339–340)

“Direct pressure,” under a Federal Reserve Board that did not know what it did not know even in the presence of the catastrophe it had created, was a means of making the Fed Banks’ formal discount rate irrelevant. The true discount rate under “direct pressure” was whatever the central bank authority wanted it to be. If a bank seeking accommodation had a speculative taint, it could not borrow from the Fed Bank at any rate: the applicable discount rate was infinite.

Ironically, the policy of “direct pressure” violated the positive side of the real bills doctrine that had played such an important role in the writing of the Federal Reserve Act! The Fed Board’s anti-speculative compulsion crowded out legitimate lending to needy banks that actually had “real bills” to discount, thereby causing the very condition that the Federal Reserve System was supposed to prevent.

Significantly, nothing in Miller’s account refers to gold or the gold standard. That institution clearly was not viable as a policy issue, either in Miller’s view or in anyone else’s.

Miller made no bones about who was responsible for the new restrictive policy. “It is not without significance,” he remarked proudly, “that . . . the five members of the Board who took the responsibility of formulating the attitude and policy for the federal reserve system were opposed by a minority of their own membership, including the Secretary of the Treasury [Andrew Mellon], the governor and vice-governor of the Board, by the twelve federal reserve banks, the Federal Advisory Council, and by many of the largest member banks . . . Nonetheless, the Board adhered to its position [!]” (456, emphasis added). Five members of the heroic Federal Reserve Board against the Sinful Speculative World!

Meanwhile, Fed Banks continued to pile up gold. Fed gold reserves peaked at \$3.5 billion in 1931 (from \$3.1 billion in 1929), an amount that was 81% of outstanding Fed demand liabilities, and much more than double the gold reserves required by the Federal Reserve Act (Timberlake, 270).

Even in March 1933, Fed Banks had almost \$1 billion of excess gold reserves, which could have been accounted even higher by simple bookkeeping adjustments. As Friedman and Schwartz state: “The conclusion seems inescapable that a shortage of free gold did not in fact seriously limit the alternatives open to the System. The amount was ample at all

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times to support large open market purchases. . . . The ‘problem’ of free gold was largely an ex post justification for policies followed, not an ex ante reason for them” (Friedman & Schwartz, 406).

Neither were the Fed’s legally required reserves — never

mind the “free gold” — a line in the sand. As explained above, the Fed Board had the absolute power to suspend gold reserve requirements entirely, so that the Fed Banks could use all of their gold if necessary by lending to member banks, thereby providing the currency (Federal Reserve notes) and bank reserves that the situation required. People and institutions, including foreigners, would not necessarily have demanded the gold to redeem the money the Fed had created. If they had, however, the Fed Banks had 5,900 tons of gold to satisfy them.* Instead, the Fed Banks and Board sat on the gold, including the “excess,” while the economy disintegrated. Fed Banks had more gold in early 1933 than they had in the fall of 1929! Had Fed authorities allowed “their” gold reserves to run down, not only would the monetary contraction have been halted, but the rest of the world’s monetary systems would also have been able to expand as their central banks received the Fed’s outgoing gold flows through trade and capital exchanges (Friedman & Schwartz, 412; Timberlake, 272).

General Misunderstanding and Innocence of the Gold Standard

To say that neither the general public, nor government officials, nor many economists, nor soothsayers understood what had happened to the monetary system, and then to the economy, is an understatement. Everyone had a favorite scapegoat or whipping boy. No one, however, blamed Federal Reserve managers and their operational emphasis on the real bills doctrine: only a scattered handful of economists and Fed officials knew how the monetary machinery functioned, and none of them realized how adherence to the antispeculative policy had propagated the current disaster. Moreover, all Fed officials had an obvious vested interest in blaming other factors. The make-believe-gold-standard-that-wasn’t was one such factor. (See Higgs, “Crisis and Leviathan,” and Powell, “FDR’s Folly,” for

The authentic gold standard provided both to the United States and to the world a long-term stability unmatched by any other monetary system before or since.

the wholesale misconceptions that appeared, and the Great Leap Forward to collectivist policies and institutions that characterized the 1930s and after.)

Since the nightmare of the 1930s, some progress toward a proper understanding of the event has occurred.

First, most present-day economists agree that the Great Contraction was largely a failure of monetary policy and of institutional arrangements that allowed monetary policy to provoke such a disaster. Second, they agree that the Great Contraction initiated the Great Depression, and most deny that the capitalist free-market economy in any way caused the catastrophe.

Given these agreements, however, economists still record some major differences on just how monetary policy went

awry, and just what was the crux of the problem. Somehow, the data omissions on gold stocks and the untreated role of the real bills doctrine have gone unnoticed, or at least unstressed. The profession is, therefore, working with some fundamentally

Gold imposes restrictions upon governments or bureaucracies that are much more powerful than parliamentary criticism. It is both the badge and the guarantee of bourgeois freedom.

flawed historical analysis, and the section of the general public that remembers the event is still misinformed and bewildered. One thing is certain: The gold standard should be exonerated forever from having any part in the disaster.

Given the huge amount of Fed-controlled gold, even a seat-of-the-pants understanding of the situation in 1931–1933 should have convinced Fed Banks to carry out some degree of monetary expansion. Data from Friedman and Schwartz’s Monetary History indicate that as of August 1932, the M2 money stock[†] was \$34 billion and the monetary base \$7.85 billion, giving a money-supply multiplier of 4.33 (Friedman & Schwartz, table A-1, 713). At the same time, the Fed Banks and Treasury held \$2.91 billion in gold (Board of Governors, 1943, table 93, 347–349). If Fed Banks and Board had spent all their gold discounting paper for member banks, so that the monetary base had increased by this amount (\$2.91 billion), the increase in the base would have expanded M2 to \$46.6 billion, the amount of M2-money that the economy actually had in July 1929. Spending would have increased correspondingly.

Of course, Fed expansion never would have had to go that far, for a spending dynamic would have set in and restored all the major monetary vitals long before the Fed’s gold had dissipated. Moreover, if expansion had occurred earlier, say, in 1930 before the banking crises and the great increase in the real demand for currency, the money supply multiplier would have been very much greater, and the Fed’s expansion procedure would have been much more effectual.

The Real Culprit: the Real Bills Doctrine

Looking closely at the history of the Federal Reserve from the Fed’s beginnings in 1914, it is clear that an operational gold standard, either in its pure form or in the mode intended by the Federal Reserve Act, virtually never constrained or determined Fed policies. During WWI, Treasury compulsions ruled the Fed’s actions. In the 1920s, Strong’s price level stabilization policies were dominant. After Strong’s death, with A.C. Miller and other real bills central bankers in charge, the Great Contraction devastated both the monetary and economic systems. As the Great Contraction ended, Roosevelt became president, and the wild swings of the New Deal took center stage. Gold became a political football; Congress hyper-devalued the gold dollar; the Supreme Court allowed the abrogation of contracts in gold; and the Banking Act of 1935 left gold as a useless adornment on Treasury and Federal Reserve balance sheets. Today, the U.S. Treasury claims it has 8,125 tons of gold (15.4

*If the 5,900 tons of gold had been loaded into 590 ten-ton trucks, with 100 feet between the midpoint of each truck, the convoy would have stretched 11.2 miles.

[†]M2 is the sum of the currency outside banks plus checking account and time-deposit balances in commercial banks.

miles of 10-ton gold-loaded trucks with their midpoints 100 feet apart, or more than one ton of gold for every word in this article) sequestered in heavily guarded vaults. This gold has no functional relationship at all to the U.S. monetary system, and no other purpose than to furnish jobs for its government custodians.

The negotiations and machinations of the world's central bankers in the 1920s, as they tried to provide human design for the world's monetary systems in place of the gold standard, did not work. Their blueprint retained only the outward and visible signs remaining from the working gold standard of a previous era; it abandoned the inward and spiritual grace of that system. Central bank "management of the gold standard" simply denied that whatever was being managed was a gold standard.

The damage done both materially and ideologically was inestimable. Ignorant political reactions to the debacle resulted in vast expansions of counterproductive governmental powers and programs that no Supreme Court could stop. Even worse, the common misperception of a market system that had "failed" provoked a popular ethos of anti-free-market regulation and governmental intervention that have increased exponentially with no end in sight.

The present-day Federal Reserve System has no relationship to the real-bills central bank of 1929–1933. It has in later years come (part way) back to the stable price level norms of Benjamin Strong. But it may be too late. The huge unfunded liabilities of the federal government, as they come due, are going to require the U.S. Treasury to pay them. The Treasury will have to borrow the money to do so. It will ask the Fed for help in keeping interest rates down. Whereupon the Fed, unless it has a chairman made of steel, will buy those Treasury securities in the open market — yes, holding interest rates down temporarily, but thereby creating new money and initiating an ongoing central bank inflation that will see interest rates skyrocket. The German model of 1923 will be only too applicable.

The authentic gold standard within the context of a relatively free market system provided long-term stability both to the United States and to the world, a stability unmatched by any other monetary system before or since. Joseph Schumpeter stated the case most elegantly and convincingly. "An 'automatic' gold currency," he wrote,

is part and parcel of a *laissez-faire* and free-trade economy. It links every nation's money rates and price levels with the money-rates and price levels of all the other nations that are "on gold." It is extremely sensitive to government expenditure and even to attitudes or policies that do not involve expenditure directly, for example, to foreign policy, to certain policies of taxation, and, in general, to precisely all those policies that violate the principles of [classical] liberalism. This is the reason why gold is so unpopular now [1950] and also why it was so popular in a bourgeois era. It imposes restrictions upon governments or bureaucracies that are much more powerful than parliamentary criticism. It is both the badge and the guarantee of bourgeois freedom — of freedom not simply of the bourgeois interest, but of freedom in the bourgeois sense. From this standpoint a man may quite rationally fight for it, even if fully convinced of the validity of all that has ever been urged against it on economic grounds. From the standpoint of *etatisme* and planning, a man may not less rationally condemn it, even if fully convinced of the validity of all that has ever been urged for it on economic grounds. (405–406)



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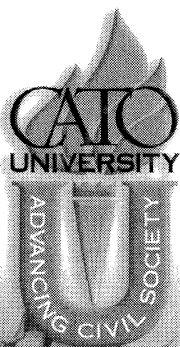
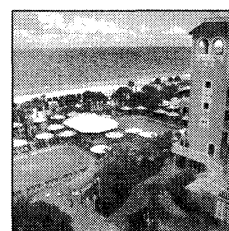
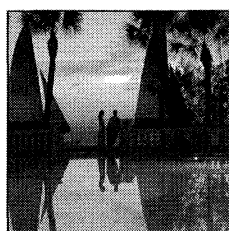
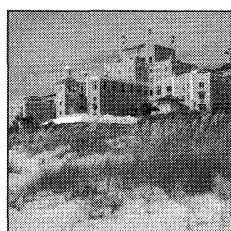
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This article began its career with Liberty over a year ago when I discussed it by phone and email with Liberty's founder, Bill Bradford. Bill saw both the justice and the necessity of exonerating both the free market system and the true gold standard from any culpability for the Great Depression, and explaining how the Federal Reserve Banks and Board bungled the monetary-banking system into a contraction that had no bottom. In the process, Bill offered some very useful suggestions that clarified the exposition. His was a voice for freedom that we will sorely miss. I dedicate this article to his memory.



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Reviews

"V for Vendetta," directed by James McTeigue. Warner Bros., 2006, 132 minutes.

V as in MCMLXXXIV

Jo Ann Skousen

Turn their name upside down, because the Wachowski brothers are Men on a Mission, Moved by a Message, Movie Makers with Meaning. Like their Matrix trilogy, "V for Vendetta" presents a futuristic tale dripping with meaningful dialogue (much of it alliterative with a capital V) against big government, big business, and fear itself, "the ultimate tool of government." You could call it "M for Melodramatic."

The film is set in a dark Orwellian future where fascists are running Great Britain, "the former United States" has been destroyed by "godlessness," ordinary citizens are imprisoned for being out after curfew, and Big Brother orates from giant plasma TVs. Our hero, V, is a masked terrorist — er, I mean, freedom fighter — who wants to blow up Parliament as a way of uniting the common folk behind the idea of freedom. Like Zorro, he dresses in black, etches his initial on his opponents while sword fighting, and steals only from those in power: "Stealing implies ownership," he says. "I merely reclaim things from the government."

Who is this Masked Man, and why does he have such a vendetta against the government? Finding the answer leads us on an intriguing chase through Hitlerian science experiments, conspiratorial politics, Holocaustic detention

camp, and Hollywood's obligatory pharmaceutical company connection. The plot is engrossing, with enough twists and thrilling fights to maintain suspense. Occasionally the film seems to teeter on the brink of corniness; can V be taken seriously when he speaks through a grinning Guy Fawkes mask reminiscent of the Joker in Batman, cooks breakfast wearing a frilly apron, and speaks in pretentious Shakespearean quotations full of alliterations on his own name? For the most part, however, it's an engaging and entertaining film — in part because Natalie Portman is so believable as V's reluctant protegee, Evey.

The film is full of profound mini-statements like "Ideas are bulletproof," "Symbols are given power by the people," and "Every action changes the fu-

The film seems libertarian on the surface, but it offers no alternative to bad government except to blow up the Houses of Parliament.

ture." One newscaster wryly observes, "Our job is to report the news, not fabricate it. That's the government's job."

But when all is said and done, there are no bulletproof ideas presented here. In fact, V sets himself up as a new kind of dictator, turning his troops (the TV-watching public) into bizarre robotic imitations of himself. They violate curfew, resist the police, and come out to watch the demolition of Parliament, but what do they know of freedom and how to use it?

Yes, the film seems libertarian on the surface, with its antigovernment tag line, "People should not be afraid of government; government should be afraid of the people." But it offers no alternative to bad government except to blow up a building I happen to love, the Houses of Parliament. The Wachowskis may want to associate Big Ben with dictatorship (the original graphic novel was written when Maggie Thatcher was in power, privatizing her way through Britain), but to me Big Ben represents Peter Pan and Chevy Chase, summer vacations and "our finest hour." I could no more cheer its demise than the demolition of ancient mosques or Tibetan temples.

The least expected message of this film results from a casting coincidence (although V intones more than once, "There are no coincidences"). The Chancellor is played by veteran actor John Hurt, selected for this film because he evokes a chillingly authentic Hitlerian Big Brother. But I couldn't help

remembering that Hurt 22 years ago played Winston Smith, the protagonist in the film version of George Orwell's "1984." Despite Winston's valiant attempt to resist totalitarianism, the book concludes with the words: "He loved Big Brother." In "V for Vendetta," Winston is Big Brother.

Perhaps this is the bulletproof idea of the movie: power corrupts. Che Guevara, Fidel Castro, Leon Trotsky, and Mao Zedong all began as freedom fighters wanting to overthrow a dictatorial government, then became mass murderers in order to maintain their big ideas. "Veni, vidi, vici" — V is for the vanquisher, not for peace. As true libertarians know, the only way to effect a lasting change is to teach the principles of self-reliance, personal responsibility, and respect for property rights, and that means annihilating the NEA, not Big Ben. Until that happens, Winston will continue to become Big Brother, and so-called Freedom Fighters will continue to destroy what we have without replacing it with something better. It will take more than an army wearing Guy Fawkes masks to make that happen. □

V For Vicissitude

Ross Levatter

David Boaz praises "V for Vendetta" on his blog (March 29, 2006), saying, "the movie deals with some classic libertarian themes: the rapaciousness of the state; the state's hijacking of religion and use of scapegoats to justify its actions; its hostility to both high and popular culture; the willingness of most people to endure much loss of liberty; and the need for courageous individuals to stand up to tyranny."

A New Yorker review (March 20, 2006) pans it, calling it "a dunderheaded pop fantasia that celebrates terrorism and destruction."

Who's right? My take: both the conservative critics and libertarian lovers of "V for Vendetta" are a little off. It's a good movie, worth seeing. But it could easily have been a great movie, worth relishing and discussing, pondering and considering; a topic for debate, a classic. It wasn't that, but it could have been with only a few minor changes — changes to make it more true to Alan Moore's dystopian fantasy, on which the movie is based.

I read "V for Vendetta" when it was first released by DC Comics in 1988. I had been previously introduced to Moore's brilliant novelistic abilities (and quasi-cinematographic skills in panel layout) in the graphic novel "Watchmen" which, in its own way, is also a libertarian novel. Both stories deal with the danger of unlimited power, even (in the case of "Watchmen," especially) when wielded by those who think they know how to remake the world for the better.

I was blown away by "V," and recommended it to every libertarian I knew. I urged, successfully, that Laissez-Faire Books carry it, and wrote a review of it for their catalog.

So when I heard a movie was coming out, I was both eager to see it, and

concerned, especially post-9/11, that the novel's theme would be watered down or lost. Having now seen the movie, I can confirm that it does not pay full tribute to the novel.

- The movie is an attack on fascism. The book is a defense of liberty.
- The movie is a call to revolt against criminal governments. The book is a call to revolt against power.
- The movie is a paean to democracy. The book is a cry for anarchy.

Hard to believe? Consider an introductory scene in both movie and book. V blows up the statue of Justice on top of the Old Bailey, England's iconic equivalent of the Supreme Court. In the movie, the "1812 Overture" plays on public loudspeakers, and V sets off fireworks to accompany the explosion. The fireworks occur in the novel as well, but the moviemakers leave out V's soliloquy as he speaks to, and for, Justice:

"Hello dear lady. I thought that it was time we had a little chat, you and I. . . I've been a fan of yours for quite some time. . . I loved you . . . as an ideal.

"That was a long time ago. I'm afraid there's someone else now. . . [and it was] *your* infidelity that drove me to her arms! . . .

"Her name is *Anarchy*. And she has taught me more as a mistress than *you* ever did! She has taught me that justice is meaningless without freedom. She is honest. She makes no promises and breaks none. Unlike you, Jezebel. I used to wonder why you could never look me in the eye [this, to a blindfolded statue!]. Now I know.

"So goodbye, dear lady. I would be saddened by our parting even now, save that you are no longer the woman that I once loved. Here is a final gift. I leave it at your feet." (Book 1, Chapter 5, "Versions")

With that, V leaves at the feet of Lady Justice a heart-shaped, red-ribbed box, which explodes and destroys both the statue and Old Bailey.

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V adds: "The flames of freedom. How lovely. How just. Ahh, my precious anarchy. 'O beauty, 'til now I never knew thee.'" [from Henry VIII, I.4]

I am not suggesting that a soliloquy with a statue is necessarily proper movie fare, nor do I think Galt-like explana-

Moore, who divorced himself from the movie, said the plot had contradictions one could drive a truck through.

tory speeches are what bring movie fans into the theaters. But I wanted to show the explicitness of this novel of ideas. Ask yourself in what follows how much or how little of these ideas makes it to the big screen.

Though one who has not read the novel doesn't know what he's missed, the movie takes several liberties with the plot that dampen the libertarian theme, none of which (granted, I'm not a movie producer) seem necessary to successfully convert the book into a movie.

Let me mention a few:

1. The movie creates an unrequited love story between V and Evey. Although in the novel Evey feels love developing for V, her mentor, there is only evidence of reciprocation on V's part as he dies. The book, instead, is a Pygmalion story, with V educating Evey in the ways of the state. The V of the novel would never, as the movie's V did near the end, confess to Evey that because of her he had reconsidered whether what he was doing was right.

At the novel's climax, Eve shouts at V's dead body that he had never explained to her just *what* he has been educating her for, what he's been training her to do. In the movie, it is not clear that V is training Evey to do anything; instead, a real question exists as to what Evey's role is. V saves her from being raped by government Finger men, and subsequently tortures her himself to somehow teach her about freedom. Then he asks her to drop by his hide-out next Guy Fawkes Day. She does, and when he dies she puts his body in a subway car filled with explosives and starts it off, as he had asked her to do.

Why? In the book, he's been train-

ing and educating her for a year. In the movie she's been on her own most of that time and just drops by to keep her promise to him. The book's motivations are clear and compelling; the movie's are cryptic at best.

2. In the novel, V is never seen. He hides not only his face, but his hands and body. In the Larkhill scene, when he escapes from a concentration camp building he has left in flames, the book shows him only in shadows.

The book and movie each have a scene in which V talks with Larkhill doctor Delia Surridge while she lies in bed dying, V having poisoned her in her sleep. But one part was cut in the movie: in the novel she asks to once more see his face, and he removes the mask — but the reader cannot see him. "You're so beautiful" she says as she dies. But in the movie it is clear that he is deformed, horribly burned.

This provides the viewer with a revenge motive. But one of the central themes of the book is that V is fighting, not against people, but against a principle: the belief that an imposed order is preferable to liberty. The movie makes his fight less pure, for no particular reason that I can see. One could easily argue that not seeing V at all is more suspenseful than seeing him horribly scarred.

3. The movie handles the death of Bishop Tony Lilliman in a subtly different way. In the movie's present, Lilliman is a respected figure in the church, working to keep his flock obedient to the government's creed, a collusion between church and state which anarchy

cannot accept.

In his past, Lilliman had been the preacher looking after the prisoners at Larkhill, including V, keeping them in line while the state experimented on them. In killing Lilliman, V is enacting justice for the padre's actions at Larkhill, and also eliminating one of the few witnesses to know who V is. On another level, killing the preacher by feeding him a cyanide host speaks to the ritualized lies of the church. (In the book, the point could not be more explicit. V asks Lilliman to explain the Eucharist. Lilliman confirms the teaching that when the host is ingested, it literally becomes the body of Christ. V then commands him to eat the specially-prepared host. At the autopsy, Finch, the policeman, says, "And do you know what? When it reached his abdomen, it was still cyanide.")

All of this is captured in both book and movie, but there is one strange difference. In both, V asks Evey to help

One of the central themes of the book is that V is fighting not against people, but against the belief that an imposed order is preferable to liberty.

him, and Evey agrees. In the book, she does in fact help him, but is upset to find that V kills Lilliman and tells V that she will never help him kill again. This

Calling All Economists!

Since the Left depends entirely on the assumption that taking from the rich to give to the poor reduces inequality, it would be utterly demolished by the opposite-most conclusion, that it didn't reduce but increased inequality.

That is the "new idea," with the gold coin prize for refuting it, offered here, and ignored by the "experts," admitting defeat, that they couldn't refute it.

They miss the point. You don't need the majority to live in your pure free market any more than to shop in the same store with you. You just need the freedom to do so yourself, to live and let live. So the problem is not its unwillingness to live in it, but to let others do so, not the fear that it wouldn't work, but work too well, shielding them from its own predations; and, the task, then, not to show that the market could work, but that redistribution could not.

That is the only logical strategy, and the neophobic libertarians who can't be bothered with it are certainly not leaders in the fight for freedom but irrelevant to it. So, when you've had enough of their intellectual sideshows, and are ready to demolish the Left, see ***Intellectually Incorrect*** at intinc.org.

sets up the distinction between anarchy as destroyer and anarchy as builder, which peaks at the novel's climax. But

The V of the novel would never confess to Evey that because of her he had reconsidered whether what he was doing was right.

in the movie, Evey betrays her mentor by telling Lilliman V is coming. Why?

The movie, in effect, has Evey agree to help V and then turn around and betray the man who had just saved her from rape and murder. No explanation is given. Why didn't she just tell V "no" if she didn't want to help him?

I can only surmise the producers thought that in modern America one can't have the heroine acting as if she thought it OK to off priests, even pedophile priests who lie to their flock about the state and its crimes. Instead, they simply choose to have Evey act incomprehensibly and have V ignore her selling him out. This is likely the sort of thing Moore, who divorced himself from the movie, meant when he said the movie plot had contradictions one could drive a truck through.

4. There is an apparently minor character not in the movie: Rosemary Almond. She was the wife of a government functionary — the head of the Finger, the government's enforcement arm

— who was killed early in the novel by V. Her life then goes downhill through a series of events largely the result of government actions not directly aimed at her but nonetheless hurting her. When Evey dances with V in his Shadow Gallery hideout after he has shown her his rose garden (in both book and movie he leaves a large Violet Carson rose on his victims), she asks him: "Is there a rose here for the leader, Mr. Susan [the name of the dictator in the book, changed to Sutler in the movie]?"

"Oh, no. Not here," V replies. "For him, I have cultivated a most special Rose."

This clever pun, a Moore leitmotif, leads to the book's climax where Mr. Susan is shot to death by Rose Almond, a lone citizen who had simply had too much, who had seen her life destroyed by the government. In the movie, of course, Mr. Sutler is killed by corrupt government officials, his own underlings.

One can see how the producers might be concerned about sending the "wrong message." It's one thing to have a corrupt dictator killed by his own henchmen. It's another to suggest that a mere citizen can justifiably kill a head of state — even, it seems, a dictator — simply for destroying her life. Shame, that.

5. The novel's end — hauntingly lyrical in its writing, none of which is used as movie dialogue — is crucial to the book's theme. To calm growing public unrest and demonstrate they have maintained control, the government sends out word that V has been

killed. In fact, he has been mortally wounded. He makes his way back to the Shadow Gallery and finds Evey waiting. (In the novel, she never left him.) Hours earlier, he had given her a tour of the entire gallery, much of which she had not seen before — telling her it was his will that she know all this. She now realizes he meant "will" in the legal, not psychological, sense — that he has left all this for her.

As he dies he tells her: "You must never look under the mask, but you must know who V is."

Then: "Give me a Viking Funeral. The tracks are closed 'twixt Whitehall and St. James." "Ave atque vale," he says with his last breath.

Evey, in a very moving scene in the novel, finally realizes what V's dying riddle means: she is not to look under the mask because V is more than a human being, and knowing whichever human being he actually is will diminish what V stands for. V is an idea, a principle, which cannot die. The principle, as it happens, is one libertarians endorse: liberty is our birthright, and worth fighting for.

"And at last I know. I know who V must be," she says. She then wanders up to V's changing room, and sits in front of his vanity mirror. And looking into the mirror, you see Eve smile, a big smile, reminiscent of a Guy Fawkes mask . . .

Eve realizes at last what V trained and educated her for.

That night, a crowd has gathered in front of Parliament: if V doesn't make his promised appearance, they will know that the government is right, that V is dead.

Suddenly, on the rooftop, V's silhouette appears. "He" speaks to the crowd about their government:

"Since mankind's dawn, a handful of oppressors have accepted the responsibility over our lives that we should have accepted for ourselves. By doing so, they took our power. By doing nothing, we gave it away.

"We've seen where their way leads, through camps and wars, to the slaughterhouse. In anarchy, there is another way. With anarchy, from rubble comes new life. Hope reinstated. They say anarchy's dead, but see . . . reports of my death were . . . exaggerated.

"Tomorrow, Downing Street will be destroyed . . . Tonight you must choose what comes next: lives of our own, or a return to chains. Choose carefully. And so, adieu."

The angry crowd turns on the police trying to keep order.

Eve then fulfills V's dying wish. She sends him out in a subway car, loaded with gelignite and lilies, and watches from the roof of the Shadow Gallery:

"'Give me a Viking Funeral,' you said. That isn't much. That isn't much at all. Not after what you did. You came out of an abattoir unharmed, but not unchanged, and saw freedom's necessity: not just for you, but for us



"Von Kruppt has a bill to hike taxes and cut Social Security — he calls it the 'Misery Compromise.'"

all. You saw, and seeing, dared to do.

"You're almost there now, speeding on your funeral barge along dry subterranean canals. Down through the dark towards your destination, where the line is blocked 'twixt Whitehall and St. James . . . Right under Downing Street." (Book 3, Chapter 10, "Volcano")

Eve takes off her mask as she says this, and one can detect in her facial features a resemblance to Joan of Arc, or a look without pain or fear or guilt. Off in the distance, there is a large explosion.

"Ave atque vale, V. I looked it up. Hail and farewell."

The movie handles this differently. I can understand blowing up Parliament rather than Downing Street (as the movie's climax; in the book V blows up Parliament as one of his first acts). Most Americans don't know that the Prime Minister of England lives at #10 Downing St. But in the movie Evey does not dress up as V. Eve as V does not affirm to the public that V's campaign, and ideas, live on. V simply dies and, when asked who he was, Eve says "my father, and my mother, my brother . . ." and all the others harmed by the government's actions.

In other words, the theme of the book, that liberty is a meme which lives beyond the individual, is transformed by the movie into the theme of V as Everyman. His actions in the book are justified by the importance of liberty; his actions in the movie are justified by the claim that he speaks for all of us — democracy. Given that Eve donning the V mask is visually compelling, I can see no reason to change this aspect of the plot beyond concern that liberty is less appealing than democracy to moviegoers in America's 3rd century.

6. The movie has a subplot not found in the book: government leaders,

chemical attack a decade earlier. Scandal! Turns out the government itself was responsible for the biochemical at-

V's actions in the book are justified by the importance of liberty; his actions in the movie are justified by the claim that he speaks for all of us — democracy.

tack on its citizens. What is the point of this plot deviation?

First, it hits a typical anticapitalist chord: you only get rich by harming innocents. For all his sentiment for leftist politics, nothing like this is in Moore's novel.

Second, it tries to justify the terrorist actions of V by pointing out that this is a *corrupt* government, which kills its own citizens. Some think of graphic novels as "cartoons," but ironically it is the movie's depiction of the Leader as a poor man's Hitler, screaming and barking orders without any sense of humanity, which is cartoonish. In the novel, the Leader's party, Norsefire, rose to power because of a *real* crisis. Britain had escaped the worst of a limited nuclear exchange between the United States and the Soviet Union, but the panic and partial societal collapse, the food shortages and criminal gangs, "required" harsh measures. The Leader, Mr. Susan, is well aware of how he has limited his subjects' freedom—and his own as well. Order is more important than liberty. The battle between V and the Leader is a battle between liberty and power. Though Moore clearly favors liberty over power, neither side is made, in the novel, to look foolish. Consider Mr. Susan, alone in his thoughts:

"I believe in strength. I believe in unity. And if that strength, that unity of purpose, demands a uniformity of thought, word, and deed, then so be it. I will not hear talk of freedom. . . . The war put paid to freedom. The only freedom left to my people is the freedom to starve. The freedom to die. The freedom to live in a world of chaos. Should I allow them that freedom? I think not. I think not. Do I reserve to myself the freedom I deny to others? I do not. I sit

here within my cage and I am but a servant. I, who am master of all I see . . ." (Book 1, Chapter 5)

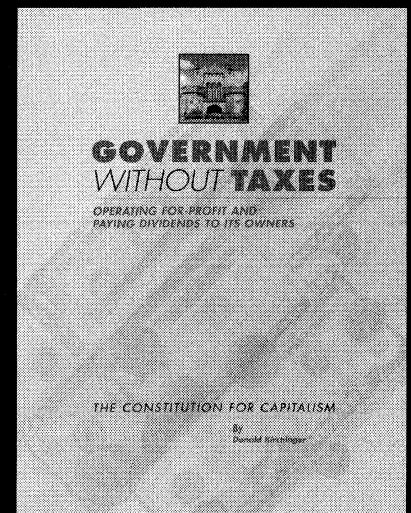
Compared to this, a brief paragraph, the movie version is one-dimensional. It is said by some libertarians the movie speaks to freedom. But the movie speaks only of the right to fight back if you're oppressed by a Hitlerian lunatic. The book speaks of the right to take back your freedom even from those who sincerely believe what they do is correct. Which is the more daring claim in George Bush's America?

Are V's actions justified? In the book they are justified by the natural right of individuals to fight to preserve their liberty. The movie producers clearly felt this alone was insufficient. Forcibly opposing government coercion might be viewed as antisocial in a post-9/11 age. Best let the government be run by a cabal of poisoners; then committing terrorism becomes perfectly reasonable.

Furthermore, the producers, like Mr. Susan in the novel, perhaps felt all those restrictions on liberty were perfectly understandable if they arose as a reaction to outside forces; but in the movie version, V knows the outside forces were fabricated by the govern-

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V is more than a human being, and knowing which human being he actually is will diminish what V stands for.

including some at Larkhill, are extremely wealthy as a result of ownership of stock in a company that made millions by protecting the citizens against a bio-

ment. The screenwriters are saying, *in this case* all these restrictions on freedom were unnecessary. Again, this is simply an effort to “justify” V’s actions for the audience because, goodness knows, one can’t justify violent acts against the government simply on the grounds of individual liberty. Who does V think he is, anyway? Sam Adams?

Granted, a movie that argues one can take up arms against a corrupt government is better than most movies with political themes, but that is *not* the explicitly anarchistic theme of the book.

7. Another scene created for the movie is the mailing to thousands of Englishmen Guy Fawkes costumes and masks. This was a silly addition. For one thing, it’s absurd to think the government in so regimented a society could not track down the source of such a major mailing.

Again, it seems like an effort to water down the view that one is entitled to fight for one’s liberty. V’s actions are not justified by the fact the government is crushing freedom, but by the fact that thousands of citizens demonstrate their agreement with that message by dressing up like him. Democracy: good; lib-

The movie speaks only of the right to fight back if you’re oppressed by a Hitlerian lunatic.

erty: well, it depends. This conversion of V from a John Galt who claimed he would change the world and did, to a Robin Hood protecting the little man is thematically unsatisfying.

“V for Vendetta” is packed with action, and offers a gripping plot and an unusual hero. I look forward to seeing it again. Unfortunately, it is not quite the statement of liberty I had hoped it would be, and in the case of changing the ending, inexplicably so. I need

only close my eyes to see Natalie Portman puzzling over V’s dying words, realizing what she must do, putting on her own Guy Fawkes mask, and telling the people that word of V’s

death was exaggerated. I believe a movie with *that* ending would have conveyed a more disturbing, yet more exciting message, and been a greater cinematic success. □

“In Our Hands: A Plan to Replace the Welfare State,”
by Charles Murray. AEI Press, 2006, 214 pages.

The End of Welfare As We Know It

Lanny Ebenstein

In the 1960s, Milton Friedman put forward the idea of a negative income tax. Essentially, Friedman’s proposal was that, rather than providing welfare, medical, retirement, housing, and job programs of all sorts, the federal government would simply send out checks to those whose income was below a certain level. In his newest book, “In Our Hands,” Charles Murray seeks to revive Friedman’s idea.

“In Our Hands” has two themes. The first is a conceptual presentation and description of a plan whereby every person in the United States over 21 would receive \$10,000 per year from the federal government.

In exchange, most federal and some state programs would be eliminated: Social Security, Medicare, Medicaid, workers’ compensation, unemployment insurance, Supplemental Security Income, Temporary Assistance for Needy Families (the replacement of Aid to Families with Dependent Children), the Earned Income Tax Credit, WIC (Women, Infants, and Children) vouchers, food stamps, school lunch assistance, Head Start, Pell Grants, low-income housing assistance (Section 8), low-rent public housing, agricultural price supports, community development block grants, and many

others. Murray identifies 108 line items and about \$1.4 trillion of government spending to be eliminated. The 17 line items listed here account for over \$1.2 trillion of the payments and programs that would end.

The second theme of “In Our Hands” is a description of a new, or perhaps an old, social order that Murray would like to see come to pass. In this new order, government, especially the federal government, would play a much smaller role. Murray writes eloquently of a society in which private institutions would absorb many of the functions now performed by the welfare state.

From a libertarian perspective, the second theme of “In Our Hands” is more intriguing than the first. Would it be possible to scrap the welfare state, the panoply of programs and transfer payments enacted in the United States since the 1930s, and return the federal government to its pre-New Deal functions — primarily national defense?

Murray describes “In Our Hands” as a “thought experiment” (p. xv), and it is worthwhile to consider his concept of giving \$10,000 (actually closer to \$7,000 — Murray would require each person to purchase health insurance, which he estimates would cost \$3,000 per year) to every adult before moving on to his vision of a society in which the federal government would play a far smaller

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role in American domestic life. It is hard to see how this approach would be an improvement over the status quo. One circumstance Murray does not much consider is whether individuals would misuse the money they receive from the federal government. He acknowledges this possibility, but believes it would not be significant.

This view is open to question. Regrettably, for far too many of the poor in America today, the problem is not poverty per se, but the personal characteristics that lead to poverty — drug and alcohol abuse, lack of education, lack of work skills and responsibility.

Indeed, Murray's plan would likely make things worse. Giving many of the poor today — millions of people — a check for \$583 per month (after deducting for health insurance) would simply provide them with the money to purchase more drugs or more alcohol and engage in socially destructive or nonconstructive activities. Also, many of the elderly, at least in the short run, would be worse off under Murray's proposal, as \$10,000 per year would be less than the amount they now receive from Social Security and Medicare combined. Finally, many of those who are neither elderly nor poor, though they would receive new funds from the federal government, would be taxed more, with marginal tax rates reaching 60% for some income levels.

If Murray's specific plan is disadvantageous, what of his larger vision of a society in which government, particularly the federal government, would

For far too many of the poor in American society today, the problem is not poverty per se, but the personal characteristics that lead to poverty.

play a much smaller role? There is much to be said for his perspective, but there is also much to be said against it.

Taxation and government spending at all levels have been relatively constant for decades in the United States at about 35% of GDP, with federal spending and taxing at about 20%, state at about 10%, and local at about 5% (all

figures are generalized approximations and averages; actual figures vary year by year, and by state and locality). About two-fifths of federal spending is for defense, interest on debt, and other reasonably traditional functions of government. This leaves perhaps 12% of GDP at the federal level for the disputed areas that Murray would eliminate. About two-thirds of state and local government expenditures are for functions that are relatively unopposed (at least in concept), including schools, roads, police and fire departments, and jails. This leaves something just under a fifth

or so of GDP for Social Security and Medicare for the elderly, health care for the poor, unemployment benefits, welfare to mothers with children, and the like — the welfare state as we know it. Is this an excessively high proportion of GDP to be dedicated to those who are not productive or not as productive as they could be?

Murray is of the view that if all the various government welfare and social safety-net programs were to end, they would be replaced by private charities and private insurance that would perform the same functions better and

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more cheaply. He cites as evidence the private charities and insurance programs that existed before expansion of the welfare state.

It is an open question what would happen today. For this reason, gradualism and incrementalism are better ap-

What happens to those who become old, poor, uneducated, or disabled, notwithstanding that they, or their mothers, received \$7,000?

proaches to reach libertarian ends than full-scale social reconstruction, which Friedrich Hayek termed constructivist rationalism.

Hayek himself advocated an extensive, continuing role for the state in domestic activity. In "The Constitution of Liberty," he argued that in industrial, urban society, demands exist on the part of the poor, the uneducated, the unintelligent, the unemployed and unemployable, the chronically ill, the mentally retarded and ill, the disabled, the young, and the old, among others — who, because of the greater impersonality of urban life, are less able to call on the assistance of others they know than are those in rural and agrarian communities.

Murray also unduly emphasizes the importance of pecuniary motivations on the part of welfare recipients. His view is that changing welfare benefits would strongly alter human behavior. Though he says: "Nothing is going to repeal the sexual revolution" (p. 108), he places too much hope in welfare policy changes alone, absent more fundamental behavioral change, to reduce the number of poor and uneducated people.

In any society in which the illegitimacy rate approaches one child in three, as is currently the case in the United States, there will be a great deal of poverty, particularly among children. There

are two approaches — one can either emphasize mitigating the conditions that exist or emphasize preventing such conditions from emerging in the future. It is likely that libertarian reform that works toward the gradual reduction of government services, programs, and transfer payments would coincide with greater individual responsibility and greater social conservatism generally.

It is valuable for thinkers such as Murray to put forward bold and creative proposals for reform. Moreover, the incidental sidelights he offers and the information he gathers make his work always worth considering. But libertarians should learn from the Fabian Society, the great British late-19th and 20th-century political organization, that ideas are typically most successful through gradual permeation and infiltration. No one knows for certain what the future has in store, or what the consequences of policies will be.

Murray's vision of cash grants re-

placing the welfare state is wrong because the idea that individuals who are in some way needy should receive cash is a bad one. The idea that everyone (not just the needy) should receive cash is also bad. Moreover, what happens to all the people who become old, poor, uneducated, disabled, or unemployed anyway, notwithstanding that they, or their mothers, received \$7,000? Somebody is going to have to take care of them, if there is to be a peaceful and stable society.

At the same time, the ideas that society should move toward less government, and that existing government functions could be handled more efficiently if they were privatized and made to compete, are good. "In Our Hands" is significant not because most people will agree with it — they won't — but because it will spur them to think about the vital and enduring question of the best way to organize and to order society. □

"Never Call Retreat," by Newt Gingrich and William Forstchen. St. Martin's Press, 2005, 496 pages.

The South Will Fall Again

Lance Lamberton

Fictional histories have great potential to grip the imagination. Set against the backdrop of real events, they can demonstrate the way in which only one or two key decisions, made slightly differently, would have changed the course of history. Certainly that was the case in the Revolutionary War: a very few missteps, and we would all be speaking Canadian.

The War Between the States is another prime example, and has been the subject of more fictional histories than any other episode. Some of these

histories are silly. In "The Guns of the South," a time warp is discovered by racist white South Africans, who use it to supply the Confederacy with AK-47s and win the day. There's another novel in which Grant dies in a freak riding accident shortly after taking command of the Army of the Potomac. As a rule, these "histories" have the South winning the war, because what would be the fun of changing a few key events, without changing the outcome?

Well, Gingrich and Forstchen have found a way of writing such a story — sort of. "Never Call Retreat" is the last in a trilogy starting with "Gettysburg" and followed by "Grant Comes East."

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I must admit that up until this last installment, I was enthralled by what they wrote. The first two books set up a plausible scenario in which the South wins a decisive victory at Gettysburg, then follows with another victory that almost annihilates the Army of the Potomac. Then the question is: would that have led the South to win its independence?

The authors' hypothesis is No: the North was capable of raising another army from the victorious Union forces of the west, an army equal in size, higher in morale, and as well provisioned and outfitted as the vanquished Army of the Potomac. The authors, in other words, are clearly convinced that there was virtually no way the South could have won. So they put together a series of events purporting to show that the Confederacy was truly a lost cause, no matter what.

Problem is, this time the authors get sloppy. They appear to be in a hurry to get their work completed and get on with other projects, such as (Rand forbid) a Gingrich run for the presidency.

Here are a few examples of what I'm talking about. In real history, there was no need to constitute a new army from the west to take on the Army of Northern Virginia. The Army of the Potomac was in very good shape after Gettysburg. All it needed was a determined, compe-

crucial force would be up north, with Grant. In one of the sloppiest parts of the book, the authors have Sherman poised to take Atlanta in the early fall of 1863, nearly a year before the real event.

Gingrich and Forstchen purport to show that the Confederacy was truly a lost cause, no matter what.

Indeed, if "Never Call Retreat" took account of the dramatically weakened position in which it puts the North, it could hardly depict Sherman getting to Atlanta in 1864, or ever. And if Sherman couldn't have proceeded from Atlanta and marched to the sea, what would Lincoln's chances have been against a peace candidate in the election of 1864?

The authors of "Never Call Retreat" have Grant accomplishing in two months what it took him two years to do in real life. Moreover, he does it against an army which received 20,000 reinforcements that Lee never received in reality, and an army which was also far better provisioned and armed than the real one, thanks to its imaginary victories. Lee would likely have followed a path of slow, defensive retreat, checking out his adversary and waiting for him to make a mistake for Lee to pounce on. Lee would not have rushed into a fight with Grant until he was able to get a measure of the man. (I'm talking about Grant, not his vaunted reputation.) He would have wanted to impose some tests on his adversary before developing a strategy to defeat him, for that is exactly what Lee did with the five commanders he vanquished before him.

But for the sake of argument, let's say Lee decides to take Grant head on, as he does in this book, and gets annihilated. There still is that thorny issue of the west. Even a defeated

Army of Northern Virginia would not have resulted in Southern surrender as long as the South had other armies in the field intact and ready to fight on. The ultimate result might have been the same, but not in the easy and simplistic way presented in this book. It is downright counterintuitive to think that after the South won at Gettysburg and all but destroyed the North's largest army in the field, taking its ordnance and heavy artillery, the war could have been concluded two years earlier than it was. If anything, it would have dragged on longer — ultimately, perhaps, to a Southern victory. After all, the South didn't have to beat the North, it just had to avoid being beaten by the North.

The second book offers an interesting sidebar: the emperor of France decides to intervene on the South's side, sending an expeditionary force into Texas from Mexico (which was occupied by France) and using French warships to wreak havoc on the Union blockade. A little follow-through on this important action would have been appropriate. Astonishingly, none of this is mentioned in "Never Call Retreat."

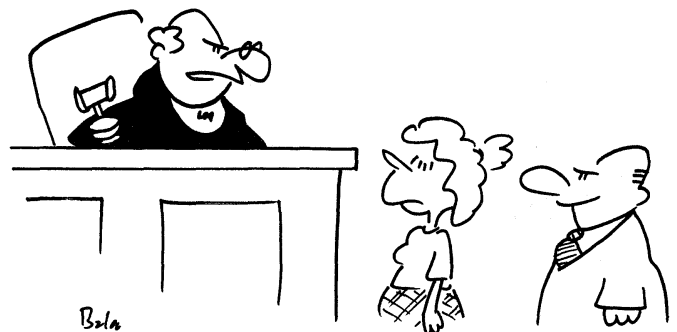
But to return: For all the reasons stated above, the authors fail to make a convincing case for inevitable Northern triumph, even with a Yankee defeat at Gettysburg (and, presumably, French intervention from Mexico). They do nothing to shake my own settled opinion that up until Gettysburg, the war could have gone either way. All the South really had to do was hold Atlanta, so Lincoln could be retired in the election of '64. If the South had won at Gettysburg, it could have accomplished just that. It could have won the war. □

The South didn't have to beat the North, it just had to avoid being beaten by the North.

tent leader, which it had in Grant. In the fictional history, the bulk of the western forces had to come east, thereby leaving behind a skeletal force to hold the territories won in the western campaigns. But it wouldn't have been long before the South took advantage of this new weakness and start retaking strategic territory previously lost to it, such as Vicksburg, Memphis, or perhaps even New Orleans.

Point number two. In real history, the victorious western forces coalesced behind Sherman. The fictional version would give Sherman's army far less force to bring to bear upon Atlanta: the

DIVORCE COURT



"You did *what* during his backswing?"

"The Woman and the Dynamo," by Stephen Cox. Transaction Publishers, 2004, 418 pages.

"Goddamit, NO"

Bruce Ramsey

Stephen Cox has pored over Isabel Paterson's weekly columns in the New York Herald Tribune. He has sifted her novels for autobiographical nuggets. He has tracked down her letters. There are still missing pieces — for example, we know almost nothing about her flighty husband — but about the brilliant and idiosyncratic writer herself, Cox's biography *"The Woman and the Dynamo"* is the definitive book.

Cox starts his story with her bold ascent to 5,000 feet in a Wright biplane. But this is mainly a book about boldness expressed on paper. Here was a woman who condemned Woodrow Wilson for "sacrificing the lives of millions on the altar of his self-conceit"; who called Herbert Hoover "the Fat Boy"; who declared that the first four years of Franklin Roosevelt were so bad that she was supporting the Republican Party "whether it likes it or not." In her

Isabel Paterson was such a strong believer in self-reliance that she refused to apply for Social Security.

column, "Turns with a Bookworm," she was the mistress of the snappy reply. Of the "lost generation" of the 1920s, she wrote, "We wish they'd stay lost. Nobody would go to look for them."

Here was a woman who was such a strong believer in self-reliance that

she refused to apply for Social Security, even though the amount it owed her was subtracted from the private pension she had earned through her newspaper work.

Commenting on her disdain for government-subsidized jobs, Cox writes, "The political principle was that nothing — certainly not the government — must be allowed to break the 'necessary connection' between real work and the individual. This principle, which was as much psychological as political, would provide the necessary connection between Paterson the personality and her libertarian philosophy."

Paterson, who lived from 1886 to 1960, grew up in the American and Canadian West at the end of the 19th century. Though she read hundreds of books, she seems to have absorbed her bedrock values from the milieu of that time. "To Paterson's way of thinking," Cox writes, "Western social equality was a subspecies of American individualism, a way of sizing people up for what they were as individuals and leaving it at that. A practical corollary was a laissez-faire attitude about other people's business." Quoting Paterson, Cox goes on to say, "Having 'lived in a shack' gave her an advantage over people who grew up in a better environment. It gave her 'good reason to know that such an environment doesn't occur in nature. It has to be earned and invented and made.'" She was for the self-made person and for capitalism.

A few others like her resisted the tides of progressivism and socialism that swept up their fellow intellectuals. Garett Garrett at the Saturday Evening Post was of the same generation, grew

up in Iowa, and believed the same things. H.L. Mencken, another of that generation, did, too. All three were autodidacts who spent hardly any time in school and no time being homogenized at a university. All fashioned themselves into journalistic and literary figures of the 1920s, 1930s, and 1940s, with strong libertarian views and distinctive prose styles.

Though Paterson penned novels, some of which Cox says are good, all have been out of print for more than half a century. Most libertarians know just one Paterson book: *"The God of the Machine."*

Though I had read it before, *"The Woman and the Dynamo"* prompted me to read parts of it again. Afterward, one sentence in Cox's biography caught my attention: "Paterson's politics was deeply influenced by this essentially literary vision of America" (p. 139). Paterson was a literary person. She had some experience in the first decade of the 20th century working for bankers, real estate people, and the attorney for the Canadian Pacific Railroad, but she led a literary life after that. It was from that base she set out to describe the political theory of an industrial system.

I asked Cox: What did Paterson know about industry? "As much as most economists, who have never worked in it, either," he replied. "Sometimes a literary person has the perspective to see things that persons not immediately involved in the process don't see. . . . Part of this . . . is 'seeing' the capitalist system as a whole. Of course, no one can literally do that. But both socialists and individualists have exerted influence by giving people guiding images of the system. That's what Paterson does in *'The God of the Machine.'*"

Much of her book is an analysis of the political underpinnings of a capitalist economy, explained in terms of engineering. Here is a sample:

"Personal liberty is the pre-condition of the release of energy. Private property is the inductor which initiates the flow. Real money is the transmission line; and the payment of debts comprises half the circuit. An empire is merely a long circuit energy-system. The possibility of a short circuit, ensuing leakage and breakdown or explosion, occurs in the hook-up of the political organization to the productive processes" (62).

This is an odd approach for a supporter of capitalism. Most supporters of capitalism speak the language of economics. Almost all writers who analyze the economy in terms of engi-

What did Paterson know about industry? As much as most economists, who have never worked in it, either.

neering — and most of these were the architects of Technocracy in the 1930s — have been socialists. And Paterson takes engineering seriously. Continuing the last quotation, she says, “This is not a figure of speech or analogy, but a specific physical description of what happens.”

Except that it really isn’t. Ayn Rand, who recommended “The God of the Machine,” pointed out the problem with Paterson’s engineering theory: “To be fully demonstrated, such a theory would have to define the exact socio-political equivalents of the engineering concepts it uses. This, unfortunately, Mrs. Paterson has not done; she uses the literal terms of mechanical engineering in regard to political systems, thus creating the impression of a merely metaphorical discussion. But it is obviously not intended as a metaphor . . .” (The Objectivist Newsletter, October 1964, p. 42).

As metaphor, it is sometimes assigned more weight than it can hold. For example, in a chapter called “The Fatal Amendments,” Paterson discusses the 17th Amendment, which took the elections of senators out of the hands of state legislatures. “Since then,” Paterson writes, “the states have had no connection with the federal government; representation in both Houses of Congress rests only on a dislocated mass. The simultaneous abdication of both Houses in 1933 was the result. They were not thrust apart, they did not even fall apart, because they were no longer in any structural relation whatever, neither to mass nor to each other nor to the superstructure. They had simply ceased to function. The immediate appearance of an enormous bureaucracy was the natural phenomenon of the structureless nation” (161–162).

And that is all she says of it. It may be profound and it may be wrong. We don’t know.

There is nothing wrong with metaphor as such, and some of Paterson’s metaphor works well. When she writes of “the long circuit,” she means exchange conducted across distance, among people who don’t know each other, and through time, by use of finance. Other parts of the metaphor don’t work as neatly, which she admits. On page 82, she writes, “In mechanical engineering, which is confined to material terms . . . every factor is capable of measurement . . . [But] physics has no name for the exact function which is delegated to government. It is something which does not exist in any manifestation of energy through inanimate material. It is peculiar to living creatures. . . .”

Why use engineering terms, then? Cox says she was doing this in her columns from the early 1930s, the time of the Technocracy fad. Paterson may have come up with her theory after arguing with the Technocrats.

“I think that Technocracy was a big influence,” Cox says in correspondence. “She saw certain concepts that [Stuart] Chase and the other Technocrats were using, checked them out, turned them upside down, and developed them much farther than they did. But I would insist that she fully understood certain other economic ideas that they didn’t, or that they didn’t believe in: the subjective theory of value, the use of money and profits in directing investment, etc.”

There is much else in “The God of the Machine.” Notable is Paterson’s argument for property, which begins with the statement, “Two bodies cannot occupy the same space at the same time” (180). Further, she writes, property is bound up in liberty. “Private property,” she writes, “is the standing ground of the citizen” (131). In a collective society, “civil rights cannot exist because there is no place in which they can be exercised and no materials on which they can take effect” (184).

Scattered through the book like hard nuts of steel are Paterson’s dismissals of common phrases and statements. Here are a few:

On the common good: “Is not sunlight a common good? No; persons do not enjoy the benefit by community,

but singly. A blind man cannot see by community” (90).

On equality: “Equality in itself signifies nothing, implies no values; two zeros are equal. Liberty attaches value to it” (119).

On profit: “If profit is denounced, it must be assumed that running at a loss is admirable. . . . When any institution is not run for profit, it is necessarily at the cost of the producers” (221–222).

On production for use and not for profit: “As if there could be any profit if the product were not used; did Standard Oil pour its products down the sink?” (176).

What Cox calls Paterson’s aphoristic style makes “The God of the Machine” one of libertarians’ favorite and most underlined books. I open my copy and consider these statements, written 61 years ago:

“When racial groups are recognized in law, they can be discriminated against by law” (234).

“The phonetic alphabet is one of the greatest labor-saving devices ever invented” (254).

“If the primary objective of the philanthropist, his justification for living, is to help others, his ultimate goal requires that others shall be in want” (241).

There are times, however, when the literary Paterson misses an elementary fact. Criticizing public utilities, she says they “are not available to the public as owners. Any citizen who wishes to obtain electricity from a municipal plant must pay. . . . He is not the owner; an owner does not have to buy the product of his own property” (182). But a stockholder in a private utility is an owner, and the stockholder also has to pay.

Paterson rips into the wartime propaganda for “sacrifice”: “When a motor truck is needed, one cannot ride around in a sacrifice” (270). It is a neat

When racial groups are recognized in law, they can be discriminated against by law.

point, but she probably knew that if the people made certain sacrifices, like agreeing to rubber rationing and buying war bonds, it would be easier for the government to get the truck.

There are some big things she gets wrong. She thinks an advanced economy cannot exist without gold money. Not true so far.

She also believed the Soviet and Nazi economies could not sustain themselves after World War II. Writes Cox, "She had utter contempt for the Nazis and believed that both they and

There are some big things she gets wrong. She thinks an advanced economy cannot exist without gold money. Not true so far.

the Japanese imperialists would collapse soon after they had used up all they had acquired from 'the Western production circuit'" (250). In 1940 she said, "The machines are going to break up the German army." In "The God of the Machine" (1943) she says, "Machine production cannot be developed or sustained in any planned economy" (269).

In the 1970s and 1980s the communist economies did visibly run down, and by the 1990s Cuba was a backwater and North Korea was in a famine. That would have surprised most of the intellectuals of the 1940s, but not Paterson. It might have surprised her, though, how long it took, and how little the decay seemed to affect the military. As for Nazi Germany, its industry produced the best artillery gun, the best tank, the first jet fighter, the first cruise missile, and the first ballistic missile of World War II.

Rose Wilder Lane made the same mistake of underestimation, telling Garet Garrett in 1939 that Germany could not sustain a war. Garrett had been a financial writer and had seen this argument disproved in World War I. He knew his subject, and warned Lane not to underestimate the enemy. He said, "Your thesis that Nazism will wreck itself by wrecking production at last may be sound, but if it is, it comes later." There is a difference between identifying a principle and having a sense of its strength and effects.

Similarly, Paterson argued that conscription makes an industrial coun-

try militarily weaker. It was an audacious argument when she made it, and probably not true, but it is true now for the advanced economies, and probably will remain true. Paterson saw the changes that would make it true but did not have a sense of their measure.

In her chapter on education, Paterson was right about phonics and reading decades before that argument was settled. Her bigger argument for the overthrow of state education, however, was impossibly radical then and remains radical today. However, there are many more supporters of it today than in 1943.

The final test of any book is survival. Publishing is a Darwinian business, with thousands of titles scattered each year like seeds in the forest. Most of the serious books published in the 1940s have decayed into dirt. But "The God of the Machine" lives. Putnam printed it in 1943, Caxton reprinted it in 1964, and Transaction reprinted it with Cox's introduction in 1995. Paterson's radical book has never been a bestseller, but it keeps sprouting back into print.

Her way of radicalism, however, inclined her to isolation. Unlike Mencken, who was merciless in print but a gentleman in the flesh, Paterson "was often accused of possessing no manners" (Cox, p. 89). She paid a price for that. Paterson broke with Ayn Rand in the 1940s, which might be dismissed because Rand was such a porcupine herself. But Paterson also broke with Lane, with humorist Will Cuppy, with public relations man H.M. Griffith, with conservative Russell Kirk, and with libertarians Leonard Read and John Chamberlain. A fascinating part of Cox's book is the importuning of Paterson by a young William F. Buckley, who was starting *National Review* and didn't want her to get all fussy with him.

"I admire you . . .," Buckley wrote. "I know all about your reservations, your conditions, your prejudices, your rights, your pride, and the rest of it, but I still want you to write for the magazine and am willing to pay the top rate for your copy. . . . Madame, I have had a very tough time among our pygmies. Please don't come back at me with a thousand conditions and qualifications. . . ." (345).

Paterson wrote several pieces for

Buckley, including one on the political investigation of Robert Oppenheimer (Paterson hated the Bomb, and also the Reds), one on religion and author Lecomte du Noüy, and one on teaching children to read. But when she wrote a jeremiad on big-business supporters of capitalism in which she ridiculed DuPont executive Jasper Crane (whose correspondence with Rose Wilder Lane was made into "The Lady and the Tycoon"), Buckley wanted to take Crane's name out. Her answer to him was, "Goddamit, NO."

I used to admire that attitude. It was the attitude of Howard Roark in "The Fountainhead." He was saying, in effect, "Build my building exactly as I designed it, or I'll blow it up." It made for a fine story, but it is not a practical way to live. There is a place for intransigence, a place for compromise, and a place for letting things go. I am not going to burn my Social Security checks.

Paterson died a lonely woman, living in the home of her friend Muriel Welles Hall and, to the end, reading lots and lots of books. Cox contrasts this with the last years of Rose Wilder Lane, who, as an anarchist, was even more radical in her views than Paterson. Lane, he writes, "was friendly with Herbert Hoover; she was friendly with DuPont executives; she was friendly with counter-cultural activists of the 1960s. . . . [she] taught at Robert LeFevre's libertarian Freedom School in Colorado, where she was worshiped

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as a god, and was sent to Vietnam as a war correspondent for *Woman's Day*. She died in 1968, a reasonably happy woman" (286-7).

That is worth a lot. But then, Lane's opus, "The Discovery of Freedom," is unreadable. I have read "The God of the Machine" probably four times, and I have opened it so often the pages are falling out. □

Athens, Ohio

Guerrilla marketing, reported in the *Columbus Dispatch*:

After a police officer noticed a sticker on a bicycle that said "this bike is a pipe bomb," authorities shut down four buildings at Ohio University until it was discovered that the message was the name of a punk rock band.

Tacoma, Wash.

Dental note, recorded in the *Tacoma News-Tribune*:

Government lawyers are trying to remove the gold-capped teeth known as "grills" from the mouths of Flenard T. Neal Jr. and Donald Jamar Lewis, who are facing drug charges.

The caps are permanently bonded to the drug defendants' teeth. Emily Langlie, a spokeswoman for the U.S. attorney's office in Seattle, said, "Asset forfeiture is a fairly routine procedure, and our attorneys were under the impression that these snapped out like a retainer."

Hamilton, New Zealand

Extremism in the defense of liberty is no vice — but it may be a hobby. From the *New Zealand Herald*:

A census-objector claimed he was cryogenically frozen and pronounced "legally dead" to avoid filling in his 2006 census form. This was just the latest census-avoiding stunt for Lair McGillicuddy Graeme Cairns. In 1986, he claimed to be possessed by the spirit of an ancient ape, and thus not legally a person.

In 1991, he filled out his form in Latin and nailed it to a tree. In 1996 he hovered for the day in a hot air balloon and was deemed to be out of New Zealand's legal air space. (In 2001, he was in Australia, and thus genuinely absent.)

Cairns now has five years to prepare for the 2011 census, which he says could involve hypnosis, so he will believe himself a turnip, not a person.

Chicago

Plausible reason for the persistence of Braille on drive-up ATMs, noted by the *Chicago Tribune*:

Mayra Ramirez scored an A in driver's education this year, but sitting through the 10-week class felt like a bad joke to the Curie Metropolitan High School sophomore.

Ramirez is blind. She knows she's never going to drive. She can think of a lot of things she'd rather be studying than rules of the road, but she didn't have a choice: the Chicago Public School Board requires all sophomores to take the class and pass a written road-rules exam.

Bethesda, Md.

Protecting our nation from terrorist pornography, detailed in the *Washington Post*:

Two stern-looking uniformed men wearing baseball caps emblazoned with the words "Homeland Security" strolled into the main room of the Little Falls library and demanded the attention of all patrons using the computers. Then they made their announcement: the viewing of Internet pornography was forbidden.

Montgomery County's chief administrative officer, Bruce Romer, said the officers believed they were enforcing the county's sexual harassment policy.

Olympia, Wash.

Innovation in test-taking strategy, from the *Seattle Times*:

The state's education office has announced that making up facts is acceptable when writing nonfiction essays on the Washington Assessment of Student Learning (WASL) exam.

"Statistics in a WASL paper can be made up by you, the writer!" says a PowerPoint presentation made by the state's education department. "On the WASL, you can invent an important expert and have that person say something to bolster your opinion."

Peoria, Ill.

Novel interpretation of "innocent until proven guilty," in the *Peoria Journal-Star*:

The Peoria Police Department's website includes the mug shots and personal information of "johns," or those who have been arrested on solicitation of sex charges. The information is posted for one year, regardless of whether the johns are found guilty or not.

"If you are on our Web site, you approached an undercover officer and either offered money for sex, or sex for money," wrote Police Chief Stephen Settingsgaard. "Not being charged does not negate that you were arrested. Not being convicted does not negate your arrest."

Besides, "Leaving the photo with the indication that you were found not guilty informs the same public of your successful outcome."

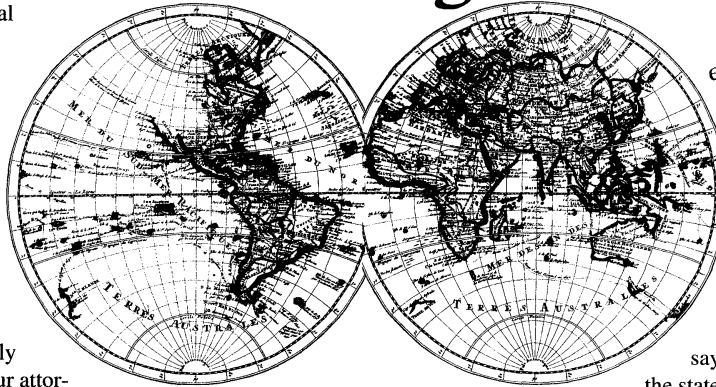
Swansea, England

Food for a lifetime, from the *Sunday Times*:

A pilot scheme in Swansea is using experts from the Salmon and Trout Association to teach Muslim women and children to fish, part of a campaign the Environment Agency is embarking on to attract Asian women and other ethnic minorities to the sport.

"Angling does not discriminate against gender, race, age or athletic ability," notes an agency leaflet, which announces the government's interest in "angling in the context of social inclusion in deprived urban areas."

Terra Incognita



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



In Maryland, only members of a State-protected cartel
can own a funeral home.

That cartel overcharges consumers
and blocks me from pursuing a productive livelihood
as a funeral home owner.

I am fighting for my rights
and for the free market.

*Charles Brown
Hagerstown, Maryland*

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