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*When vice prevails, and impious men bear sway,
the post of honor is a private station.*

— *Joseph Addison*

FUTURE OF FREEDOM

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The Future of Freedom Foundation is a nonprofit educational foundation whose mission is to advance liberty and the libertarian philosophy by providing an uncompromising moral, philosophical, and economic case for individual liberty, free markets, private property, and limited government.

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The Evil of the National-Security State

Part 10

by Jacob G. Hornberger



Everyone knows that the military and the CIA will do whatever the president deems necessary to protect national security. In the name of national security, they ousted the democratically elected prime minister of Iran, Mohammed Mossadegh, in a coup and replaced him with the brutal regime of a pro-U.S. dictator, the shah of Iran. They also ousted the democratically elected president of Guatemala, Jacobo Arbenz, and replaced him with a succession of brutal pro-U.S. military dictators. They invaded Cuba, a country that had never attacked the United States or even threatened to do so. They tried to

assassinate the Cuban president, Fidel Castro, and even entered into a partnership with the Mafia with that aim in mind. They subjected unknowing Americans to illicit drug experiments. They illegally spied on Americans who were suspected of being communists and destroyed their reputations. There isn't anything that the military and the CIA wouldn't do to protect national security.

An obvious question arises: What would happen if the president of the United States — the commander in chief of the armed forces and the boss of the CIA — became a threat to national security? What would the military and the CIA do then? Would they let the country go down? Or would they take the necessary steps to protect national security?

Did President Kennedy actually become a threat to national security? Viewed from the standpoint of the national-security state, there can be no real question about it. Kennedy, in fact, posed a much graver threat to U.S. national security than Mossadegh, Arbenz, Castro, or anyone else, because he was the head of the U.S. government. Two of the best sources on this particular subject are *JFK and the Un-speakable: Why He Died and Why It Matters*, by James W. Douglass, a

Christian theologian; and chapter five of *Inside the Assassination Records Review Board: The Government's Final Attempt to Reconcile the Conflicting Medical Evidence in the Assassination of JFK*, a five-volume work by Douglas P. Horne, who served as chief analyst for military records for the ARRB.

John Kennedy came into office in 1961, at the height of the Cold War. By that time the U.S. national-security state, which had been called into existence in 1947, was in full bloom, viewing communists and communism as grave threats to the national security of the United States. Officials at all levels of the federal government made it clear that everything must and would be done to protect national security from the communists, even if some of the actions taken might not be considered legal or moral. The Constitution, after all, is not a suicide pact, as proponents of the national-security state often point out.

Kennedy and Cuba

By the time that Kennedy took office, the CIA had already initiated plans to invade Cuba, which was headed by an avowed communist, Fidel Castro. Never mind that Castro had no intentions of invading and conquering the United States.

And never mind that his armed forces didn't have the remotest capability to perform such a fantastic feat. What mattered was that Castro was a communist and, even worse, was presiding over a communist regime that was only 90 miles away from American shores. Military and CIA officials determined early on that Castro and Cuba posed a grave threat to U.S. national security.

Kennedy learned that his role in the CIA's planned invasion of Cuba would be to lie to the American people about U.S. involvement.

By 1961 the CIA already had some national-security successes under its belt. Eight years before, it had initiated its successful coup in Iran. One year after that regime-change operation came the one in Guatemala.

When Kennedy took office he learned that his role in the CIA's planned invasion of Cuba would be to lie to the American people about U.S. involvement. The CIA assured him that the invasion would not require U.S. air support, but that was a lie and a setup. The CIA was certain that once the invasion got under way, if air support became necessary, there was no way that Kennedy would permit the invasion to fail by refusing to provide it.

But the trap didn't work. Even as the invasion was failing, Kennedy refused to provide the air support. Dozens of Cuban exiles were captured or killed during the invasion. Meanwhile, the CIA's role in the invasion became public, and the agency was humiliated. Angry at Kennedy for refusing to provide the air support that could have saved the lives of their friends and allies and freed the Cuban people from communist control, CIA and military officials considered the president to be weak and ineffectual at best and a traitor at worst.

While Kennedy publicly took responsibility for the invasion, he was just as angry at the CIA as it was at him because he figured out that he had been set up. A bureaucratic war broke out between Kennedy and the CIA, with the president promising to "splinter the CIA into a thousand pieces and scatter it to the winds." He fired CIA director Allen Dulles (whom Lyndon Johnson would later appoint to the Warren Commission), along with his two chief deputies, Richard M. Bissell Jr. and Charles Cabell.

But if the president were to succeed in destroying the CIA, wouldn't national security be threatened? There is no doubt about it, at least from the standpoint of the CIA and

the military. How could the nation survive the communist threat if there were no CIA?

Between the Bay of Pigs invasion and the Cuban missile crisis, the national-security state went into overdrive trying to figure out how to get rid of Castro. An assassination partnership between the CIA and the Mafia was established, followed by numerous plots against Castro. Acts of terrorism initiated by CIA operatives were committed inside Cuba.

A bureaucratic war broke out between Kennedy and the CIA.

It was Operation Northwoods that furnished Kennedy with keen insights into the mindset of U.S. military chieftains. Under that plan, Kennedy's role was to be the nation's liar-in-chief once again. His job was to falsely tell the American people that Cuba had attacked the United States with acts of terrorism. But those acts, which would kill innocent Americans, would be performed by agents or operatives of the U.S. military disguised as Cuban terrorists.

Kennedy rejected the plan, to the ire of the Joint Chiefs of Staff, which had unanimously recommended it to him. The military presented Kennedy with what it considered a viable

plan to protect national security by effecting regime change in Cuba with a military invasion of the island, and Kennedy said no.

The missile crisis

Then Kennedy discovered that the Soviets were installing nuclear missiles in Cuba. National-security state officials blamed the crisis on Castro and the Soviets. Actually, however, the responsibility for the crisis lay with the U.S. national-security state, specifically the steadfast determination of the Pentagon and the CIA to effect regime change in Cuba by assassination, invasion, terrorism, or other means. After all, the purpose of Soviet missiles in Cuba wasn't to start a nuclear war but rather to deter another invasion by the U.S. military and CIA.

Throughout the crisis, the Pentagon and CIA, willing to risk nuclear war, urged the president to attack and invade Cuba. Nothing, not even the risk of nuclear war, could stand in the way of removing a communist outpost 90 miles away from American shores. National security was paramount.

By that time, however, Kennedy had lost confidence in both the military and the CIA. With the world at the brink of nuclear war, he struck a deal with the Soviet premier, Nikita

Khrushchev, in which he promised that the United States would never invade Cuba, thereby ensuring that the communists could maintain their outpost 90 miles away from American shores in perpetuity.

Kennedy had lost confidence in both the military and the CIA.

Overnight, what had been a driving force for the national-security state since Castro's assumption of power in 1959 — regime change in Cuba — had become moot, owing to the deal that Kennedy had struck with Khrushchev.

Kennedy believed that the missile crisis was one of his greatest triumphs. That's not the way the Pentagon and CIA saw it. In their eyes Kennedy had capitulated to the communists. It was Castro and Khrushchev who had defeated Kennedy. Sure, the Soviets had to take their missiles out of Cuba, but so what? The missiles had been installed to deter a U.S. invasion of the island. That strategy worked. And once Kennedy gave the no-invasion guarantee, there was no further reason to keep the missiles in Cuba. As part of the deal, Kennedy also secretly promised the Soviets to remove U.S. missiles in Turkey aimed at the Soviet Union.

The deep anger and sense of betrayal toward Kennedy, which had begun simmering after the Bay of Pigs, reached a boiling point within both the military and the CIA. Don't forget, after all, that Kennedy had rejected Operation Northwoods. If he had approved the plan, there never would have been a Cuban missile crisis because Castro would have been dead and U.S. forces would have been running Cuba.

Kennedy entered into a nuclear test-ban treaty with the Soviets, over the fierce objections of the military and the CIA.

While the missile crisis hardened the CIA and Pentagon toward the communists, the event had a different effect on Kennedy. Having come so close to nuclear war, a war in which his wife and children could have been incinerated, the crisis had a searing effect on how he viewed life and the relationship between the United States and the Soviet Union.

He concluded that it was possible for the United States and the Soviet Union to coexist without a Cold War, much as China and Vietnam and the United States do today. In his famous speech at American University, he announced his intention to bring the Cold War to an

end by reaching out to the Soviet Union in a spirit of peaceful coexistence. His speech was broadcast all across the Soviet Union, where his initiative was enthusiastically received by Khrushchev.

Coexistence

As part of Kennedy's vision, he entered into a nuclear test-ban treaty with the Soviets, over the fierce objections of the military and the CIA. He also ordered the withdrawal of a thousand U.S. troops from Vietnam, and he told close friends that he intended to pull out all troops from Vietnam after his reelection in 1964.

Most important, he began top-secret personal negotiations with Khrushchev and Castro to end the Cold War, something that most Americans to this day are probably unaware of.

There was a big problem with Kennedy's actions, at least from the standpoint of national-security state operatives: his actions constituted a grave threat to the nation. After all, as Cold War advocates constantly reminded us, you can always trust a communist ... to be a communist. You couldn't trust them on anything else. Communists were hell-bent on conquering the world. Nothing could dissuade them from

that goal. The communists were lulling Kennedy into lowering the nation's defenses, after which they would attack it and bury it.

An end to the Cold War would naturally threaten the existence of the national-security state.

Given this grave threat to national security, there was only one thing that could save America from its president, and that solution did not involve the ballot box. After all, voters make mistakes, as they did in Iran with Mossadegh and Arbenz in Guatemala. As Richard Nixon's national security adviser, Henry Kissinger, later put it after the communist and socialist Salvador Allende was elected president of Chile, an event we will discuss in the next segment of this series, "I don't see why we need to stand by and watch a country go communist because of the irresponsibility of its own people."

The American people had obviously made a mistake in the 1960 election, rejecting Nixon, a man who knew how to stand up to the communists, and electing instead a man who proved to be weak, ineffectual, incompetent, and afraid of the communists — a man who distrusted his own military and intel-

ligence agency — and a man whose actions were leading America to a takeover by the communists.

By the time of the Cuban missile crisis, Kennedy had gone far beyond the warnings that Dwight Eisenhower had issued in his farewell address regarding the threat to America's democratic processes posed by the military-industrial complex. While Eisenhower had assumed that the Cold War made the military-industrial complex a necessary evil, Kennedy was determined to bring an end to the Cold War.

An end to the Cold War would naturally threaten the existence of the national-security state, since the Cold War was the justification for its existence. Obviously, that would have threatened trillions of dollars in future income to the military and intelligence community as well as to the countless weapons suppliers, contractors, and subcontractors, who serve them.

We also mustn't forget Kennedy's ardent support of Martin Luther King, who in the eyes of the FBI was a communist himself. Indeed, we would be remiss if we failed to note Kennedy's support of the Civil Rights movement, which FBI Director J. Edgar Hoover, who hated the Kennedys, was absolutely certain was a communist front. If all

that wasn't enough, there were Kennedy's numerous extramarital affairs, any of which could have made him vulnerable to blackmail from the communists. Indeed, who could say with any degree of certainty that that wasn't the reason that he was secretly negotiating with Khrushchev and Castro to end the Cold War? After all, why would a president fail to notify his military and his intelligence agency of such critically important negotiations?

Among the sexual affairs that constituted serious threats to national security was the one with Mary Pinchot Meyer, the former wife of a CIA official. She not only was an anti-CIA peacenik, she also had been a member of the American Labor Party, which brought her under the scrutiny of the FBI. Even worse, the evidence is overwhelming that Meyer introduced Kennedy to marijuana and, very likely, also to LSD. (See *Mary's Mosaic: The CIA Conspiracy to Murder John F. Kennedy, Mary Pinchot Meyer, and Their Vision for World Peace*, by Peter Janney.) What would have happened if the Soviets had attacked when Kennedy was under the influence of pot or LSD? What if Kennedy ordered U.S. weapons launched while he was in a drug-induced state? Arguably, the drug use alone

made Kennedy a grave threat to national security, a threat that the overwhelming weight of the evidence suggests was removed through assassination at the hands of the U.S. national-security state apparatus.

Let's examine next the Chilean military coup of 1973, which took place ten years after the Kennedy assassination. It was that coup, which ironically occurred on 9/11 in 1973, that foreshadowed in fascinating ways the U.S. national-security state's war on terrorism after 9/11 in 2011. In fact, it was during that coup, which the U.S. national security state fully supported, that the CIA participated in the murder of two American citizens, murders that to this day go uninvestigated and unpunished.

The justification for supporting the Chilean military coup and participating in the murders of those two Americans?

Why, national security, of course.

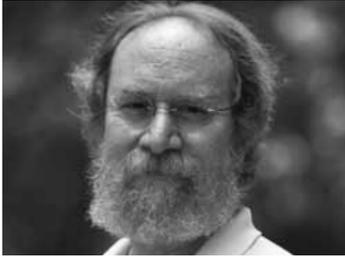
Jacob Hornberger is founder and president of The Future of Freedom Foundation.

NEXT MONTH:

"The Evil of the National-Security State, Part 11"
by Jacob G. Hornberger

Clinton's Legacy, Part 2: The Attacks on 9/11

by Sheldon Richman



Last month I sought to correct the record by showing that the administration of Bill Clinton (1993–2001), which is almost universally viewed with nostalgia, played a major role in inflating the housing bubble, which led to the Great Recession, thanks to aggressive policies pushed by his second secretary of Housing and Urban Development, Andrew Cuomo.

That should be enough to cause people to rethink the Clinton years, but another catastrophe also may be laid in part at Clinton's door: the attacks on 9/11, which provided the pretext for more than a decade of war (the so-called war on terror), a more explicit American empire,

and an array of policies that violate civil liberties.

How can Clinton, who left office January 20, 2001, share responsibility for the al-Qaeda attacks that occurred on September 11, 2001?

The answer is that throughout his two terms, Clinton (1) continued devastating economic sanctions on Iraq, which were begun by his predecessor, George H.W. Bush, and the United Nations after the army of Iraq's president, Saddam Hussein, invaded Kuwait in 1990; (2) kept U.S. troops near Muslim holy places in Saudi Arabia (the troops had been stationed there to facilitate the Gulf War of 1991, which ousted Iraqi forces from Kuwait); and (3) allied the U.S. government more closely with Israel, reinforcing the U.S. role as facilitator of the occupation of Palestinian land and oppressor of the non-Jewish population. As it happens, those were the three explicit grounds for al-Qaeda's determination to inflict harm on the United States.

In 1996 Osama bin Laden, leader of al-Qaeda, issued a *fatwa* against the United States titled "Declaration of War against the Americans Occupying the Land of the Two Holy Places." Bin Laden called the occupation "the latest and the greatest of ... aggressions [by the West], in-

curred by the Muslims since the death of the Prophet.” Bin Laden, who hated Saddam and his secular regime, implied that a short-term presence of U.S. troops would have been tolerable in order to expel Iraqi troops from Kuwait five years earlier. However, he said, “It is out of date and no longer acceptable to claim that the presence of the crusaders is [a] necessity and only a temporary measures [sic] to protect the land of the two Holy Places.” He specifically condemned “the rejection of the idea of replacing the crusaders’ forces by an Islamic force composed of the sons of the country and other Muslim people.”

Bin Laden went on to designate the crushing economic sanctions on Iraq as grounds for his *fatwa*.

Bin Laden went on to designate the crushing economic sanctions on Iraq as grounds for his *fatwa*: “More than 600,000 Iraqi children have died due to lack of food and medicine and as a result of the unjustifiable aggression (sanction) imposed on Iraq and its nation. The children of Iraq are our children. You, the USA, together with the Saudi regime are responsible for the shedding of the blood of these innocent children.”

Finally, bin laden noted that “Americans ... are assisting their Zionist brothers in occupying Palestine and in evicting and killing the Muslims there, by providing arms, men, and financial supports.”

He issued a second declaration in 1998 and returned to these themes. “The Arabian Peninsula has never — since God made it flat, created its desert, and encircled it with seas — been stormed by any forces like the crusader armies spreading in it like locusts, eating its riches and wiping out its plantations. All this is happening at a time in which nations are attacking Muslims like people fighting over a plate of food,” he said.

“No one argues today about three facts that are known to everyone; we will list them, in order to remind everyone:

“First, for over seven years the United States has been occupying the lands of Islam in the holiest of places, the Arabian Peninsula, plundering its riches, dictating to its rulers, humiliating its people, terrorizing its neighbors, and turning its bases in the Peninsula into a spearhead through which to fight the neighboring Muslim peoples.

“If some people have in the past argued about the fact of the occupation, all the people of the Peninsula

have now acknowledged it. The best proof of this is the Americans' continuing aggression against the Iraqi people using the Peninsula as a staging post, even though all its rulers are against their territories being used to that end, but they are helpless.

Al-Qaeda's grounds for the 9/11 attacks all involved policies carried on by Bill Clinton's presidency.

“Second, despite the great devastation inflicted on the Iraqi people by the crusader-Zionist alliance, and despite the huge number of those killed, which has exceeded 1 million ... despite all this, the Americans are once again trying to repeat the horrific massacres, as though they are not content with the protracted blockade imposed after the ferocious war or the fragmentation and devastation....

“Third, if the Americans' aims behind these wars are religious and economic, the aim is also to serve [Israel] and divert attention from its occupation of Jerusalem and murder of Muslims there.”

During the Clinton years, al-Qaeda bombed the World Trade Center in 1993; apparently blew up Khobar Towers in Saudi Arabia, killing 19 U.S. Air Force personnel; attacked

two U.S. embassies in Africa in 1998 after the second *fatwa* was issued; and attacked the USS *Cole* in 2000.

The upshot is that al-Qaeda's grounds for the 9/11 attacks all involved policies carried on by Bill Clinton's presidency. None of those U.S. policies justified al-Qaeda's attacks on civilians, but the policies do explain the motivation for men's willingness to fly suicide missions against the United States. Clinton had a chance to break with George H.W. Bush and defuse tensions with Arabs and Muslims but chose not to. Instead he intensified the offending policies. Let's take the Iraqi sanctions as an example.

The sanctions

The Bush/Clinton policy toward Iraq was seamless. The Bush administration's harsh economic sanctions, pursued vigorously by Clinton, aimed at regime change. Besides that, the U.S. government demanded full UN inspections in an effort to ensure that Saddam wasn't building nuclear, chemical, or biological weapons. The U.S. Air Force was also patrolling no-fly zones in northern and southern Iraq (with Britain and France but without UN authorization), dropping bombs and inflicting civilian casualties. As John Pilger wrote in 2000,

The Royal Air Force, together with the US, bombs Iraq almost every day. Since December 1998, the Ministry of Defence has admitted dropping 780 tonnes of bombs on a country with which Britain is not at war. During the same period, the United States has conducted 24,000 combat missions over southern Iraq alone, mostly in populated areas. In one five-month period, 41 per cent of casualties were civilians: farmers, fishermen, shepherds, their children and their sheep — the circumstances of their killing were documented by the United Nations Security Sector.... In truth, it is the longest such campaign since the Second World War.

The economic sanctions against Iraq were widely regarded as a gross human-rights violation, with the greatest hardship imposed on children. During the Gulf War, U.S. bombs destroyed Iraq's infrastructure, including electric-generation, sewage-treatment, and water-treatment plants. After the war and until the start of the Iraq war in 2003, the sanctions kept equipment necessary for the repair of those facilities from being imported. Thus public

health deteriorated, leading to many deaths and illnesses.

Of course the most notorious moment with respect to the sanctions policy came during a *60 Minutes* interview with Clinton's UN ambassador, Madeleine Albright, in May 1996. Interviewer Lesley Stahl asked, "We have heard that half a million children have died. I mean, that is more children than died in Hiroshima. And, you know, is the price worth it?"

To which Albright responded, "I think that is a very hard choice, but the price, we think, the price is worth it."

The economic sanctions against Iraq were widely regarded as a gross human-rights violation.

That clip was no doubt replayed many times throughout the Middle East. Bin Laden's first *fatwa* came about three months later. As I've written previously,

That remark caused no public outcry [in the United States]. In fact, in January the following year Albright was confirmed by the U.S. Senate as President Clinton's secretary of State. In her opening statement to the Senate Foreign Relations Committee, which was considering

her appointment, she said, “We will insist on maintaining tough UN sanctions against Iraq unless and until that regime complies with relevant Security Council resolutions.”

While in office Albright never apologized for her callous words. She later wrote in her memoir that she regretted what she had said, criticizing Stahl for setting a trap that she carelessly fell into. She also said that any casualties from the embargo were attributable to Saddam, since he could have had it lifted by complying with U.S./UN demands. But that is misleading. For one thing, the Clinton administration did not only demand that Saddam permit weapons inspections; it demanded an end to Saddam’s regime — which could only be expected to make him dig in.

Moreover, the U.S. obstructed the import of needed goods even when Saddam did cooperate. As Joy Gordon reported in the November 2001 *Harper’s*, “The United States has fought aggressively throughout the last decade to purposefully minimize the humanitarian goods that enter the country.”

No wonder two UN humanitarian coordinators quit over the sanc-

tions. As one of them, Denis Halliday, said when he left in 1998, “I’ve been using the word ‘genocide’ because this is a deliberate policy to destroy the people of Iraq. I’m afraid I have no other view.”

No one can say with certainty that a Clinton reversal of his monstrous Middle East policies would have averted the attacks on 9/11 (or the earlier strikes). What we do know is that al-Qaeda and its operatives repeatedly referred to them whenever they had the opportunity. Clinton must accept his share of responsibility for provoking terrorism against the United States.

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NEXT MONTH:
“Time to Nullify the
Drug Laws”
by Sheldon Richman

The Forgotten Pox of Government Spending

by James Bovard



It is only a question of time until Washington is convulsed by the next federal budget crisis. Unfortunately, neither major political party is offering substantive proposals to curb soaring federal outlays. And Washington itself is inherently unable to recognize the true threat of government spending to Americans' future and freedom.

It was a common saying in the 1930s that "we cannot squander our way to prosperity." But inside the Beltway it is unimaginable that the government could be dragging the nation down. The evidence of the benefit of government spending is everywhere — from the booming local economy, to the lofty real-estate values, to ample opportunities for anyone with a college degree

and a willingness to spend his life writing unread memos.

President Grover Cleveland declared in 1893 that "the waste of public money is a crime against the citizen." But today's Washington experts take a theological view towards floundering programs: almost every program can be redeemed with a few more years and more billions of dollars.

For instance, the National Academy of Public Administration declared in 1994 that if the Department of Housing and Urban Development (HUD) were not operating "in an effective, accountable manner [within five years,] the President and Congress should seriously consider dismantling the department and moving its programs elsewhere." HUD remains God's prize flounder: at a hearing last year, current and former inspectors general recounted story after story of HUD's being clueless about where its money went. But Congress will never raze HUD's budget, regardless of how much damage the agency inflicts on urban America. On the bright side, there will always be plenty of "distressed housing projects" that can be targeted for more "shovel ready" spending.

Washingtonians view government spending as the equivalent of

magic beans that automatically sow blessings across the nation. Any claim of a “multiplier” is treated as a revealed truth. Obama administration officials promised that the stimulus would produce \$1.57 in economy activity for each dollar spent, that food stamps generate \$1.84 in economic activity per dollar of handouts, and that a dollar of unemployment benefits produces \$2 in economic activity. As long as advocates for a government program can invoke some convoluted econometric formula, the program is presumed to be blessed. And it is considered bad form to ask too many questions about the calculus behind the cornucopia.

Washington devoutly refuses to recognize the collateral damage from federal programs.

Washington devoutly refuses to recognize the collateral damage from federal programs — from the subsidized loans that allow colleges to gouge students with higher tuition and the agricultural subsidies that inflate farmland prices and price out would-be farmers, to training programs that provide young people only with the illusion of skills. Even when tax-advantaged ethanol boosts smog, damages

Americans’ car engines, and drives millions of Third World poor to the edge of starvation with inflated food prices, it remains semi-sacrosanct in the District of Columbia.

Proposals to rigorously scrutinize government spending routinely evoke cries of horror. After Barack Obama promised in 2009 that his stimulus plan “cannot and will not be an excuse for waste and abuse,” the *Washington Post* ran an indignant protest headlined, “The Case for Waste.” The subhead on the article by *Post* reporter Alec MacGillis captured the enlightened attitude inside the Beltway: “The idea’s to stimulate the economy. So what if we blow a few billion on the wrong things?” George Washington University law professor Steven Schooner perfectly expressed the conventional wisdom: “Are we capable of grasping the concept that in a struggling economy, it’s more important to throw money at the problem, even if it’s possibly inefficient and possibly inaccurate?” The notion of leaving money in private pockets is never considered — perhaps because it would be considered an unnatural act.

There is an irrefutable presumption that government spending is benevolent — regardless of where the money goes. And every now

and then the pretense that government officials give a damn about tax dollars slips. In 2007 a former top U.S. official at the Coalition Provisional Authority in Iraq was asked to respond to allegations from the inspector general that nearly \$9 billion had not been adequately accounted for. David Oliver, the CPA's director of management and budget, responded, "I have no idea. I can't tell you whether or not the money went to the right things or didn't — nor do I actually think it is important. Billions of dollars of their money disappeared, yes I understand. I'm saying, What difference does it make?"

The size of the federal budget is one of the clearest gauges of the power of the political class over the rest of America.

U.S. military leaders in Iraq spoke of using "money as a weapon" — and as long as handing out billions of dollars created temporary cease-fires, the program was considered a success for the Bush administration. Shortly after the United States invaded Iraq, pallets stacked with newly printed \$100 bills were flown into the country and distributed with little oversight to buy friends for the occupa-

tion. Similar abuses have proliferated during the war in Afghanistan.

Government spending works out well for the political and bureaucratic class even when the money is utterly squandered. Washingtonians are unable to recognize federal failures in part because the political concept of waste is diametrically opposed to the economic concept of waste. In economics, if a company produces something that people value, it can thrive. In politics, if a program garners votes, campaign contributions, or power, it is considered successful. The more money a program wastes, the more gratitude beneficiaries show to politicians. Campaign contributions and reelection rates trump audit reports every time.

Human costs

The size of the federal budget is one of the clearest gauges of the power of the political class over the rest of America. And anything that increases political power will be favored by many politicians. If a policy increases the number of people beholden to them, then it is a self-evident success. Members of Congress brag about the amount of federal money spent in their districts, not about the lack of fraud in programs they champion.

Regardless of the severity of the next budget crisis, we will see more charades like the 2011 “historic” budget deal, when Democratic and Republican congressional leaders proudly claimed to have cut federal spending by \$38 billion. The Congressional Budget Office later revealed that the actual amount saved was only \$352 million in the current fiscal year. Up to \$18 billion of the alleged cuts “involve money that existed only on paper and was unlikely to be tapped in the next decade,” the *Washington Post* noted.

Unfortunately, a 99 percent sham rate is about par for “spending cuts” since the Reagan era. Members of Congress will always prefer imaginary budget cuts as long as government spending gives them real power. And much of the mainstream media will help the ruling class pull the wool over Americans’ eyes one more time.

Yet despite the government’s record, the nation’s capital presumes that it knows best. Recent gargantuan deficits have not deterred the Treasury from lecturing Americans about how to manage their personal finances (www.mymoney.gov/). Unless average Americans can somehow convert their household debt into the world’s reserve currency, it is difficult to see what lessons Uncle Sam can teach.

Governments do not fizzle away money in a vacuum. The more of an economy that is subject to political command and control, the greater the forgone opportunities and the less the private prosperity. Governments cannot waste tax dollars without squandering part of the lives of the people who earned those dollars. There are human costs to every government mess. A billion tax dollars wasted preempts 5,000 families from buying starter homes, or preempts a million people from taking summer vacations, or preempts citizens from buying 40 million new books or 70 million cases of beer.

The more of an economy that is subject to political command and control, the greater the forgone opportunities and the less the private prosperity.

The failure of a government policy does not merely reduce the number of bureaucrats who receive “outstanding achievement” job evaluations. Every waste of tax dollars undermines the legitimacy of the entire political system. If members of Congress have a right to seize and squander other people’s money, citizens are nothing more than beasts of burden for political

ambition. But few members of Congress ever show sincere remorse for the waste of tax dollars which they authorized the IRS to commandeer from Americans' paychecks.

The Founding Fathers envisioned the legislative branch as a check on the abuses of the executive branch. However, when it comes to squandering tax dollars, members of Congress and bureaucrats are usually in cahoots against citizens. Most members are more enthusiastic about sharing the loot with donors and voters than about ending the waste.

Until politicians feel an electoral knife at their throats, it will be business as usual — with a little “Greek-style” dressing thrown in to delude people that problems are being solved. In the meantime, we cannot expect a good-faith reduction in political power from politicians. Americans must recognize how

government spending is increasingly endangering their personal and financial independence. Multiple presidents and sessions of Congress have failed to control that spending. There is no substitute for a radical slashing of the federal budget, abolition of vast numbers of government programs, and far more intolerance of government waste.

James Bovard serves as policy advisor to The Future of Freedom Foundation and is the author of Attention Deficit Democracy (Palgrave, 2006), Lost Rights (St. Martin's, 1994), and seven other books.

NEXT MONTH:
“The Continuing Forfeiture
Scourge”
by James Bovard

The Successes and Failures of Social Security

by Laurence M. Vance



One of the oldest, largest, most popular, and most expensive government programs is Social Security.

After appealing to the “general welfare” clause of the Constitution in a speech to Congress in June of 1934, Franklin Roosevelt appointed a Committee on Economic Security to report and make recommendations on the task of “furthering the security of the citizen and his family through social insurance.” The report of the committee, issued January 15, 1935, urged the establishment of a social-security program, stating, “A program of economic security, as we vision it, must have as its primary aim the assurance of an adequate income to each

human being in childhood, youth, middle age, or old age — in sickness or in health. It must provide safeguards against all of the hazards leading to destitution and dependency.”

Roosevelt sent a message to Congress two days later requesting social-security legislation. Bills were introduced in the House and Senate the same day. Roosevelt signed the Social Security Act into law on August 14, 1935. The program was the crown jewel of his New Deal.

The original Social Security Act included not just federal old-age benefits but also grants to the states for the blind, for dependent children, for public health, for maternal and child welfare, and for unemployment compensation. It has since been amended and expanded to include Medicare, Medicaid, the State Children’s Health Insurance Program (SCHIP), and Supplemental Security Income (SSI).

In addition to keeping the elderly out of poverty by providing them with retirement income, Social Security was intended to withdraw older Americans from the work force to free up jobs for younger workers and ensure that buying power would remain strong in times of high unemployment.

But that’s not all. Although Social Security initially covered a much smaller part of the work force than it

does now, Roosevelt had other plans from the very beginning:

I see no reason why everybody in the United States should not be covered. I see no reason why every child, from the day he is born, shouldn't be a member of the social security system. I don't see why not. Cradle to the grave — from the cradle to the grave they ought to be in a social insurance system.

But even if the motives of Roosevelt, Frances Perkins (his secretary of Labor), Barbara Armstrong (executive director of the committee that wrote the Social Security plan), and Wilbur Cohen (one of the founding fathers of Social Security) were pure as the wind-driven snow, it wouldn't change the fact that Social Security is an intergenerational wealth-redistribution welfare program. It has always been a system that takes money from those who work and gives to those who don't, that seizes wealth from some Americans and bestows it on others.

Roosevelt falsely promoted Social Security to Americans as a "savings account for the old age of the worker," with "contributions" made by employers and employees from payroll taxes "held by the govern-

ment solely for the benefit of the worker in his old age."

Although Social Security initially covered a much smaller part of the work force than it does now, Roosevelt had other plans from the very beginning.

As John Attarian, author of *Social Security: False Consciousness and Crisis*, explained,

Social Security's architects and promoters made it their business to present it as "retirement insurance" under which one pays "insurance premiums" or "contributions" to "buy" protection from old-age destitution, with one's "contribution" "held in trust" in a "trust fund" which will pay "guaranteed" benefits which, having been "paid for" by the "contributions," will be paid "as a matter of earned right," as America keeps its "compact between the generations." Although all of this is demonstrably false, and Section 1104 [in Title XI of the Social Security Act] explodes the "guarantee" and "earned right" (as *Flemming v. Nestor* proved), this sixty-five-year propaganda campaign succeeded all too well. Most Americans, especially the

increasingly numerous and politically powerful elderly, accept this tissue of myths as reality.

Failures

To most Americans Social Security is a retirement plan, an insurance program, an investment account, or a government 401(k). In many cases it is the only thing they are counting on to provide them with income when they retire.

Social Security has failed to provide an adequate return on investment.

In this respect, Social Security is a failure. There is no trust fund, lock box, insurance policy, or retirement account. And there is no contractual right to receive benefits.

Social Security has failed to be solvent. The program was “rescued” in 1983 with a combination of benefit cuts and tax increases. Since 2010 it has needed to be “saved.” The program had a deficit of \$174 billion in 2011. It has trillions of dollars of unfunded obligations. The IOUs in the “Trust Fund” represent revenue that must be collected a second time, since the Social Security taxes that were initially collected did not go to retirees.

Social Security has failed to maintain its promised maximum

tax rate of 3 percent (on employers and employees) on income up to \$3,000 a year. “That is the most you will ever pay,” said a 1936 government pamphlet.

Social Security has failed to provide an adequate return on investment. The aforementioned pamphlet says that “what you get from the Government plan will always be more than you have paid in taxes.” Although that was true at one time, it is no longer the case. According to a Congressional Research Service report by Geoffrey Kollmann and Dawn Nuschler, “Social Security Reform” (October 2002),

For workers who earned average wages and retired in 1980 at age 65, it took 2.8 years to recover the value of the retirement portion of the combined employee and employer shares of their Social Security taxes plus interest. For their counterparts who retired at age 65 in 2002, it will take 16.9 years. For those retiring in 2020, it will take 20.9 years.

Workers entering the labor force today simply won’t live long enough to get back anywhere near what they pay in Social Security taxes.

Social Security has failed to maintain a realistic retirement age. The original age to receive full benefits was 65. For those born 1943–1954, the full eligibility age is 66. For those born after 1960, it is 67. Yet thanks to advances in technology and medicine, life expectancy has increased at a much faster rate, resulting in a booming population of senior citizens on Social Security. More than 10,000 people per day now become eligible to receive Social Security.

The federal government has no authority whatsoever under the Constitution to establish a retirement system.

And of course, Social Security from the very beginning failed the test of constitutionality. The federal government has no authority whatsoever under the Constitution to establish a retirement system, a safety net, an insurance program, a pension plan, savings accounts, or investment vehicles; to provide disability, death, or survivor's benefits; or to force all Americans to fund those things whether or not they want to participate. Yet the original Social Security Act passed the House of Representative on April 19, 1935, by a vote of 372 to 33. The

Senate version was agreed to on June 19, 1935, by a vote of 77 to 6. The conference report to reconcile the two bills passed both houses of Congress by voice vote in August 1935. Fast forward to 2010. The very Republicans who talk the loudest about fiscal conservatism, following the Constitution, and limited government pledged to “protect our entitlement programs for today’s seniors and future generations.”

The successes

But despite all its failings, Social Security has had many successes. In fact, its successes outnumber its failings.

Social Security has succeeded in creating a national ID card without which you can't open a bank account. There have been 34 versions of the Social Security card. Beginning with the 18th version of the card, issued in 1972, the legend “Not for Identification” ceased to appear, as it had since 1946.

Social Security has succeeded in creating a huge government bureaucracy. Four years after the program's creation, some 12,000 employees worked in the Social Security Administration (SSA). Social Security benefit payments were \$725 billion in 2011. It takes a lot of

employees and a lot of money to administer the program. Administrative expenses of Social Security were a whopping \$6.4 billion in 2011. The SSA is headed by a commissioner assisted by 10 deputy commissioners, nine assistant deputy commissioners, 40 associate commissioners, actuaries, lawyers, directors, inspectors general, and a staff of almost 66,000 employees. Although the agency is headquartered in Baltimore, Maryland, there are 10 regional offices, six processing centers, and approximately 1,260 field offices. It operates its own administrative adjudication system, which has original jurisdiction when claims are denied in part or in full. Decisions are issued by administrative-law judges and senior attorney adjudicators (supported by about 6,000 staff employees) at locations throughout the country.

Social Security has succeeded in launching the modern welfare state. On signing the Social Security Act into law, Roosevelt said that Social Security “represents a cornerstone in a structure which is being built but is by no means complete.” He valued the program so highly that he could say, “If the Senate and the House of Representatives in this long and arduous session had

done nothing more than pass this Bill, the session would have been regarded as historic for all time.” Social Security is the single biggest spending category in the current federal budget. It is the cornerstone of the welfare state.

Social Security is the single biggest spending category in the current federal budget.

Social Security has succeeded in creating dependency on government largess. That, of course, always leads to larger, more-intrusive government and tighter government controls. Social Security killed the American tradition of individualism that was distrustful of big government and had resisted the adoption of European socialism that was already well in place before America’s Great Depression. To millions of senior citizens, Social Security is the only income they have. It makes them totally dependent on the government for their subsistence and wholly dedicated to maintaining and expanding the system.

Social Security has succeeded in delivering to the highest bidder a large voting block of senior citizens, who will flee any candidate who proposes to “reform” it. And it gives the government a formidable in-

strument to maintain the allegiance of the elderly.

Social Security has succeeded in discouraging private savings, since people can look to the government for income after they retire. That ends up reducing investment, job creation, productivity, and growth. Money that would be invested in productive private-sector activities is directed to the U.S. Treasury for redistribution instead.

Social Security has succeeded in shifting charitable activity from the private sector to the government sector, from families to the state, and from volunteerism to coercion. Throughout American history, private charities, churches, and organizations cared for the poor, the sick, the aged, and the infirm until government funds began to supplement and then supplant private giving.

Social Security has succeeded both in increasing the cost of hiring workers and in lowering real wages, because some or all of the money

businesses pay in Social Security taxes could have gone to wages. If the direct labor cost budgeted for a particular job is \$50,000, then the salary offered cannot exceed \$46,446.81 because of the “employer’s share” of the Social Security (6.2 percent) and Medicare (1.45 percent) taxes that must be paid. How the salary is divided up typically doesn’t affect the employer’s bottom line. It is all a labor expense. However, under certain competitive labor circumstances, employers must absorb some of the tax, raising the cost of hiring and reducing the number of jobs.

Social Security has succeeded all right, but it’s nothing to brag about.

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The Heroism of Dietrich Bonhoeffer

by Wendy McElroy



A destructive myth hangs over the history of World War II. It is that a flaw within the German character allowed the rise of Hitler and Nazism. How else can you explain the coming of the Holocaust from one of the world's most cultured nations? Oddly, no one seems to consider Mussolini as indicating a flaw in Italians or Stalin as proof of a Russian defect.

The "German character flaw" is a *destructive* myth because it deflects attention from the crucial task of analyzing the dynamics that allowed Nazism to rise. It permits other nations to believe "it could never happen here." But totalitarianism can happen anywhere, to any nationality. Understanding the evo-

lution of totalitarianism involves institutional analysis, especially of the interrelation between institutions that were active or complicit in creating tyranny.

Two institutions are commonplace and powerful around the globe: the state and the church. In Hitler's Germany, most churches went along with the Nazis. Some did so reluctantly, but many were enthusiastic. There was also dramatic resistance by churches and religious leaders who opposed Hitler at great personal risk. For example, the German Protestant church became a battleground between the majority who supported the Nazis, either explicitly or implicitly, and a minority who resisted them. At the core of the conflict was the question of how the church should respond to the "Jewish question."

No man spoke more eloquently in behalf of the civil liberties of Jews than the Protestant pastor and theologian Dietrich Bonhoeffer. He became a prominent voice in "the Confessing Church" that was founded when approximately 3,000 Protestant pastors broke off from the main religious body in protest. ("Konfession" is German for "denomination.") Bonhoeffer reminds us that there are people of conscience and moral courage in every

nation. He is also a window into the institutional dynamics of church and state that both facilitated and hindered Hitler.

The German Protestant church and Nazism

Hitler became chancellor of Germany in January 1933. Two months later he publicly assured both Catholics and Protestants that he would respect their rights and work “for genuine harmony between Church and State.” In reality, the harmony he sought was to politically emasculate the Catholic Church and to racially purify and unite the Protestant one. He sought Nazi control of religion.

Hitler immediately offered a deal to German Catholic archbishops, who then met with the Pope to discuss its terms. By June 1933 an agreement had been signed through which the Church maintained and acquired considerable privileges, including new Catholic schools. In return, the powerful Roman Catholic Center Party voted for the Enabling Act, which granted dictatorial power to Hitler. Then the party disbanded.

The Protestants required a different strategy.

According to a 1933 census the total population of Germany was

65–66 million. Approximately 45 million people, or about 69 percent, were registered Protestants. (Figures cited vary, with some as low as 41 million.) Protestantism embraced a variety of different denominations, from Lutheran to Methodist and Baptist, with the largest being the Evangelical Church. Doctrines varied widely. Moreover, the Protestant church was organized into 28 regional churches or federations that voted together in an assembly through leaders. The assembly had little power to enforce policy, however, and there was no one leader with whom Hitler could negotiate. Nevertheless, most Protestants supported the Nazis, especially the Lutherans, with their deep tradition of supporting state authority. But other Protestants were not enthusiastic, and the decentralized church might be difficult for Hitler to rein in.

Hitler sought to politically emasculate the Catholic Church and to racially purify and unite the Protestant one.

In 1931 a subgroup known as the *Deutsche Christen*, or German Christians, arose within Protestantism. The group was fanatically pro-Nazi. For example, some members wished to abandon the Old Testa-

ment; Jesus Christ was recast as an Aryan, not a Jew. The German Christians also emphasized the need to respect the secular authority of the state. The German Christian leader, Ludwig Müller, was Hitler's personal advisor on religious matters.

The German Christians amassed with the explicit goal of dominating an important 1932 election within the hierarchy of the dominant Protestant church. The group won approximately a third of the votes, establishing a powerful foothold. Then it pushed for a new Protestant constitution to create a centralized national church to replace the federation system. Centralization would facilitate the conjoining of Protestantism with Nazism and the enforcement of conformity, and would provide Hitler with someone to whom he could give orders.

In April 1933 the federation leaders agreed to draft a new constitution to establish a national church called *Deutsche Evangelische Kirche* (DEK). With Hitler's endorsement, Müller campaigned to become the bishop of the new church. He lost to a more seasoned man who publicly objected to the Nazi plans to sterilize and euthanize "undesirables." Although many Protestants were anti-Semitic, it was church policy to

"eliminate" the Jews by converting and baptizing them.

Hitler was incensed. Under political siege, the freshly elected bishop resigned after one month. Müller was elected bishop in September 1933. The vote was pro forma, however, since Hitler had already appointed him to the position. With aggressive Nazi support the German Christians easily won the majority of leadership positions in the national church. Indeed, the group won all subsequent church elections during the Nazi reign.

The Protestant church's Aryan Paragraph defrocked any pastor or church official who was of Jewish descent or married to a non-Aryan.

By the time of Müller's election, however, the Protestant church was in turmoil. The proximate causes included opposition to the church's nazification and the so-called Aryan Paragraph that had been adopted a few months before. The paragraph introduced a new church policy modeled on the laws being enacted throughout Germany to, among other things, prohibit Jews from being civil servants. The Protestant church's Aryan Paragraph defrocked any pastor or church of-

ficial who was of Jewish descent or married to a non-Aryan. German Christians flatly rejected the key Protestant belief that a person became Christian by accepting the divinity of Jesus and being baptized.

In his 2007 essay, “The Church Struggle and the Confessing Church: An Introduction to Bonhoeffer’s Context,” Prof. Matthew D. Hockenos of Skidmore College offered a sense of the church’s response. He wrote,

The Protestants split into essentially three groups — the ultra-nationalist, antisemitic, and pro-Nazi German Christian movement; *the somewhat oppositional* Confessing Church; and the uncommitted neutrals. Of the eighteen thousand Protestant pastors in Germany, less than one-third were adherents of the German Christian movement. Although the number of pastors who joined the Confessing Church reached just over seven thousand in January 1934, for most of the period of the church struggle from 1933 to 1945 the number was less than five thousand. [Emphasis added.]

Hockenos further sketched the scope of the inner church conflict:

The church struggle involved three interwoven dimensions: first, the struggle between the Confessing Church and the German Christian movement for control of the Protestant Church; second, the struggle between the Confessing Church and the Nazi state over spheres of influence; and third, the conflict within the Confessing Church between the conservative and radical wings over the nature of the church’s opposition to the German Christians and the Nazi state.

Hockenos called the Confessing Church “somewhat oppositional” because of the ideological struggle between the church’s conservatives and radicals. The conservatives opposed the political takeover of the Protestant church but did not assume a wider stance against the Nazis. The radicals condemned the state whenever its laws harmed or interfered with church practice. And then there were the truly radical voices, such as Bonhoeffer, who came to condemn Nazi violations of civil liberties whether or not they involved the church.

The remarkable development of Dietrich Bonhoeffer

Dietrich Bonhoeffer (1906–1945) was born into a highly educated family. His father was a professor of psychiatry and neurology, while his mother earned a university degree — a rarity for women of her time. Paula Bonhoeffer home-schooled her children because, as she stated, “Germans have their backbones broken twice in life: first in the schools, second in the military.” Dietrich’s independent streak led him to travel far beyond German borders, completing his final theology degree in 1930 at Union Seminary in New York. The next year, he began teaching theology in Berlin.

Bonhoeffer became the first pastor in Nazi Germany to declare that the church had an obligation “to question the state.”

Almost as a unit, the Bonhoeffer family disliked and distrusted the Nazis. Moreover, they strongly believed in acting according to conscience rather than the law when the two conflicted. In his article “Was Dietrich Bonhoeffer a Righteous Gentile?” Richard L. Rubenstein observed,

The first public expression of the family’s opposition was the action of Dietrich’s grandmother Julie Tafel Bonhoeffer who may have been the only German to ignore the Nazi boycott of Jewish businesses on April 1, 1933, and, at age 91, marched past a menacing group of stormtroopers posted in front of the Jewish-owned department store, Kaufhaus des Westens.

When the German Christians first proposed the Aryan Paragraph, Bonhoeffer became active in a counter-group called the Young Reformation Movement. (His sister’s marriage to a converted Jew undoubtedly provided personal motivation.) The Young Reformers advocated an outright rejection of excluding non-Aryans from pulpits or pews.

In a 1933 essay and sermon to church leaders, “The Church and the Jewish Question,” 27-year-old Bonhoeffer became the first pastor in Nazi Germany to declare that the church had an obligation “to question the state repeatedly whether its actions could be justified ... as actions in which law and order are created, not lawlessness and disorder.” The essay has been criticized

for using language common to German Protestantism of the day, but considered anti-Semitic today. Bonhoeffer clearly embraced what is called “Christian supersessionism” — the belief that Judaism had been superseded by Christianity and that a covenant between God and the Jews no longer exists. (His views changed thereafter.) Nevertheless, he also argued the radical position that the church should assist *all* victims of injustice, not merely non-Aryans who had converted. “The Church and the Jewish Question” presented the oppression of Jews as a civil-rights violation that the church was honor-bound to address even if it necessitated falling “into the spokes of the wheel [of the machinery of injustice] itself.”

Bonhoeffer refused an official demand to cease his activism in the ecumenical movement.

When the Aryan Paragraph was adopted, Bonhoeffer immediately appealed to fellow members of the international ecumenical movement, in which he was extremely active. (The ecumenical movement called for greater Christian unity and a single church.) In a telegram he informed an ecumenical contact in Switzerland, “Aryan Paragraph

now in effect, please work out memorandum against this and inform press at once.” Through constant communication with international organizations, Bonhoeffer countered “official” church accounts from the German Christians and exerted counterpressure against anti-Semitic policies.

For example, at an ecumenical World Alliance gathering in Bulgaria, he was instrumental in the passage of a resolution that deplored “the fact that the State measures against the Jews in Germany have had such an effect on public opinion that in some circles the Jewish race is considered a race of inferior status.” He provided a copy of the resolution to the German consul in Bulgaria and received a response from the German Foreign Office:

Provocation against Germany because of the Jewish question has been taken into circles that were previously genuinely favorable to us, and has been expressed loudly and publicly at the very moment when Germany, because of the upcoming meeting of the League of Nations, will probably be viciously attacked because of the Jewish question.

Illegal activities

Bonhoeffer refused an official demand to cease his activism in the ecumenical movement. He also refused a parish post within Germany on the grounds that non-Aryans were barred from the same position. Instead, in late 1933, a discouraged and weary Bonhoeffer accepted a parish in London, where he remained in exile until returning home in 1935.

The schism between conservatives and radicals in the Confessing Church had deepened. When the Nuremberg Laws of September 1935 stripped the last civil liberties from Jews, some church radicals began to actively but covertly assist them. One such radical was a Berlin social worker and deaconess named Margaret (Marga) Meusel. In May 1935 Meusel had addressed a formal “memorandum on the duties of the Confessing Church to the Protestant non-Aryans” to church leaders in an attempt to mobilize support for converted Jews. In September, after the Nuremberg Laws were enacted, she rewrote the address to explicitly include *all* Jews. She was pointedly rebuked; instead, the elders passed a weak resolution favoring the baptism of Jews.

Bonhoeffer set up an underground seminary for anti-Nazi

church members to whom he taught theology, even though the aspiring clergy were routinely denied positions by the more-conservative elders. In 1937 the education and certification of pastors within the Confessing Church was declared illegal, and 17 of Bonhoeffer’s former students were arrested. So Bonhoeffer secretly went village to village to continue supervising pastors who were caring for their parishes illegally. The Nazis were not deceived. In 1938 Bonhoeffer was banned from Berlin; in 1940 he was forbidden to speak in public.

In May 1935, Margaret Meusel had addressed a formal “memorandum on the duties of the Confessing Church to the Protestant non-Aryans.”

Meanwhile, his stand against the oppression of Jews was hardening. At a 1938 Confessing Church meeting, he stated that church and synagogue were equal in the eyes of God. *Kristallnacht* solidified his opposition to Nazi racial policies. Also known as the Night of Broken Glass, *Kristallnacht* consisted of a coordinated pogrom against Jews throughout Germany that erupted on the evening of August 9, 1938, and continued through the next

day. It was the first official expression of nationwide and unveiled violence against the person and property of every Jew.

By 1939 Bonhoeffer's attention turned from the Confessing Church establishment to the international ecumenical community, which unequivocally condemned Hitler's attack on Jews. Radicals within the church worked with ecumenical leaders to assist those in danger to flee from Germany. Soon Bonhoeffer would play an even more perilous role in opposing Hitler. His brother-in-law, Hans von Dohnanyi, detested Nazism. Nevertheless, he held an important position in the Armed Forces High Command office of Military Intelligence. He urged Bonhoeffer to sabotage the Nazis by working within the regime. In 1940 Bonhoeffer joined Military Intelligence and began openly to contact his ecumenical network, traveling throughout Europe. The Nazis believed he was conducting propaganda on their behalf; in reality he was spreading information and coordinating foreign support for a German resistance effort. Under the auspices of high-ranking military men who objected to some of Hitler's policies, Military Intelligence itself became a nexus of anti-

Nazi conspiracy.

For example, when the first deportations of Jews from Berlin began in October 1942, Dohnanyi arranged false papers to rescue those he could. Bonhoeffer arranged the transfer of money to sustain the refugees abroad. Unfortunately, the Nazis tracked the money; both Dohnanyi and Bonhoeffer were arrested in April 1943. An investigation eventually revealed the extent to which the men had worked to sabotage Nazi interests.

In 1940 Bonhoeffer joined Military Intelligence and began openly to contact his ecumenical network, traveling throughout Europe.

In July 1944 military leaders who knew the war was no longer winnable attempted to assassinate Hitler. They were unsuccessful. In the furious witch-hunt that ensued, Dohnanyi and Bonhoeffer were implicated owing to their earlier association with the conspirators. In February 1945 Bonhoeffer was sent to the Buchenwald concentration camp, where, at the age of 39, he was hanged on April 9. Three other members of the Bonhoeffer family similarly died that day: Dietrich's brother, and two brothers-in-law.

Honored in America

The U.S. Holocaust Memorial Museum honored Bonhoeffer and Dohnanyi in a ceremony on May 26, 1996.

Bonhoeffer's moral courage left a legacy through his students and theological heirs. His best known work is *The Cost of Discipleship*, which was published in 1937 under the title *Nachfolge* or *Discipleship*. The book explores the meaning of the Sermon on the Mount and draws a sharp distinction between "cheap" and "costly grace," which in turn, defines the concept of discipline. Cheap grace lies in the refusal "to take up our cross and submit to suffering and rejection at the hands of men." Through such a refusal, Bonhoeffer believed "we forfeit our fellowship with Christ and have ceased to follow Him." Costly grace involves "carrying our cross" even "if we lose our lives in His service," because "we shall find our lives again" in His fellowship. Thus, dis-

cipleship "means allegiance to the suffering Christ."

Many would disagree with Bonhoeffer's simple and uncompromising Christianity but even those with no religious belief can find a role-model in his behavior.

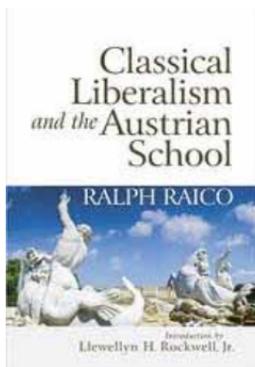
He and his family definitely disprove the theory of a German character flaw. They should make us pause before blaming a nationality or a race for the triumph of totalitarianism and make us consider, instead, the dynamics of how that tyranny came to be. As long as we blame only the character of individuals or defined groups, we will learn little about the more general institutional character of totalitarianism itself.

Wendy McElroy is a fellow of the Independent Institute and the author of The Reasonable Woman: A Guide to Intellectual Survival (Prometheus Books, 1998).

Authentic Liberalism Vindicated, Part 2: The Economics of Liberty

by Anthony Gregory

Classical Liberalism and the Austrian School by Ralph Raico (Auburn, Ala.: Ludwig von Mises Institute, 2012); 347 pages.



The passionate interest in economics among libertarians is not immediately understood by all students of liberty. Even those generally in favor of economic freedom for ethical reasons may wonder why so many libertarians adhere specifically to the Austrian school. Complicating the matter even further, libertarianism is a po-

litical philosophy — and liberalism a political orientation — that concerns ethical principles of what the government *ought* and *ought not* to do. Economics, in stark contrast, is often described as a science, and in particular a *value-free science*, that can teach us a lot about the material world of scarcity, but does not in itself tell us what the state *ought to do*. So why are so many libertarians not just free-marketers, but also inclined toward the most a priori of economic schools — that of the Austrians? Ralph Raico makes sense of it all in *Classical Liberalism and the Austrian School*.

Austrian economics and individual liberty

I wish that I had read Ralph Raico when I first became a libertarian, for his explanation of liberalism's relationship to Austrian economics is the best that I know of, bringing great clarity to the question. He sums up the distinctive elements perfectly: "According to [Ludwig von Mises], economics teaches the means necessary for the promotion of the values most people endorse. Those means comprise, basically, the maintenance of the free market, private property economy. Thus the economist qua economist passes no value judgments, including political value judgments. He only proposes

hypothetical imperatives: if you wish to achieve A, then do B.”

As an example we might consider the minimum wage. Economics informs us that raising the minimum wage will, other things being equal, increase unemployment by pricing low-skilled workers out of the labor market. This is a scientific insight. The libertarian is against minimum-wage laws primarily because they are a violation of the rights of both employer and employee to freely make an agreeable deal. But to reinforce this point, the libertarian, steeped in economics, can explain that the results likely to be produced by the minimum wage are not what most people want. Economics is *value-free* in that it doesn't tell us whether we should want to increase unemployment, only that raising the minimum wage will tend toward that consequence. But since most decent people do not want to increase unemployment, the science of economics is nicely complementary to the libertarian ethical principle.

Because economics reinforces the case for liberty, “there is a sense in which economic theory per se, any analytical approach to economic questions, can be said to favor the market economy.... But Austrian economics has been so often and so

closely tied to liberalism that it is plausible to seek the connection also in its distinctive economic theories.”

Liberalism is concerned with ethical individualism. Methodological individualism — the analytical reduction of all human activity down to the individual actors — is central to Austrian economics and has been from the start. Carl Menger, founder of the Austrian school, explained a nation's economy in terms of the results of all the innumerable individual economic efforts in the nation.... Whoever wants to understand theoretically the phenomena of ‘national economy’ [must] attempt to go back to their true elements, to the *singular economies in the nation*.” (Emphasis in original.)

Liberalism is concerned with
ethical individualism.

Also quite conducive to liberal individualism is the Austrian emphasis on subjectivism — the principle that persons make economic choices that are based on their subjective preferences. Classical liberals, Raico writes, “focused on the individual human being per se ... as the fountainhead of creative response to an ever-changing world.” Economic schools of thought more

in line with central planning, such as mainstream macroeconomics, tend to assume “that various global magnitudes act upon one another,” an assumption that liberals as well as Austrians would question. Moreover, “Individuality bears an intimate, perhaps even logical connection, to diversity, and Austrianism, in contrast to neoclassical economics, likewise accentuates the role of diversity in economic life.”

Austrians tend toward many general themes in liberalism, such as “the recognition of the self-regulating capacity of civil society” — or what Austrians call spontaneous-order theory. Yet *unique* and much more *specific* Austrian insights go even further in undermining the case for government intervention. They include the impossibility of states’ engaging in economic calculation without prices as “the fatal flaw of central planning”; the Austrian theory of the business cycle, which demonstrates the inability of central banks to manipulate market interest rates without distorting the economy and thereby causing booms and busts; “the analysis of the market as a *process*” — an approach that stifles socialist pretensions; and Mises’s explanation of why government interventionism is unstable, since one intervention

leads to another and society eventually descends toward totalitarianism. Most important in Raico’s assessment is the approach of Austrian economics toward the free market not simply as “producing the greatest possible amount of material goods,” as it is seen by neoclassical defenders of the market, but rather as, in Menger’s words, “a pattern of *economic governance exercised by consumer preferences.*”

Austrian insights go even further
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government intervention.

Moreover, the Austrian school itself emerged in an ideological context. Many of the first Austrians in the late 19th century were intimately involved in debates with the Marxists on key questions of economic theory, particularly the theory of value. The Austrians played a major role in the marginal revolution, overthrowing centuries of understanding economic exchange value (price) in terms of labor. The labor theory of value was generally taken for granted by Adam Smith and the classical school of economics. The Austrians, however, believed that economic value, including exchange value, originated in the subjective valuation of individu-

al economic actors who — and this is most important — value units of goods on the margin; that is, that they assess the next unit of a commodity in relation to the next-most-valued thing they would forgo to obtain it.

This revolution in value theory finally answered mysteries that had nagged economists for many years, such as the diamond/water paradox. Why is a diamond worth so much more than a cup of water in most circumstances, but not if you are dying of thirst in the desert? Why would an additional cup of water be worth less once you've had one cup? Marxism's whole conception of exploitation was wrapped up in basing the objective value of a commodity on the labor it "contains." Because Marxism was one of the economic schools most conducive to the creation of a totalitarian state and so was at war with the Austrians over basic theory of value, Austrian economics was distinguished early on as the camp of individual liberty.

Yet the historical context of the Austrian school's emergence might explain why not all early Austrians embraced liberalism consistently. Raico explains that "the underlying tradition in Austria was one of state paternalism, to the point where even the expression of the concept of a

spontaneous economic order had been actively suppressed." Such considerations among others meant that early luminaries of the school, such as Friedrich von Wieser and Eugen von Böhm-Bawerk, did not always adhere to classical-liberal ideas.

The revolution in value theory finally answered mysteries that had nagged economists for many years.

Two 20th-century Austrian economists, for their part, were far more distinct in their classical liberalism and have become universally recognized as significant figures in the birth of modern libertarianism: Ludwig von Mises and F.A. Hayek. Beginning with them, "the links between liberalism and the Austrian School become intense and pervasive." Mises was decisively a liberal, having "highlighted the possibilities of meeting the needs of the deserving poor through private charity and assailed Bismarckian schemes of social insurance."

Hayek, on the other hand, at times took positions that few libertarians today would endorse. Seeing the state as "a service agency," he believed that (in his words) "there is little reason why the government should not ... play some role, or even take the initiative, in such areas as

social insurance and education, and temporarily subsidize certain experimental developments.” Yet it would be an understatement to say that Hayek was a brilliant thinker and economist whose many insights have helped develop libertarian theory.

Illiberal economists and scholars

That the economic divide is as prevalent as any divide between modern and classical liberals should be obvious. It is important to ask, therefore, about the major economic influences on modern liberalism and their relationship to original liberalism. We focus on John Maynard Keynes, whose brand of economic theory is the most dominant strain of economics in the modern world, enjoying a virtual monopoly on the economic thinking of modern liberalism.

Raico asks whether Keynes was a liberal. Since modern liberals claim the legacy of classical liberalism, this is a most important question indeed. Raico writes, “It is now common practice to rank John Maynard Keynes as one of modern history’s outstanding liberals, the most recent ‘great’ in the tradition of John Locke, Adam Smith, and Thomas Jefferson.... If he is different from the ‘classical’ liberals in a few obvious and important ways, it was simply

because he tried to update the essential liberal idea to suit the economic conditions of a new age.”

In fairness, Keynes did embrace values “such as tolerance and rationality” and “always *called* himself a liberal.... But none of this carries great weight when it comes to classifying Keynes’s political thought.”

The general idea espoused by those who call Keynes a great liberal is that his “turn to neo-mercantilism was necessitated by his discovery of fundamental flaws in classical economics,” especially in light of Britain’s unemployment problems of the 1920s and the Great Depression. According to Raico, however, those crises “were themselves produced by misguided government policies.”

Raico asks whether Keynes was a liberal.

There are other problems with inducting Keynes into the Liberal Hall of Fame: “Liberalism is characterized by its insistence on *rules*, in political as in economic life.” The rule of law and *laissez faire* are conspicuous examples. But “it is no exaggeration to say that [Keynes] was constitutionally averse to rules, or ‘dogmas,’ as he often called them.”

Moreover, “authentic liberalism has traditionally harbored a deep

distrust for agents of the state,” whereas Keynes’s “airy reliance on economic experts whose sage advice would be put into effect by self-denying politicians flies in the face of this wholly warranted suspicion and all of the historical and theoretical evidence supporting it.” Keynes went so far as to believe that the state should “even decide the optimal level of population” and, at times, that the state should be active in eugenics-based social engineering. He also spoke highly of the Soviet system and, in the preface to the German edition of his *General Theory*, remarked that the Nazi “totalitarian state” was more compatible with his economic prescriptions, owing to “the theory of output as a whole” than were “the Anglo-Saxon countries.”

Yet many if not most intellectuals remain devoted followers of Keynes — which raises a question: why do intellectuals oppose economic liberty? “The continued flourishing of [anti-market] intellectuals remains an enduring puzzle and problem for classical liberals,” Raico writes. His treatment of that question wonderfully explores the relevance of intellectuals and their ideas in shaping society and the role of historical myth in perpetuating statist thought.

Raico sees the problem as multi-disciplinary: “In literature, economics, philosophy, sociology, and other subjects, the student is continually subjected to data and interpretations that converge on a single point: the viciousness of private enterprise and the virtuousness of state intervention and state-supported labor unionism.”

“Authentic liberalism has traditionally harbored a deep distrust for agents of the state.”

For Hayek the problem is principally one of poor understanding: “Hayek’s view of the intellectuals,” Raico writes, “is flatteringly benign: their ideas are determined by and large by ‘honest convictions and good intentions.’” Raico is unconvinced by Hayek’s attempt to explain this poor understanding. As one example, Hayek “appears to be saying that because the natural sciences have made great advances and because innumerable particular engineering projects have succeeded, it is quite understandable that many intellectuals should conclude that ‘the direction of all forms of human activity according to a single coherent plan’ will be similarly successful.” But Raico challenges the entire premise, pointing out that “the ad-

vances of the natural sciences were not brought about in accordance with any overall central plan; rather, they were the product of many separate decentralized but coordinated researchers.”

Raico finds more value in Mises’s explanation: “Often Mises emphasizes invidious personal motivation — resentment and bitter envy — as the source of this attitude.” He is even more moved by Mises’s other insight — that “the contempt of money-making [is] deeply ingrained in western culture,” leading to “hostility towards capitalists, trade, and speculation.”

Revitalizing a grand tradition

Raico is a great historian but also a player in the history of libertarian ideas. At one time or another, he was associated with the three men regarded by many as the 20th century’s greatest Austrians and libertarian scholars: Mises, Hayek, and Murray Rothbard.

To the extent our tradition of liberalism has faded, Raico serves as an eloquent bearer of bad news. In an essay on Eugen Richter, he gives his eulogy for German liberalism. In America the decline of liberalism has in large part been due to militarism, which Raico addresses in his

discussion of Arthur Ekirch’s book *The Civilian and the Military*.

If liberalism has failed to challenge the modern state, perhaps part of the reason is that it has not been radical enough. Reviewing Mises’s great work *Liberalism*, Raico takes issue with his mentor’s failure to be more hard-line in opposing colonialism and imperialism. If ever there was a great mind to whom every libertarian owes an intellectual debt, it is certainly Mises. Yet even he went astray at times. Raico finds the problem in Mises’s antiseptic conception of the state. For him, the state is simply “the apparatus of compulsion and coercion.” He contemptuously rejects Nietzsche’s dictum that “the state is the coldest of all cold monsters.”

Yet being radical is not enough. We must understand our role in the history of ideas, including what came before us!

Anthony Gregory is research fellow at the Independent Institute and the author of a forthcoming book on habeas corpus. He is a policy advisor to The Future of Freedom Foundation and a columnist at LewRockwell.com. His website is www.AnthonyGregory.com.

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