
FUTURE OF FREEDOM

VOLUME 24 | NUMBER 5

MAY 2013

*The first and last thing required of genius is the
love of truth.*

— *Johann von Goethe*

FUTURE OF FREEDOM

★★★

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.

Future of Freedom is FFF's monthly journal of uncompromising essays on liberty. The price is \$25 for a one-year print subscription; \$15 for the email version. Past issues of *Future of Freedom* and *Freedom Daily* can be accessed on our website: www.fff.org.

Editor: Sheldon Richman

The Foundation's other activities are described on our website. Our (free) FFF Daily email provides hard-hitting commentary on current events and describes the most recent additions to our website. Our op-eds are published in newspapers all over the nation as well as in Latin America. We also give speeches on liberty and libertarianism throughout the United States.

The Foundation neither solicits nor accepts government grants. Our operations are funded primarily by donations from our supporters, which are invited in any amount.

© Copyright 2013. *The Future of Freedom Foundation. All rights reserved. Please send reprint requests to The Foundation.*

★★★

The Future of Freedom Foundation

11350 Random Hills Road

Suite 800

Fairfax, VA 22030

...

www.fff.org

fff@fff.org

Tel: 703-934-6101

Fax: 703-352-8678

<i>National Defense, Foreign Policy, and Gun Control</i>	2
Jacob G. Hornberger	
<i>Venturing into Mali</i>	9
Sheldon Richman	
<i>How Drug-Courier Profiles Begot Terrorist Watch Lists</i>	14
James Bovard	
<i>Who Killed Greece?</i>	20
Anthony J. Papalas	
<i>Food Safety: A Market Solution</i>	26
Paul Schwennesen	
<i>Regulatory Herding, Regulatory Stampedes</i>	30
Richard W. Fulmer	
<i>What Reality Teaches Us</i>	34
Laurence M. Vance	

National Defense, Foreign Policy, and Gun Control

by *Jacob G. Hornberger*



One of the most popular mantras in the post-9/11 era involves praising the troops for “defending our nation” and “protecting our rights and freedoms.” But how many people ever really think about what those mantras really mean? Indeed, how many people ever give serious thought to what would happen to our nation and to our rights and freedoms if the national-security state — i.e., the vast military and intelligence establishment — were dismantled? My hunch is that precisely because people haven’t given the matter careful consideration, their automatic response to such a suggestion would be that dismantling the national-security state would leave America

defenseless and subject to being quickly conquered by the terrorists, the jihadists, the communists, the drug lords, or someone similar.

Nothing could be further from the truth. In fact, the dismantling of the national-security state would bring a safer, more secure, more prosperous, and more harmonious nation and, most important, would protect our rights and freedoms better than anything else.

When Americans praise the troops for defending our nation and protecting our rights and freedoms, what exactly do they have in mind? They’re thinking about the troops who have been occupying Afghanistan for more than a decade, and before that, Iraq, and killing people during that entire time. They’re also thinking about the CIA operatives who are engaged in assassinations in Pakistan, Yemen, and other parts of the world. They’re thinking of the people who have been captured or kidnapped by U.S. military and intelligence personnel and taken to some prison camp or dungeon such as the ones in Cuba, Afghanistan, or Egypt for indefinite confinement without jury trial.

Yet the obvious question arises: How are any of the people killed, maimed, or kidnapped by the U.S.

military or CIA really a threat to our nation or to our rights and freedoms? We could lose our nation and our rights and freedoms only if some foreign power were to invade, conquer, and occupy the United States. As part of that process, it would have to defeat the U.S. government (and the American people) in a gigantic war, one in which the U.S. government surrendered the reins of power to the enemy nation. The enemy nation would then have its troops and intelligence forces sweep across America in an attempt to enslave the American people, coercing them into obeying the mandates and dictates of the occupying troops and subjecting them to the horrors that customarily come with foreign occupation.

To be militarily successful, such an operation would require millions of foreign troops, along with massive supply lines to ensure that the troops were continually furnished with ammunition, food, equipment, and other essentials. The operation would require tens of thousands of transport ships and planes to ferry the troops, equipment, food, ammunition, and other supplies. Crossing the ocean with such a large armada would obviously be an enormous undertaking. Keep in mind that Nazi Germany

was unable to cross the English Channel to invade Great Britain.

So where are the tens of thousands of al-Qaeda ships and planes ferrying millions of combatants across the Atlantic Ocean? Where are their supply lines? Where are they mobilizing for what would constitute one of the biggest military operations in history? How do they intend to deal with the millions of well-armed, well-trained American men and women all across the land and the most powerful military in world history?

**We could lose our nation
only if some foreign power
were to invade, conquer, and
occupy the United States.**

Those al-Qaeda ships, planes, and troops simply aren't there. The reality is that al-Qaeda lacks the manpower and the resources to invade, conquer, and occupy the United States. It's simply not a possibility.

So how do we explain the fact that people have been attacking U.S. troops in Afghanistan for 12 years and, until late 2011, 8 years in Iraq? How do we explain the terrorist attacks on 9/11 and, previously, on the World Trade Center in 1993, on the USS *Cole*, and on the U.S. embassies in East Africa?

None of those attacks had anything to do with a plan to invade and conquer the United States and enslave the American people. After all, notice that not even the 9/11 attacks were followed up with armies of invading jihadists who were hoping to take over the reins of power, including the presidency, the Congress, the judiciary, IRS, DEA, ICE, and the thousands of other federal departments and agencies.

Not even the 9/11 attacks were followed up with armies of invading jihadists.

So why have they been killing Americans ever since the fall of the Soviet Union? The answer is very simple: They want the U.S. national-security state out of their part of their world. Their position is: Go home. Leave us alone. Do not come back.

The U.S. national-security state obviously takes an opposite position: that it has the rightful authority to be over there, enforcing sanctions, embargoing, invading, occupying, assassinating, kidnapping, torturing, effecting regime change, installing brutal dictators, supporting dictatorial regimes with foreign aid, and influencing elections with the intent of getting pro-U.S. officials into power.

That's what the fighting and killing are all about. Not about al-Qaeda's wanting to take over America, but simply about one side's saying, "Butt out of our part of the world" and the other side's saying, "Not a chance."

Invasion?

So what does this have to do with defending our nation and protecting the rights and freedoms of the American people? In the minds of national-security state officials, it has everything to do with such concepts.

But how is that possible, given that al-Qaeda isn't even remotely capable of invading and conquering America and taking away our freedoms?

The answer is the way that U.S. officials — and, indeed, most of the American people — view the concepts of "national defense" and the protection of "our rights and freedoms." In their minds, our "rights and freedoms" as Americans entail the authority of the U.S. government to police the world by intervening in the affairs of other nations with such things as sanctions, embargoes, invasions, occupations, and foreign aid. In their minds, interventionism is part of what makes an American. U.S. officials and their interventionist supporters believe

that it's all part of America's heritage of freedom and "national defense."

So when foreigners resist that "heritage" of freedom, they're considered to be attacking America and trying to take away our "rights and freedom" to police the world. And when U.S. forces put down foreigners' resistance to such "freedom," the troops are convinced that they're defending our nation and the "rights and freedoms" of the American people. And so are most Americans, which is why they praise the troops for defending our rights and freedoms as they wreak death and destruction on those who are resisting the U.S. intervention in their countries and who are saying by their words and actions: Get out. Go home. Leave us alone.

Even the 9/11 attacks were
mounted in retaliation
for the foreign interventionism
that had preceded it.

In fact, even the 9/11 attacks, which were on U.S. soil, were mounted in retaliation for the foreign interventionism that had preceded them. For that matter, so was the 1993 terrorist attack on the World Trade Center and all the other terrorist attacks on the United States. People in the Middle East were

filled with anger and rage over such things as the unconditional foreign aid to the Israeli government, the Persian Gulf intervention, the intentional destruction of Iraq's water and sewage facilities, the sanctions that killed hundreds of thousands of Iraqi children, U.S. Ambassador to the UN Madeleine Albright's declaration that the deaths of half a million Iraqi children from the sanctions were "worth it," and the no-fly zones by which innocent people, including children, were killed. With the terrorist attacks that followed, the attackers were retaliating for those types of things.

Keep in mind that for people in the Middle East, the U.S. government has no authority to do any of those things. For U.S. officials and for most Americans, however, the authority to do such things falls squarely within the ambit of "national security," "national defense" and protecting "our rights and freedoms." Don't forget, after all, that all those interventions were carried out under the supervision of the Department of Defense.

Switzerland

Now let's consider Switzerland, a nation that, as Stephen Halbrook points out in his 1998 book *Target Switzerland: Swiss Armed Neutrality*

in World War II, our Founding Fathers pointed to when they were calling the federal government into existence with the Constitution. Switzerland has no overseas military bases or troops occupying foreign lands. The Swiss government does not support brutal dictatorships or other regimes with foreign aid. It does not impose sanctions and embargoes on other countries. It doesn't obsess over which regimes are running particular countries. It doesn't try to influence political events in other countries. It doesn't engage in regime-change operations in the hopes of getting pro-Swiss foreign regimes into power.

Switzerland is also not the target of terrorist attacks from al-Qaeda or anyone else.

So it's no surprise that Switzerland is also not the target of terrorist attacks from al-Qaeda or anyone else. Unlike the United States, it isn't engaged in a "war on terror." The Swiss government also isn't infringing the civil liberties of the Swiss people in the name of keeping them "safe."

Does that mean that the Swiss government isn't concerned about defending Switzerland or protecting the rights and freedoms of the Swiss people? Does it mean that the Swiss

people are nothing but a bunch of pacifists who refuse to fight for their country and their freedom?

On the contrary, the Swiss people are among the fiercest, best-armed, best-trained fighters in the world. What makes them different is that they are totally devoted to "national defense" in the most genuine and honest meaning of the term.

All military strategy in Switzerland is oriented toward the defense of the country. It has no vast military establishment. Instead, it has a relatively small base of active-duty military personnel that relies on a wide base of citizen-soldiers who are prepared on a moment's notice to report for duty.

The only downside to the Swiss military system is that it relies on conscription to ensure that young men are available to quickly serve as the nation's military defense force in the event of an attack. But they really don't need conscription because the Swiss citizenry, owing to Switzerland's long heritage of freedom and independence, would immediately come to the defense of their country and their homeland in the event of an invasion.

Nearly everyone in Switzerland is armed to the teeth. Citizen-soldiers take their weapons, including automatic assault rifles, home

with them. Soldiers who have been discharged from the military retain their weapons and keep them at home, ready to use. For the Swiss, shooting is a national pastime. Nearly every one of them, including the women, is an expert shot.

The Swiss military system, along with its confederation of cantons, served as a model for America's Founding Fathers.

As Halbrook points out in *Target Switzerland*, there was nothing that Hitler wanted more than to absorb Switzerland into the Third Reich, as he had done with Austria, Czechoslovakia, and Poland, along with neutral countries such as Belgium. But Hitler knew that if he invaded Switzerland, his military losses would be enormous and still there would be no guarantee of success, despite the fact that the number of Nazi forces far exceeded those of Switzerland. The Swiss made it very clear to Hitler that should Germany invade, every Swiss citizen would resist to the death. In fact, many junior officers in the Swiss military got together and decided that if their commanding officer suggested surrender, they would remove him, execute him, and replace him with an officer who would make no such suggestion.

Believing that discretion was the better part of valor, Hitler decided not to invade Switzerland. He knew that his military losses would be enormous and the anticipated gains few, especially given Switzerland's vow to destroy all means of transport across Switzerland.

The Swiss military system, along with its confederation of cantons, served as a model for America's Founding Fathers. That's why, throughout the 1800s, America had no enormous standing army, much less a vast secret national police that was engaged in dark and sinister doings, such as assassinations, torture, and regime-change operations. There were also no armies of "defense" contractors and lobbyists helping to bankrupt the nation with out-of-control federal spending and debt in the name of "national security," "national defense," and "protecting the rights and freedoms of the American people."

John Quincy Adams summarized America's foreign policy when he told Congress that America does not go abroad "in search of monsters to destroy." He pointed out that if America ever did turn in that direction, it would end up destroying the grand and positive spirit of the American people. He said that America's contribution

to the world would be to establish a model society of freedom, one to which people around the world would be free to immigrate.

Finally, we mustn't ever forget that the greatest threat to our rights and freedoms comes from the national-security state itself. It is people's own governments that historically have done bad things to them in the name of "national defense" and protecting "the rights and freedoms of the people." Our Founding Fathers clearly understood the nature and gravity of that threat, as reflected by their severe antipathy toward standing armies and militarism and their ardent commitment to the right of people to keep and bear arms, as a means to protect themselves from a tyrannical government, one that is using its military and police to do bad things to people. Indeed, the very idea of limiting the powers of the federal government with the Constitution reflects how our ancestors viewed the

threat that the federal government posed to the rights and freedoms of the American people.

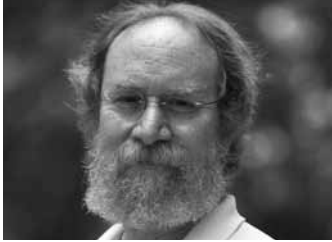
There is no better time than now for the American people to give serious thought to the role that the Cold War national-security state plays in our lives and to the adverse effect that it is having on our lives and on the lives of the people of the world. It is time to restore our heritage of individual freedom, noninterventionism, anti-militarism, and limited-government constitutional republicanism.

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

NEXT MONTH:
"The Texas Public-School
Controversy on 9/11"
by Jacob G. Hornberger

Venturing into Mali

by Sheldon Richman



Murray Rothbard once observed that it was getting harder and harder to use the *reductio ad absurdum* device to ridicule U.S. government policy. Things haven't changed. Thanks to recent events, we may no longer use "Timbuktu," a name associated with a far-off middle-of-nowhere location, in a *reductio* about U.S. interventionist foreign policy. The U.S. government has helped the French government to intervene in the northwest African country of Mali, where Timbuktu is located. Outgoing Defense Secretary Leon Panetta says the U.S. support role in Mali "is the kind of model that you're going to see in the future."

Mali is just the beginning of intensified African intervention. The *Washington Post* reported in January that Africom, the U.S. military's

Africa Command, was "preparing to establish a drone base in north-west Africa [Niger] so that it can increase surveillance missions on the local affiliate of Al Qaeda and other Islamist extremist groups that American and other Western officials say pose a growing menace to the region." But before that word "surveillance" can bring a sigh of relief, the *Post* adds, "For now, officials say they envision flying only unarmed surveillance drones from the base, though they have not ruled out conducting missile strikes at some point if the threat worsens." The Pentagon and the government of Niger quickly approved the base.

Meanwhile Bloomberg, citing American military officials, says Niger and the U.S. government have "reached an agreement allowing American military personnel to be stationed in the West African country and enabling them to take on Islamist militants in neighboring Mali, according to U.S. officials..."

In other words, northwest Africa is the latest region to play "host" to the American empire. For the record, let us note that American officials see Africa as the future source of oil, gas, uranium, and other important resources. Let us also note that China has been busy making business deals for those

resources — and that disturbs the American policy elite. In the eyes of the elite, American exceptionalism means first claim on the world's resources. It also means that no rival — and China is regarded as a major rival — may jockey for a superior position vis-à-vis those resources. The “indispensable nation” must have what it wants. Everyone else can wait for the leftovers.

Not so simple

Mali is an interesting case because it helps clarify the libertarian position on intervention. We must be careful about doing a priori policy analysis. The a priori has its place, specifically in the formulation of economic theory, as Ludwig von Mises taught, but we cannot do history or policy analysis that way. We must be wary of templates that are reflexively and uncritically applied to any empirical situation. It would be easy to do that in the case of Mali. The U.S. government assisted France in its military campaign to drive jihadists out of Mali, wresting control of northern towns such as Timbuktu. France is the former colonial power that ruled Mali until its independence in 1960, and France has maintained its influence (and even control) there ever since. Therefore — it might be assumed

— this is a classic case of imperialism. Hence, the U.S. government has assisted French imperialism — which in fact is a veiled form of American imperialism, given the policy elite's design to put forces in northwest Africa and its designs on African resources.

Mali is an interesting case because it helps clarify the libertarian position on intervention.

If we apply this oversimplified template, we will look ill-informed. Nothing I'm about to say is intended to justify U.S. or French intervention, but we must make sure we have our facts straight if we wish to be taken seriously. First, while the initial resistance against the Malian central government came from the ethnic and nomadic Tuaregs, whose aspirations of autonomy in what they call Azawad have long been denied, that movement was soon co-opted by violent jihadists, who imposed brutal Sharia law on the towns it controlled against the will of the inhabitants. The brutality included everything from looting shops to cutting hands off accused thieves to beating women for baring their heads and faces. The jihadists also destroyed old sacred

shrines. They were moving toward the south, where 90 percent of the population — most, black African moderate Muslims — live, when French and Malian forces drove them into hiding. (The media have reported that as a military victory, but the jihadists have merely scattered and could return anytime.)

The most basic argument against interventionist foreign policy is that it necessitates compelling the American people to pay for it.

By all reporting, most people in both parts of Malia do not want to be ruled by the jihadists, who were imposing a more extreme and violent version of Islam than the Malians would accept. Thus they are reported to have welcomed the French and Malian troops. French flags sold out in southern Mali shops. That is not to say that French intervention wasn't self-serving in both the imperialist sense and the personal political sense with respect to President François Hollande. But it does say that the Malian people preferred the troops to the Islamists who had designs on them and their towns. (The central Malian government is controlled by a U.S.-trained military man who staged a coup a few years ago,

overthrowing a long-standing democratic government.)

So this was not merely a case of a western country's intervening against the will of a Third World government or a population for the purpose of imposing foreign rule. It's a bit more complicated than that. Nevertheless, the action by the U.S. government was unjustified. (I'll concentrate on the U.S. government, but what I say applies to the French government also.)

Reasons for not intervening

The most basic argument against interventionist foreign policy is that it necessitates compelling the American people to pay for it. The government taxes the population to obtain the money with which it diverts scarce resources from serving consumers to serving objectives chosen by politicians. The people have no way to opt out. There should be nothing to stop private individuals from raising voluntary contributions in order to help the Malians defend themselves from violent jihadists. But there are no moral grounds for forcing Americans to undertake that mission.

Another argument against intervention is that, given the nature of the state and what the Public Choice school of political economy teaches, there is no way to confine

government to only a given sort of military intervention. Politicians are human beings who are attracted to power. Thus they are not only self-interested in a benign sense, like other people, they have the largely unaccountable power to coerce others to achieve their objectives. Once they have the power to intervene in foreign lands, they will find ways to use it, including instances that don't strictly meet criteria the public would approve. Legal rules can't interpret or implement themselves. Human beings do those things. And rules intended to restrict government activity will tend to be interpreted by those most interested in expanding power rather than by those who want power severely limited. There's no way around it.

Thus, even if, for the sake of argument, you could come up with a form of intervention that is permissible by libertarian standards, there would be no way to confine government to only those situations. As classical-liberal political economists have long suggested, policies should be chosen as though the worst among us will be carrying them out.

Finally there is the law of unintended consequences, or the principle of blowback. This is a variation of what F. A. Hayek called "the

knowledge problem," a reference to the fact that central planners are necessarily lacking in the particular knowledge of time and place. For that reason, intervention is always undertaken in a state of ignorance, creating new problems that then furnish the pretext for further government action.

As classical-liberal political economists have suggested, policies should be chosen as though the worst among us will be carrying them out.

Thus intervention begets intervention. Case in point: U.S.-led NATO intervention against Libyan dictator (and former U.S. ally) Muammar Qaddafi assisted al-Qaeda-type jihadists and provided the arms that powered the events in northern Mali. That happened in two ways: First, NATO poured weapons into Libya. Second, when Qaddafi was overthrown, his arms trove was unlocked. Malian Tuaregs who fought for Qaddafi and jihadis who fought against him then brought their new weapons to northern Mali. That's how things work. Hubristic U.S. officials may claim they know how to channel arms only to democratic rebels, but that is not to be believed. The U.S. government fought on the

same side as al-Qaeda in Libya, and it does so today in Syria.

So the U.S. government and NATO made possible the violent jihadist effort in northern Mali. After helping France and the Malian central government defeat the jihadists, will the Obama administration next help them suppress the Tuaregs' hopes for autonomy — which could be next on the central government's agenda?

It is a treacherous web that empire weaves. The U.S. military is too blunt an instrument for such complex situations. Even if there were no other argument against intervention, this one would do the trick.

“America will remain the anchor of strong alliances in every corner of the globe,” Barack Obama said in his second inaugural address. “And we will renew those institutions that extend our capacity to manage crisis abroad.”

Attempting to manage crisis abroad may serve the interests of the

ruling policy elite and the military-industrial complex, which pervades the U.S. economy, but it is not in the interest of the American people. On the contrary, it endangers Americans, as the 9/11 attacks well show. American security lies in nonintervention. It is time for America to dump the conceit of exceptionalism and indispensability and become a normal country.

Sheldon Richman is vice president of The Future of Freedom Foundation, editor of Future of Freedom, and author of Tethered Citizens: Time to Repeal the Welfare State and two other books published by FFF. Visit his blog, “Free Association,” at www.sheldonrichman.com.

NEXT MONTH:
“Loving Economics”
by Sheldon Richman

How Drug-Courier Profiles Begot Terrorist Watch Lists

by James Bovard



Friends of freedom have been chagrined over the past decade to learn that federal terrorist watch lists incorporate criteria — such as openly praising the Constitution or the Second Amendment — that put them in the crosshairs. More than a million names are now included on the catch-all terrorist watch list maintained by U.S. government agencies. The feds’ definition of terrorist threats is so broad that the Homeland Security Department warned local law-enforcement agencies to keep an eye on anyone who “*expressed dislike of attitudes and decisions of the U.S. government.*”

That standard makes no sense — unless the feds are seeking to

maximize the number of persons they have a pretext to target. Federal agencies are relying on a technique previously pioneered for the drug war. It is not possible to understand the tactics and perils of terrorist watch lists without considering the sordid history of drug-courier profiles.

Drug-courier profiles are “an informally compiled abstract of characteristics thought typical of persons carrying illicit drugs,” according to a 1980 Supreme Court decision. Those profiles proved to be the “philosopher’s stone,” allowing police to stop and search anyone they please — or anyone who displeases them. Once the police created a drug profile, they claimed “reasonable suspicion” to stop and demand information from a person and often to pressure or force him (or her) to submit to a search.

Federal agents have shown remarkable creativity in devising drug-courier profiles for airplane passengers. Some profiles assert that either the first or the last person off the plane is probably a drug dealer. In case that does not suffice, there are also drug-courier profiles that reveal that people who exit amid a throng of passengers halfway through deplaning are the bad guys. Federal agents have used pro-

files that assert that people who take nonstop flights are couriers — as are people who changed planes along the way. Other suspicious traits include appearing nervous while flying — or appearing unnaturally calm. In the era before pervasive cell phones, “immediately making a telephone call after deplaning” was considered a telltale sign of a drug courier.

The feds have also pioneered catchall profiles for anyone traveling on the nation’s roads.

On April 7, 1995, an airline ticket agent at Chicago’s O’Hare Airport called DEA agent William Grant to alert him that Manuel Sanchez had just paid cash for a round-trip ticket to Houston. Grant and another DEA agent proceeded to the gate and asked Sanchez to leave the plane for questioning. Grant asked Sanchez whether he was carrying any money, and Sanchez replied that he had about \$9,000 in cash. Grant asked how he had earned it. Sanchez said that he had worked at a jewelry store. Grant asked the name of the store, and Sanchez hesitated, then said he could not remember. Grant informed Sanchez he was confiscating the money because he believed

it was related to narcotics trafficking. The money was put before a drug dog, which dutifully reacted.

Federal Judge James Moran struck down the forfeiture in a 1996 ruling that “the government must come forward with more than a ‘drug-courier profile’ and a positive dog sniff in order to link the defendant’s funds to illicit drug transactions.” The judge declared that “it is not reasonable for this court to infer from the mere fact that claimant was in possession of an envelope with a considerable sum of money that he was involved in activities proscribed by the Drug Act.” The judge was offended that the government apparently did nothing to justify its accusations against Sanchez, observing that “there must be some independent objective factual basis for determining the validity of the government’s assertions beyond their mere recitation by a drug agent clothed with official authority.”

Profitable profiles

The feds have also pioneered catchall profiles for anyone traveling on the nation’s roads, which have been eagerly adapted by state and local law-enforcement agencies. One Florida trial judge observed of the Florida police’s courier profile, “When you boil the

profile down to its essentials, it covers just about every rental automobile or private automobile with out-of-state license plates traveling north on the turnpike or I-95.”

Police profited by combining drug-courier profiles with asset-forfeiture laws. The Volusia County, Florida, sheriff’s department set up a “forfeiture trap” run by a Selective Enforcement Team to stop motorists traveling Interstate 95 and seized an average of more than \$5,000 a day from motorists between 1989 and 1992 — more than \$8 million total. In three-quarters of the seizures, no criminal charges were filed. A Pulitzer-prize-winning investigation by the *Orlando Sentinel* revealed that 90 percent of those seizure victims were black or Hispanic. When confronted with that statistic, the county sheriff, Bob Vogel, said, “What this data tells me is that the majority of money being transported for drug activity involves blacks and Hispanics.” People whose cash was seized by the deputies received scant due process of law; as the *Sentinel* noted, one deputy told two blacks from whom he had just confiscated \$19,000, “You have the right to follow us back to the station and get a receipt.” Even citizens who provided proof that their money was honest-

ly acquired (including a lottery winner’s proof of his lottery receipts) were treated like drug dealers. Volusia County officials routinely offered “settlements” to drivers whose cash they seized, promising to return a percentage of the seized cash if the drivers would sign a form promising not to sue.

The ACLU and the NAACP sued Volusia County for racial bias in its drug-courier profiles.

The ACLU and the NAACP sued Volusia County for racial bias in its drug-courier profiles. In court proceedings two members of the team swore that Sheriff Vogel specifically instructed them to stop black and Hispanic drivers to search for drugs and cash. The officers also said that they had seen copies of a courier profile that included as one of the target characteristics, “Ethnic groups associated with the drug trade.” One deputy also stated that a caricature of a drug courier was posted on a department bulletin board that showed a black man wearing a large gold medallion and cowboy boots.

Abusive searches sparked a backlash that resulted in Congress’s pretending to seriously consider reining in forfeiture abuses. Rep. Ed

Bryant (R-Tenn.) debunked other congressmen's comments about the number of people whose money was seized though they had no drugs on them: "The way the system works in this is when there are couriers ... they either have the money or they have the drugs, but they do not have them both.... So we either find drugs on the person or money on the person, depending which way they are going." Thus the fact that someone is caught with lots of money but no drugs proves he is a drug courier. And Bryant happily ignored the vast number of cases where police stopped and searched people and found neither drugs nor stacks of cash.

The formerly sacred right

During the 1950s citizens who invoked their constitutional rights and refused to testify about their politics were sometimes known as Fifth Amendment communists, whether or not they were communists. The modern equivalent is Fourth Amendment drug couriers. When a policeman asks a citizen to voluntarily submit to a search, the policeman is essentially asking the citizen to waive his constitutional right to privacy. Even if a citizen refuses to agree to be searched, police routinely forcibly search the person

and then lie afterwards, denying that the citizen refused permission. Police also sometimes argue in court that a citizen's unwillingness to permit himself to be searched is itself sufficient evidence to suspect the citizen of breaking the law. Though such arguments should be beyond contempt, many judges — eager to give the police as much discretionary power as possible — accept them with a straight face.

The Fourth Amendment was a symbol of the Founding Fathers' hatred of British customs officials.

Initially, such profiles were difficult to reconcile with Americans' constitutional rights. The Fourth Amendment purports to guarantee that government agents cannot forcibly search citizens without probable cause and reasonable suspicion that they have broken the law. The Fourth Amendment was a symbol of the Founding Fathers' hatred of British customs officials, who claimed the right to break into any private home or warehouse and search it for evidence of smuggled goods.

The Supreme Court decreed in 1891, "No right is held more sacred, or is more carefully guarded, by the common law, than the right

of every individual to the possession and control of his own person, free from all restraint or interference of others, unless by clear and unquestionable authority of law.” Supreme Court Justice Robert Jackson wrote in 1949 that “uncontrolled search and seizure is one of the first and more effective weapons in the arsenal of every arbitrary government.” In 1967 the Supreme Court declared, “Wherever a man may be, he is entitled to know that he will remain free from unreasonable searches and seizures.” But as the Drug War expanded, courts turned a blind eye to one procedure after another that would have been struck down in earlier times that were friendlier to individual rights.

Because the courts gave the feds so much leeway to fight drugs, it is not surprising that judges have thus far tolerated one anti-terrorist absurdity after another. But as the anti-freedom precedents pile up, time is running out on putting a leash on Leviathan.

James Bovard serves as policy adviser to The Future of Freedom Foundation and is the author of a new ebook memoir, Public Policy Hooligan, and nine other books.

NEXT MONTH:
“Destroying Freedom in the Name of Equal Opportunity”
by James Bovard

A second device, now so legitimized that any country lacking it is considered hopelessly “backward,” is the central bank. The central bank, while often nominally owned by private individuals or banks, is run directly by the national government. Its purpose, not always stated explicitly, is to remove the competitive check on bank credit provided by a multiplicity of independent banks. Its aim is to make sure that all the banks in the country are coordinated and will therefore expand or contract together — at the will of the government.

— Murray Rothbard

Who Killed Greece?

by *Anthony J. Papalas*



The Greek tragedy began in 1981 when PASOK, the Pan-Hellenic Socialist Party, won the national elections. Andreas Papandreou, who had been a member of the Greek Communist Party and had received his Ph.D. in economics at Harvard in 1942, founded and led PASOK. He had published significant scholarly works with a Keynesian slant and served as chairman of the department of economics at Berkeley. He had returned to Greece in 1974 and campaigned on redistributing wealth, raising wages for the working classes, and increasing productivity, while attacking America (he is alleged to have kept his American passport), NATO, and the European Economic Community, or EEC, predecessor of the European Union established in 1993, which

was in its initial stages. He became prime minister in 1981.

Despite the demagogic rhetoric Greece not only remained in NATO but joined the European Community. It proved to be a disastrous marriage. Papandreou, whose statist policies were attractive to the European Community, immediately negotiated a \$1.75 billion loan followed by various subsidies. He held power until 1989 and again for some months in 1993, when he resigned and died. Most of the socialistic measures he implemented remained in effect until recently.

Papandreou began with a huge government spending spree. His program was not carved out of the hides of wealthy Greeks, who were to benefit from an income-tax system that did not efficiently collect taxes, but was rather financed by loans and subsidies from the European Community, which, along with the money, sent coded messages that the Greeks were Europeans first and then Greeks. One of his chief aims was to immediately raise the working class to a middle-class status. He appointed workers as ministers, passed legislation in favor of unions, and enacted right-to-strike legislation. The results were ruinous. Workers' pay increased dramatically but productivity

eventually dropped to 25 percent below the EEC level. What had once been an effective workforce became one of the most expensive and inefficient in Europe. Even with the improved conditions, workers were more hostile to management than ever, complained about capitalistic exploitation, and were prone to call strikes at critical moments for frivolous reasons, especially against foreign companies that were alleged to be “sucking blood out of workers with a straw.” Not only did foreign investment dry up but many foreign companies pulled up stakes and left Greece. To lure investors back was challenging because Greece had the lowest rating in the EEC for doing business. Paradoxically, loans and subsidies to modernize industry kept rolling in as Greece almost ceased to produce anything. On the other hand the construction industry was booming, but Greeks, now unwilling to do hard manual labor, avoided those jobs and turned them over to immigrants.

Goodies for everyone

When Greece entered the European Community, later the European Union (hereafter EU), there was an expectation that Greek industry would decline, but no one

expected it to hit bottom. To balance the Greek consumption of EU-manufactured products there was a blueprint to ship certain agriculture products to the northern industrial EU nations. The EU provided loans and subsidies to Greek farmers to modernize their operations, but there was no mechanism to evaluate how the money was used. Farmers, who were also receiving various aid packages from the Greek government, tended to purchase things such as home appliances and cars and allowed their farms to decline. The drop in agricultural output made the Greeks greatly dependent on foreign imports for foodstuffs.

When Greece entered the EU there was an expectation that Greek industry would decline, but no one expected it to hit bottom.

The best jobs in Greece were in the public sector, which escalated under PASOK and continued to grow under subsequent conservative governments. Eventually, 700,000 people, if we include the civil servants' families, depended on the public sector. By 2009 government spending absorbed 54 percent of GDP. Until recently some low-level state employees were making

€70,000 annually. Men retired from the public sector with full pensions after 28 years of service, while married women qualified for pensions after 15 years. There was budding class envy between people who worked hard in the tourist industry and those who enjoyed sinecures from the state. To satisfy the demand for public-sector jobs Papan-dreou expropriated successful businesses and inundated both them and the older national enterprises dealing with utilities, communications, and transportation with his political supporters. Where it previously took one person to do a job, now there were two to three doing it. A study of the national railroads concluded that it would be cheaper for the government to simply pay taxis to take passengers to their destinations than to maintain the railroad system. Among the great boondoggles are the national-defense companies, which are all billions of euros in debt.

Papandreou also established a national health service. The system no doubt improved health care for the majority until corruption and inefficiency became prevalent at the end of the 1990s. The government overpaid for the health system. PASOK demagogically boasted that it

would not expose the people to the dangers of generic drugs, many of which were alleged to have been manufactured in dusty factories in third-world countries, and so provided the more expensive brand-named drugs. Papandreou built hospitals in rural areas that were undeused. Although Greece spent more on medical supplies than any other EU country, there was a widespread shortage of medical material in hospitals because of theft. Comparable waste existed in education. PASOK built modern schools in remote areas that now are closing for lack of students. Greece earned the lowest education rating in Europe, although the country has a ratio of four teachers more per student than number-one Finland.

**Papandreou maintained
that the more pensions there
were, the more money there
would be circulating.**

Papandreou maintained that the more pensions there were, the more money there would be circulating and the more votes there would be for PASOK. Guerrillas forced into exile after the civil war of 1946–1949 were welcomed back to Greece and received full pensions. Nearly anyone who claimed

that he was in the resistance during World War II received a pension. It was discovered that at least 50 people drawing such pensions were infants during the war. PASOK was also liberal with disability pay. On the island of Zacynthos it was recently discovered that, though the practice began with PASOK, 1.8 percent of the population were drawing a disability for blindness, among them a taxi driver.

By 2001 Greece faced a crisis. Its currency, the drachma, was highly inflated.

During the period 1981–1989 PASOK members became rich. There were many perks for its supporters: scholarships to study abroad for students who failed to qualify for Greek universities; weekend vacations to the Greek islands; and for citizens living abroad, free tickets to return to Greece to vote. Those programs were partially financed by embezzlement of state funds. In the late 1980s it was discovered that \$200 million, a relatively modest sum compared with later misappropriations, was missing from government funds deposited in the Bank of Crete. The money went into party coffers and personal bank accounts. No politician was found guilty, and

during the past 40 years riddled with corruption, only one politician has gone to jail. All members of parliament were comfortable with huge salaries and many perks. The conservatives were waiting for the chance to take over the government and get on the gravy train.

As a result of corruption, inflation, and the drop in productivity, New Democracy, the conservative party, won the elections in 1991. The conservatives were split on policy. The idealists argued that they should stop the sleazy practices of PASOK and reduce the bloated public sector. But the pragmatists won out. They argued that it would be impossible to change the entitlement mentality of the Greek people and that they would lose the next election if they attempted to dismantle the Papandreou state. Thus the conservative party, which would be in and out of government during the next 15 years, participated in increasing the public sector and in pilfering public funds.

Bailing out the drachma

By 2001 Greece faced a crisis. Its currency, the drachma, was highly inflated, and it became challenging not only to borrow money but also to purchase foreign goods. Papandreou had died in 1993, but PASOK

was back in power under Kostas Simitis, who immediately applied for entry to the eurozone. The application, which succeeded, concealed the level of Greek debt. With entry to the eurozone Greece was able to secure loans to keep the country afloat, further line the pockets of politicians, and complete preparations, which were embarrassingly behind schedule, for the 2004 Olympics. The government was obliged to rely on a new infusion of immigrant workers, many of whom entered the country illegally, and to pay them skilled workers' exorbitant overtime wages. The EU did not have a mechanism to monitor how the Greeks spent the loans and subsidies.

Karamanlis continued the practice established by PASOK of keeping double books to cover the disastrous economic situation.

New Democracy under Konstantinos Karamanlis headed a government between 2004 and 2009. Karamanlis continued the practice established by PASOK of keeping double books to cover the disastrous economic situation compounded by the expenses related to the 2004 Olympics and the beginning of the world recession in 2007.

The Karamanlis government was mainly noted for its inability to cope with the economy and corruption. George Papandreou, the son of Andreas, won the election of 2009 and claimed he was shocked to discover that the previous government was cooking the books. He announced that the country could not pay its debts and needed an EU handout to survive. The socialist state began to collapse. On one occasion the people cornered a leading PASOK politician and demanded to know where all the money had gone. He replied, "We took part of it and you took part of it." George, paying for the sins of his father, was forced to resign in November 2011. Andreas Papandreou has fallen in the esteem of the Greek people from being considered the best prime minister in the history of modern Greece to the worst. In the June 2012 election, PASOK received barely 12 percent of the vote. It is on its way to extinction. There is now a coalition government running Greece under the supervision of the EU. In the next election it is highly probable that the two main parties will be SYRIZA, led by a former communist, and Golden Dawn, a fascist party.

In the final analysis the bulk of the money that flowed into Greece

during this period went to the public sector for salaries and pensions, and to politicians. There are rumors of huge accounts in Swiss banks in the names of former government officials. The effects of the mismanagement and corruption can be seen today on the streets of Athens: Many businesses are boarded up, buildings are unoccupied, and people are complaining about their inability to pay for rent, food, and medicine. The crisis has driven about 2,000 people to suicide. A demoralized police force cannot deal with crime and riots. Unemployment is 20 percent — 50 percent among young people. Getting a university degree leads nowhere.

Although the focus of this discussion has been on PASOK and the failure of its socialistic policies, important partners in the catastrophe are, as indicated above, the EU and the euro. Milton Friedman predicted that the euro would fail because a common currency requires a single government and a common culture, and that is proving to be the case. The European parliament is not, however, disposed to throw in the towel. Since there is no federal government to underwrite the bailout, there is talk, especially in Greece, that members of the euro-

zone should learn the meaning of “European,” a coded message to the thrifty Germans that they should give more money to the Greeks and allow the euro to be devalued.

Why should the Germans sacrifice a good portion of their savings to help rescue the prodigal Greeks? The Greeks would not do that for any European partner. Indeed, the majority of the Germans would like Greece out of the eurozone, while many Greeks blame the Germans for their plight. The members of the EU parliament, disconnected from their constituents and supporting socialism, attempted to social-engineer prosperity and a sense of unity within Europe. Instead they contributed to economic disaster, the emergence of a hard-edged nationalism, and the dramatic growth of a dangerous right-wing party. It is ironic that at the moment of its greatest failure, the EU received the Nobel Peace Prize. The inevitable solution is to let Greece return to the drachma and to allow the free market to restore prosperity and stability.

Anthony J. Papalas is an emeritus professor at East Carolina University. Send him email: Papalasa@ecu.edu.

Food Safety: A Market Solution

.....
by *Paul Schwennesen*



The FDA is trumpeting, with unseemly giddiness, sweeping implementation of new rules within the now thoroughly moldered food-safety bill, passed two long years ago. Like any dish served past its prime, this one smells a bit off.

As a producer in the ascendant food renaissance (defined by a sudden respect for all things small and local) I've noticed a curious double incongruity: First, the clamoring for "safe," centrally managed food rules leads unerringly to the sort of consolidated, industrially processed foods many of the clamorers so despise in the first place. Second, enacting more-stringent safety regulations actually reduces the incentive for truly excellent food-safety standards.

First things first. Food safety in the United States is regulated by no fewer than 15 federal agencies and thousands of separate governing procedures. More rules, in accordance with the principle of regulatory capture, often lead to fewer players and larger, more-centralized food conglomerates. That is the nature of things. By way of corroboration, the food industry has "cautiously applauded" the latest rules proposals, a sure sign that big business sees government bureaucracy as a helpful barrier to competitive entry. Philip Armour, the great Gilded Age meatpacking industrialist, was always quick to pronounce support for additional government safety regulations: they always improved his bottom line.

Today, the Grocery Manufacturers Association (GMA) is chiming in, telling us, "Consumers expect industry and government to work together to provide Americans and consumers around the world with the safest possible products." Mr. Armour couldn't have said it better himself. As a card-carrying consumer myself, I vehemently demur. I expect industry alone to provide safe food; government should police industry when it lies, steals, or cheats. We don't want the two "working together,"

unless, that is, we greatly desire further consolidation in the food industry.

In 1970, for instance, the top five beef companies controlled about a quarter of overall market share; today the top four command more than 80 percent. Regulatory accretion over this period has, not coincidentally, also increased. The reasons for that are complex, but Patrick Boyle, of the American Meat Institute makes a revealing comment:

If you ask the CEOs of the four largest beef companies, one concern that they have is the upstart companies that are coming into the business, the small regional new entries that are coming into the beef industry, who one day may have the agility, the acumen, and the competitive instincts to achieve the market share levels that the larger companies have today.

Advertising the intense regulatory environment of an industry is a time-honored deterrent to would-be upstarts. As increasing administrative restrictions enter the arena, a number of small-scale food producers proportionally bow out.

But isn't food safety such a pressing concern, a threat to public health so grave that we can't be bothered with this kind of corporate fratricide? Perhaps. Statistics that "thousands die every year" do not help us grapple with the magnitude of the alleged threat. They do, however, contribute to the passage of legislation such as the duly enacted Food Safety Modernization Act. And that is where we have to be careful.

I expect industry alone to provide safe food; government should police industry when it lies, steals, or cheats.

Let's try some perspective: According to the Centers for Disease Control, the estimated number of deaths caused by food-borne illness numbers around 3,000 a year. Before we send in the Marines, let's consider that the same data show us that more people die by intentionally strangling themselves each year. Or that more than eight times that number die each year by accidentally falling off things. Moreover, 70 percent of those food-borne illnesses (and presumably deaths) result from poor food-handling procedures during preparation at home or in restaurants, not

from poor food-production practices. The number of people we're attempting to save with this kind of legislation, ironically enough, is significantly lower than the number of people who die each year from malnutrition (known affectionately in our business as "starving"). If we were really interested in saving lives, logic might dictate, we would make sure that this supposedly dangerous food was going to people who needed to eat it!

Keeping food safe

So is there a paradox here? If we agree that even one death from food-borne illness is too many (and it is), then how can we squeeze out that lingering menace without artificially exacerbating the very problem we are trying to solve?

**Contrary to popular myth,
markets are very good at giving
us what we want.**

I wax heretical here but let me offer a countersolution: Allow small food companies (which I assume we'd like to see more of) to select whether they want to be regulated under the new rules (estimated to cost as much as \$30,000 a year) or to opt for adding an "Unregulated" notice to their label. Yes, allow them

to swim in a laissez-faire pond, relying only on well-informed customer feedback. Companies would have access to, but not be bureaucratically held to, the latest techniques for proper food handling and customers would quickly determine who does things well and who does not (and not, by the way, by getting sick; consumers are smarter than that). In effect, we would tap the latent power of markets to manage food safety instead of the blunt instrument wielded by administrators. Contrary to popular myth, markets are very good at giving us what we want, even if those things are intangibles such as clean air or safe food. I predict that food safety in the unregulated sector would quickly surpass the regulated sector as innovation and competition are unleashed.

Imagine for a moment what the food world would look like if we made food safety a competitive advantage. Imagine, if you will, a Volvo of the food world vying for an "ultra-safe" reputation. A small company could demonstrate (through third-party quality assurance, a sophisticated testing regime, or something completely unthought of yet) that its product was measurably safer than its competition's. Corporate self-interest would be instantly harnessed

toward the greater public good. Imagine a continual striving for the next-higher grade on a “Good Housekeeping Seal of Approval” or an “AAA” rating from Quality Assurance International. Instead of aiming simply for the “Inspected — Passed” stamp of the current regime, companies would be competing to be the best they could possibly be.

Regulations are good for imposing minimums, but not at creating excellence. Since our food-safety “problem” is clearly in the vanishing margins, excellence is called for. That can really be attained only when incentives are structured to push our producers (and consumers) to go the extra mile to make food as safe as it can possibly be.

The FDA’s proposed rules, while appearing to be timely and necessary, are in fact counterproductive. The *New York Times*, meanwhile, reports that they “can serve as a role model [sic] for what can be achieved when the private and public sectors work together to achieve a common goal.”

Indeed, and I don’t expect to be impressed.

Paul Schwennesen is a southern Arizona rancher who raises, processes, and directly markets all-natural, grass-fed beef. He can be reached at AgrarianLiberty.com.

Regulatory Herding, Regulatory Stampedes

by *Richard W. Fulmer*



Perfect storms occur when many factors align. Sandy was one of the most damaging hurricanes in the history of the United States, but it took the confluence of a number of elements to make it so. Under normal conditions the storm would have moved northeast, away from the U.S. coast. Instead, a high-pressure cold front forced Sandy to turn northwest, where it collided with a cold front that slowed the storm as it passed over one of the nation's most heavily populated areas. Sandy came ashore at high tide, significantly increasing the storm surge. Coincidentally, the moon was full, adding perhaps another foot to the surge.

In the United States, businesses continually come and go without

causing a ripple, and even large companies have failed with no significant impact on the market. Only a large number of failures occurring simultaneously would be enough to rock an economy as big as that of the United States. But such a convergence would be highly unlikely in any big free-market economy. With countless entrepreneurs trying countless strategies at different times and locations, there is little chance of alignment.

No, a convergence of failures takes coordination, which government regulators are only too happy to provide. Regulators claim to “bring order to the chaotic marketplace,” but order is a double-edged sword. For example, requiring that companies follow the Generally Accepted Accounting Principles (developed by a number of private professional accounting organizations) establishes a lingua franca that facilitates business. On the other hand, making whole industries march together in lock step magnifies the impact of a step gone awry. One-size-fits-all rules cause companies and investors to move in herds, making booms and their subsequent busts far more likely and far bigger and more damaging when they occur. Ironically, the federal government's efforts to reduce

risk and to eliminate one-time events such as the Enron collapse are partly to blame.

Assuming financial risk for banks and other lending institutions, government artificially drives interest rates down.

Three key government interventions can lead to a perfect storm:

1. Implicit and explicit guarantees of private companies
2. Regulations
3. Centralized control of the money supply

By assuming financial risk for banks and other lending institutions, government artificially drives interest rates down. When government assumes the risk, loan originators have less incentive to discourage potentially dicey business ventures with high-risk premiums or stringent requirements. When Fannie Mae and Freddie Mac (the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation) purchase loans, originators have less incentive to lend prudently.

Moral hazards are a natural consequence of government financial guarantees. With their losses

covered, financial institutions are free to make riskier investments in the hope of higher profits. Government in turn responds by increasing regulations — the second key intervention — in an attempt to offset the moral hazard its guarantees created. But regulations increase the cost of doing business and are generally easier for large companies to bear than for their smaller competitors. That leads to business consolidation, increasing the impact on the nation's economy should any one company fail.

Creating uniformity

Regulations can lead to uniformity within whole industries. For instance, the definition of what constitutes high- and low-risk investments for banks may be determined by government fiat. Further, the amount of reserves that banks are required to hold is determined by the degree of bureaucratically perceived investment risk. Loans to governmental entities, for example, are considered to have zero risk and by the international Basel accords, banks are not required to hold any money in reserve in case such loans go bad. As a result, banks are encouraged to make more government loans at interest rates that may not reflect actual risk, and govern-

ments are in turn encouraged to go ever deeper into debt.

Regulations also dictate responses to losses. For example, the securities that banks hold must meet or exceed minimum risk ratings determined, in this country, by credit-rating agencies, members of a cartel created by the Securities and Exchange Commission. Should the ratings of a bank's securities fall, the bank may have to sell them in order to rebuild its reserves. But if many banks have to sell the same types of securities at the same time, prices will spiral downward, requiring still more to be sold into a declining market.

Before they were repealed, mark-to-market rules made the problem worse. The rules required banks and other institutions to value financial assets on their books at current market rates rather than at their purchase prices. Mark-to-market valuation tended to amplify the effects of both booms and busts. As asset prices soar during a boom, the value of bank holdings of such assets soars along with them. With greater nominal reserves, banks can lend more money, some of which may be invested in those same appreciating assets, further boosting their value. When the bubble bursts and values drop, banks must

call in loans in order to bolster their falling reserves, tightening the money supply.

The third key intervention is control of a nation's money supply by a central bank. Rather than simply printing more money, central banks typically increase liquidity by driving interest rates down. In this country the Federal Reserve does that in a number of ways, including adjusting the discount rate, adjusting the banking reserve rate, and buying or selling securities from or to banks and licensed dealers.

The third key intervention is control of a nation's money supply by a central bank.

As interest rates drop, return on bank deposits falls, so people tend to save less and consume more. At the same time, despite less savings, credit expands and interest-sensitive industries such as home building and car manufacturing expand along with it. That creates a conflict as consumers vie with industry for scarce resources; one cannot both sow and eat the same bag of corn. Eventually, competition drives prices up and long-term projects that had previously appeared profitable are revealed to be bad investments.

The crash

The 2008 housing crash was not a black swan — a rare, random, and unpredictable event. Rather it was a predictable — and predicted — regulatory stampede caused largely by government interference in the marketplace. In response to the dot-com bust and again after 9/11, the Fed lowered interest rates by easing credit (or, in other words, by expanding debt). The new liquidity was herded into residential housing by tax breaks for mortgage debt and by regulations encouraging banks and mortgage companies to ease lending standards in an effort to make housing more affordable for the poor.

At the same time, Congress demanded that Freddie Mac and Fannie Mae purchase hundreds of billion dollars in subprime loans from lending institutions. That freed money up, enabling more loans to be made than would have otherwise been possible. The result was a housing boom. As home prices soared, investors snapped up triple-A mortgage-backed derivatives. Speculation became routine, as houses were bought simply to be resold, or “flipped,” as soon as prices rose again. Some houses were built strictly as investments — never to be occupied, as they were sold and sold again.

It all came crashing down when the Fed tightened credit, causing interest rates to rise and housing prices to collapse. Thousands of home buyers defaulted on their mortgages. Stock and derivative prices plunged as investors stampeded for the exits.

Had financial institutions been required to assess and manage asset risks themselves, it is unlikely that they all would have made the same mistakes at the same time. However, government acted as a guarantor of last resort, reducing incentives for investors to make prudent decisions. Government tried to limit its risks through regulation. But problems arose when one-size-fits-all rules created an environment in which failure was coordinated, simultaneous, and catastrophic. Investors were regulated into a herd and were stampeded over a fiscal cliff.

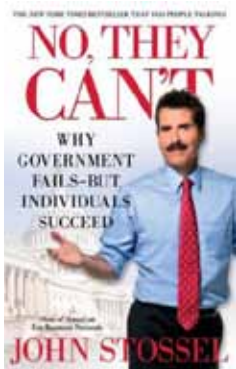
It would be far better for the government to eliminate the current system of private profits and socialized losses and allow a true profit-and-loss free-market system to exist.

Richard W. Fulmer is a free-lance writer in Humble, Texas.

What Reality Teaches Us

by Laurence M. Vance

No, They Can't: Why Government Fails — But Individuals Succeed by John Stossel (New York: Threshold Editions, 2012), 324 pages.



John Stossel is the well-known host of *Stossel* on Fox Business. A graduate of Princeton, he has won an incredible 19 Emmy awards, is a five-time honoree for excellence in consumer reporting, and is a *New York Times* bestselling author. He was formerly the cohost of ABC's *20/20* until he “jumped” to Fox before his “liberal” producers at ABC had a chance to fire him.

Yet, as Stossel writes in his latest book, *No, They Can't: Why Government Fails — But Individuals Succeed*, “many at Fox disagree” with some of his ideas as well. He even acknowledges that some of his beliefs “are abhorrent to many Fox viewers.” That is because Stossel is neither a modern liberal nor a conservative; he is a libertarian. As a libertarian, he views the proper scope of government as “small and limited,” values “individual liberty,” and favors “the free market over government coercion.” However, he wasn't always so politically inclined, as he explains in his introduction: “Only twenty years into my career, after I discovered *Reason* magazine, did libertarian ideas begin to inform my reporting.” The fact that Stossel has been on “the other side” is one of the strengths of the book.

“I'm a skeptic. I'm suspicious of superstitions,” begins Stossel in the introduction. And what does he consider to be the “worst superstition — the most socially destructive of all?” It is “the intuitively appealing belief that when there is a problem, government action is the best way to solve it.” But even though “what government usually does is make the problem worse and leave us deeper in debt,” most Americans

still think the government should do something, control something, regulate something, ban something, license something, or fix something. And that is why most Americans need the message of this book. It doesn't matter which party is in charge of the government, since "both parties share the fatal conceit of believing that their grandiose plan will solve America's problems" when "neither plan will."

No, They Can't contains an introduction, 13 chapters, and a conclusion which consistently and persuasively make the case that, as the book's subtitle reads, government fails but individuals succeed. The highlight of the book is the 118 contrasting statements, appearing four times in the introduction and from five to thirteen times in each chapter, that first state "What intuition tempts us to believe" followed by "What reality taught me." Here are a few examples:

"Disabled people need government protection." "Such protection hurts the disabled."

"Government must do more for the elderly." "It is time for government to do less for the elderly."

"Licensing protects consumers." "Licensing ends up protecting politically connected businesses from fair competition."

The couplets also serve as a quick summary of each chapter. They can be read not only before or after the chapter in which they appear, but after the specific details in each chapter are forgotten. The book is further enhanced by just the right number of graphs, charts, and gray text boxes with supplemental information in list form.

One way to judge Stossel's commitment to libertarianism, that is, a free society, is to look at the people he favorably quotes.

One way to judge Stossel's commitment to libertarianism, that is, a free society, is to look at the people he favorably quotes or refers to: F.A. Hayek, Milton Friedman, Thomas Sowell, Charles Murray, Thomas DiLorenzo, Robert Higgs, Frédéric Bastiat, Amity Shlaes, Tom Palmer, Don Boudreaux, Alex Tabarrok, Ron Paul, Rand Paul, Jeffrey Miron, Ludwig von Mises, Randolph Bourne, and H.L. Mencken.

Oh, Stossel does mention George W. Bush, Barack Obama, Franklin D. Roosevelt, John McCain, Ralph Nader, Michael Moore, Bill O'Reilly, Paul Krugman, John Maynard Keynes, and Newt Gingrich, but not in a good way.

Government intervention

The topics covered in *No, They Can't* are the economy, the free market, regulation and licensing, the workplace, health care, food nannies and scaremongers, safety and risk, freedom of speech and expression, education, the drug war, war and the military, the environment, and the federal budget.

Stossel faults the government for screwing up the economy in the first place.

Instead of looking to government to fix the economy, Stossel faults the government for screwing up the economy in the first place. The housing bubble was created by subsidies and regulations. Franklin Roosevelt's programs probably lengthened the Great Depression. Businesses that make bad decisions should fail. The more government intervenes in an economy, the worse people live. If government wants job creation, it would simplify regulations and cut taxes across the board.

Unlike conservatives who talk about believing in a free market that doesn't exist, Stossel recognizes that "America doesn't have a genuinely free market" but should. He sees everyone as losing "when

government prevents trades or forces us to make exchanges we would not make voluntarily." But what about income inequality? Doesn't that mean that laissez faire is unfair? Stossel remarks that "while a free market doesn't produce equal outcomes, it produces better outcomes." He views "mutual voluntary exchange for mutual benefit" as making the community richer. But doesn't the free-rider problem necessitate government intervention into the market? Stossel believes that "free people work things out on their own" and "generate fairer rules when the state leaves us alone."

Stossel doesn't disappoint in his chapter on regulation and licensing. He sees "market discipline" as the best way to provide protection from reckless businessmen. It is food producers' concern about their brand's reputation that keeps E. coli to a minimum, not government regulations.

Licensing is "anticompetitive" and "always an expensive restraint of trade." He views "competition and reputation" as "better protection against shoddy work than government licenses." Stossel doesn't just say these things; he gives example after example to back up what he says. He also makes the

point that “established businesses have always tried to use government to handcuff competition.”

Stossel makes the case for free labor markets based on the rights of contract and free association. That does not mean he is opposed to unions or collective bargaining. But he is opposed to labor laws that “grant unions an effective monopoly on certain jobs” and “force workers” to join unions. Although he acknowledges that “unions once helped advance working conditions,” he says that now “union work rules hurt workers because they stifle growth by making companies less flexible.” Stossel explodes numerous myths about unions. He even boldly says that “factories are safer because of the prosperity created by markets, not because of unions.” In his chapter on the workplace, he also explains how the Americans with Disabilities Act, protectionism, and minimum-wage laws hurt workers.

Not only is Stossel not a fan of Obamacare, he is also opposed in principle to government-run health care of any kind. He turns conventional wisdom on its head when he says that “one of America’s biggest health-care problems is not that 48 million people lack insurance — it’s that 250 million Americans

have too much of it.” But how can that be? Because “by insuring so much of our health care, we ensure that we are blind to its cost.” Stossel asks (and answers) simple but profound questions such as, Why do employers provide your health insurance but not your food and clothing? And not only does he assail Medicare as an unsustainable Ponzi scheme, he says “it is high time the American government did less for the elderly.”

Stossel makes the case for free labor markets based on the rights of contract and free association.

In his chapter on food nannies and scaremongers, Stossel defends food freedom. Even though he personally thinks that “food faddists who buy raw food and unpasteurized milk are silly,” he believes everyone “should have the right to make foolish choices.” Governments have no business banning trans fat, regulating salt content, imposing special taxes on junk foods, preventing fast-food restaurants from opening, forcing people to make “healthy” choices, or waging war on obesity.

It goes without saying that Stossel believes that adults should make their own choices about safety and

risk. There should be no subsidized flood insurance, laws against gambling, gun control, zero-tolerance policies, FDA-prohibited drugs, or seatbelt laws.

Stossel prefers that public schools be called government-run schools because it makes their true nature clearer: “Government schools are inefficient, centralized bureaucracies just like everything else government does.” His horror stories about bad teachers and the unions that defend them are shocking.

He approaches the Drug War from the standpoint that adults have the freedom to do what they want with their own bodies.

Stossel really shines in his chapter on the Drug War. He doesn’t just oppose the federal Drug War because of the Constitution and federalism. And he doesn’t just support legalizing marijuana for medical use. He approaches the subject from the standpoint that adults have the freedom to do what they want with their own bodies. Therefore, “every drug should be legal, and it should be up to adults to decide whether to consume them, medically or recreationally.” And while acknowledging the harm that drugs can do, Stossel shows that the

War on Drugs causes the greater harm by militarizing the police, disregarding civil liberties, jailing millions of nonviolent people, causing crime, destroying black families, corrupting cops and politicians, and giving governments an incentive “to continue the war in order to fund its own bureaucracy.”

Stossel exposes the scam of “green energy” in his chapter on the environment. The only energy policy America needs is the free market. Free trade is better than energy independence. He documents the failures of “green jobs” initiatives. He also extols the benefits of DDT and letting people own and profit from the sale of exotic animals. And rather than thinking we need to save the earth, Stossel says the earth will never notice most of the things done in the name of environmentalism.

Stossel tackles congressional spending and the federal budget in his last chapter. After mentioning the budgets of Paul Ryan, the Republican Study Group, Rand Paul, the Heritage Foundation, and the American Enterprise Institute, he faults them for not cutting enough. Then he presents his own more libertarian budget: eliminate the Small Business Administration, foreign aid; the departments of ed-

ucation, energy, commerce, interior, labor, and housing and urban development; agriculture subsidies; the War on Drugs; the FCC; the National Endowments for the Arts and Humanities; NASA; and Fannie Mae and Freddie Mac. He also calls for cuts in untouchables such as Social Security, Medicare, Medicaid, and the military.

Weaknesses

I'm sure I was not as uncomfortable reading Stossel's chapter on war and the military as he says he was writing it, but I would say that that chapter is a little weaker than the others. It seems as though he is still formulating his libertarian perspective on war and the military. He does acknowledge at the onset that he has "never studied war or covered international conflicts." He says he "cheered when our military retaliated against Al Qaeda," but "became skeptical when we stuck around to try nation building," which he considers to be "the worst form of central planning." He does say, though, that he was skeptical when Bush went to war in Iraq. Stossel says that "intervention frequently goes wrong," but then seems to imply that U.S. interventions in Kosovo, Bosnia, Serbia, Grenada, Kuwait, and Korea were a good

thing. He opposes war with Iran, but then goes on to say that Bill Kristol, Charles Krauthammer, and the neoconservatives "have been right about a lot" — like the troop surge. After stating he is glad that the U.S. military killed Osama bin Laden and other terrorists, he says he assumes that it is "a gain for peace and security," but he is "not even sure about that." Stossel seems hesitant to espouse a full-fledged noninterventionist position. After mentioning that "Ron Paul and many libertarians say we should immediately bring our soldiers home" from everywhere, he remarks, "Libertarians have been right about most everything, and I suspect they are right about this, too." Overall, though, there is much in this chapter to like: he discusses Pentagon waste, corruption, and inefficiency; complex and bureaucratic military rules; the failures of the government on 9/11; and the security theater of the TSA. He explains that war increases government power, that libertarians aren't isolationists, that the U.S. military actions create terrorists, and that defense spending should be slashed.

My quibbles with the book are more stylistic than substantive. Curiously, there are nice transitions between the book's first five

chapters, but then they suddenly stop when going from chapters five to six. There is no index. Instead of the book title at the top of left-hand pages and chapter titles on the right, as is traditional, Stossel's name appears on left-hand pages and the book title appears on the right. That makes it difficult to quickly return to a particular chapter — something that readers will want to do after reading the book. Most annoying about the book is the lack of footnotes or endnotes. There are notes at the end of the book, but nothing in the text to indicate that. Instead, when you turn to the notes and look up a page number, you are presented with partial quotes from the text followed by a source. Then you have to turn back to the page the note refers to and find the statement quoted in the notes. For those (like me) who like to read all of a book's footnotes, it is very frustrating.

Stossel concludes that he is a libertarian in part because he sees the false choice offered by both the political left and right: “government control of the economy — or government control of our personal lives.” And I conclude that *No, They Can't: Why Government Fails — But Individuals Succeed* is an eminently readable and extremely important book that shows chapter after chapter and page after page that government is never the solution to any problem. I highly recommend it.

Laurence M. Vance is policy adviser for The Future of Freedom Foundation and the author of The Revolution That Wasn't. Visit his website: www.vancepublications.com. Send him email: lmvance@juno.com.

SUPPORTING THE FUTURE OF FREEDOM FOUNDATION

Our work advancing freedom depends on the financial support we receive from people who share our commitment to the moral, philosophical, and economic principles of a free society. Since The Future of Freedom Foundation is a 501(c)(3) educational foundation, donations are tax-deductible.

.....

Donations can be made on our website

— www.fff.org/support —

or by calling us at 703-934-6101.

.....

Here are ways that you can support our work:

1. A donation, with check or credit card.
 2. A donation in any amount you choose by means of a recurring monthly charge to your credit card.
 3. A donation of stock, the full market value of the stock being tax-deductible.
 4. Naming The Future of Freedom Foundation as a beneficiary in your will or living trust, charitable gift annuity or trust, or life-insurance policy.
-

Over the years, planned giving has played an important role in sustaining our operations.

*Thank you for your support of our work
and your commitment to a free society!*



THE FUTURE
of
FREEDOM FOUNDATION

11350 Random Hills Road
Suite 800
Fairfax, VA 22030

★★★

www.fff.org

fff@fff.org

Tel: 703-934-6101

Fax: 703-352-8678