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# FUTURE OF FREEDOM

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*Arms are the only true badges of liberty.*

— *Andrew Fletcher*

# 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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## Egypt's Lessons for Americans, Part 2

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by *Jacob G. Hornberger*



**T**he ambivalent reaction of the U.S. government to the Egyptian coup should not have surprised anyone. While U.S. law requires a termination of U.S. foreign aid to Egypt in the event of a coup, the Obama administration ignored the law by simply refusing to declare that the coup was actually a coup.

Keep in mind the primary purpose of the \$1.3 billion in weaponry that the U.S. government annually delivers directly to the Egyptian military: to ensure that the military is fully able to protect “national security” and to maintain “order and stability” within the nation.

When the Egyptian people went to the polls to vote for a new president, after they had succeeded in ousting military strongman Hosni

Mubarak from power, they deluded themselves into thinking that they had established a democratic system. They failed to recognize that the fundamental problem was never Mubarak himself but rather the military dictatorship that he headed.

Because the military continued to be the foundation of the Egyptian government, democracy was doomed before it even got started. A prerequisite for a truly democratic system is the dismantling of the vast military-intelligence establishment that has formed the basis of Egyptian life for decades, or at the very least, its subordination to civilian rule.

The Egyptian people were forewarned. Throughout the protests that led up to Mubarak's ouster, the Egyptian military made it clear that it would never relinquish its omnipotent position in Egyptian society.

When Mubarak resigned from office, the Egyptian military establishment didn't go anywhere. It continued being the foundation of Egypt's government. When national elections were held, they were necessarily conducted with the permission and under the auspices of the military.

Mohamed Morsi's administration was doomed from the start. Rather than confront the military

system itself and call for its dismantling or at least its subordination to civilian rule, Morsi made a pact with the devil. He agreed that under Egypt's new constitution, the supreme, omnipotent position of the military as the foundation of Egypt's government would not be altered.

### U.S. support

There are two important things to keep in mind about the Egyptian military system: First, it has long been one of the most brutal dictatorships in the world. Second, it is a dictatorship that the U.S. government has long believed in and supported.

The brutality of the Egyptian military dictatorship was attested to by the massive demonstrations that led up to Mubarak's ouster. Why did millions of Egyptian people take to the streets and risk their lives in opposition to Mubarak's regime? Because they had grown tired of suffering under his horrific tyranny. When people objected to the tyranny, they were subject to being arbitrarily arrested without charges, carted away to prison, brutally tortured, and even executed, all without due process of law.

How did the Egyptian military justify such extraordinary powers? When the country's president, Anwar Sadat, was assassinated in 1981

the military regime declared an "emergency," one that necessarily required, it said, the assumption of extraordinary powers to confront the ongoing threat of "terrorism." Egyptian officials assured people, however, that the extraordinary powers would only be temporary. They would last only as long as the emergency lasted. Once the terrorist crisis was over, the powers would be lifted.

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### Why did millions of Egyptian people take to the streets and risk their lives?

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More than 30 years later, those extraordinary emergency powers were still in existence. The threat of terrorism had not receded, Egyptian officials said. In fact, it had only grown larger.

Throughout those three decades, the military dictatorship became ever more powerful, thanks in large part to the constant, annual supply of billions of dollars in U.S.-provided rifles, bullets, tear gas, grenades, tanks, planes, and other weaponry, all designed to fortify the supreme position of the military in Egyptian life.

The ongoing supply of military aid to Egypt was not a reluctant act on the part of the U.S. government. U.S. officials, especially those in the

national-security state apparatus (i.e., the military and the CIA) believed in the Egyptian system. Like their Egyptian counterparts, they fully embraced the concept of a vast military-intelligence establishment as useful to their interests.

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Eisenhower warned that “an immense military establishment and a large arms industry [are] new in the American experience.”

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After all, that concept had itself become an important component of American life with the adoption of the national-security state after World War II. Justified as a necessary measure to preserve “national security” and to keep America safe from the communists (and, later, the terrorists), the military and intelligence establishment — i.e., the military, the CIA, and the NSA — became a vast, permanent part of America’s government, one whose operations were oftentimes conducted in secrecy and with deception.

### The danger to freedom

In addition to the Founding Fathers, who had expressed a deep antipathy to this way of life, there were three presidents who openly expressed concerns about the danger that this type of system posed to de-

mocracy: Harry S. Truman, Dwight Eisenhower, and John F. Kennedy.

Eisenhower expressed his concerns in his Farewell Address in 1960:

This conjunction of an immense military establishment and a large arms industry is new in the American experience. The total influence — economic, political, even spiritual — is felt in every city, every Statehouse, every office of the Federal government. We recognize the imperative need for this development. Yet we must not fail to comprehend its grave implications. Our toil, resources, and livelihood are all involved; so is the very structure of our society.

In the councils of government, we must guard against the acquisition of unwarranted influence, whether sought or unsought, by the military-industrial complex. The potential for the disastrous rise of misplaced power exists and will persist.

We must never let the weight of this combination endanger our liberties or democratic processes. We should take nothing for granted. Only an alert and knowl-

edgeable citizenry can compel the proper meshing of the huge industrial and military machinery of defense with our peaceful methods and goals, so that security and liberty may prosper together.

Kennedy expressed his concerns about the possibility of a military coup: “It’s possible. It could happen in this country,” he declared. He also encouraged making the novel *Seven Days in May*, which was about a military coup in America, into a movie to serve as a warning to the American people. In the midst of the Cuban missile crisis, Robert Kennedy said to Soviet Ambassador Anatoly Dobrynin, “We are under very severe stress. In fact we are under pressure from our military to use force against Cuba.... If the situation continues much longer, the president is not sure that the military will not overthrow him and seize power.”

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**Kennedy expressed  
his concerns about the possibility  
of a military coup.**

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Thirty days after the Kennedy assassination, former president Harry Truman published an op-ed in the *Washington Post* that stated in part,

For some time I have been disturbed by the way CIA has been diverted from its original assignment. It has become an operational and at times a policy-making arm of the Government. This has led to trouble and may have compounded our difficulties in several explosive areas.

I never had any thought that when I set up the CIA that it would be injected into peacetime cloak and dagger operations. Some of the complications and embarrassment I think we have experienced are in part attributable to the fact that this quiet intelligence arm of the President has been so removed from its intended role that it is being interpreted as a symbol of sinister and mysterious foreign intrigue — and a subject for cold war enemy propaganda.

Those admonitions were issued more than 50 years ago. Since then, the power, influence, and position of the military, the CIA, and the NSA in America’s government have grown infinitely larger, owing first to the Cold War and later to the war on terrorism, with nary a peep of protest by any U.S. president or, for

that matter, from nearly any mainstream public officials.

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### People who resisted the Egyptian military regime were considered terrorists.

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One of the most revealing aspects of the Mubarak era was the U.S. government's longtime, strong support of the Egyptian military, motivated in large part by the U.S. hope of maintaining Egypt's commitment to the 1978 Camp David Accord with Israel. Not only did the U.S. government continually furnish billions of dollars in weaponry to the Egyptian dictatorship, notwithstanding its manifest tyranny and oppression of the Egyptian people, it also trained Egyptian troops and engaged in joint military exercises with Egypt's military.

### Becoming more like Egypt

People who resisted the Egyptian military regime were considered terrorists, not only by Egyptian officials but also by U.S. officials. The best example of this phenomenon here in the United States involves the case of Lynne Stewart, a noted criminal-defense attorney in New York City. She undertook the defense of the "blind sheik," Omar Abdel-Rahman, who was convicted

of terrorism in a U.S. federal district court.

In what can only be considered one of the most bizarre criminal prosecutions during the U.S. "war on terrorism," in 2002 U.S. officials charged Stewart with supporting terrorism because she read a message from Abdel-Rahman to the press, a message that supposedly called on radical Muslim supporters to take up arms against Egypt's military dictatorship. I say "supposedly" because here is what the message stated, with my capitalization added for emphasis:

I [Omar Abdel-Rahman] am NOT withdrawing my support of the cease-fire; I am merely questioning it and I am urging you, who are on the ground there to discuss it and to include everyone in your discussions as we always have done.

The feds construed that message to mean the exact opposite of what it said: that Abdel-Rahman was in fact withdrawing his support of the cease-fire and calling on his supporters to use force against the Egyptian regime. When they convicted Stewart for supporting terrorism, the feds concluded that she had to have understood that the message



meant precisely the opposite of what it stated when she read it to the press.

Yet everyone knows that the Declaration of Independence holds that people have the fundamental right to violently overthrow a tyrannical regime. And doesn't the First Amendment guarantee the right to free expression, including exhorting people who are suffering under tyranny to exercise the fundamental rights enunciated in the Declaration of Independence?

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**U.S. officials selected Egypt's military dictatorship to be one of its premier rendition-torture partners.**

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As the Stewart case affirms, however, such is not the case when the tyrannical regime happens to be a longtime, loyal ally of the United States, an ally whose governmental system finds favor with officials of the U.S. national-security state and one that has long been a recipient of billions of dollars in U.S. military largess and cash. In that case, anyone who tries to violently overthrow the Egyptian military tyranny — or who exhorts others to do so, as Stewart was accused of doing — is going to be considered a “terrorist” by both the Egyptian and the U.S. regimes.

By the way, the 74-year-old Stewart was convicted of supporting terrorism and is now serving a 10-year sentence. Given that she has terminal cancer, there is little likelihood that she will serve her entire sentence.

We should also bear in mind that after the 9/11 attacks, U.S. officials selected Egypt's military dictatorship to be one of its premier rendition-torture partners, precisely owing to its expertise in brutality and torture, and to its longtime loyalty to the United States.

In fact, it shouldn't have surprised anyone that after the 9/11 attacks, the U.S. military and the CIA adopted the same types of temporary emergency powers that the Egyptian military establishment had adopted after the Sadat assassination. Those included the power of the military to take people into custody as suspected terrorists, incarcerate them indefinitely, torture them, and even execute them after some sort of kangaroo tribunal, all without trial by jury and due process of law. It also shouldn't have surprised anyone that the NSA would use the 9/11 attacks to extend its vast secret surveillance schemes over the American people and the people of the world. Surveillance over the citizenry has long been a

hallmark of the U.S.-supported military dictatorship in Egypt, too.

One hopes that the Egyptian people have learned that democracy is not freedom. Democracy is simply a means by which people can peacefully change political officials. Freedom turns on external (i.e., constitutional) limits on the powers of governmental officials. As long as the Egyptian people are unwilling to question the fundamental paradigm under which they live — one in which the military and its omnipotent power form the foundation of the government — they will continue to suffer under tyranny and privation.

Unfortunately, the U.S. government, continuing to strongly believe in the Egyptian military dictatorship, continues to furnish it with U.S. taxpayer-funded weaponry and cash. American interventionists say that the United States has no effective choice. The coup is now a fait accompli, they say, and therefore the United States should

stand with and support the Egyptian military government in the hope that it will begin a “transition” to democracy.

But there is another choice: to cease all foreign aid to this tyrannical regime and, in fact, to cease all foreign aid to every regime in the world. In fact, the best thing the American people could do is question the legitimacy of their own national-security state system, including its own vast military-intelligence establishment and its ardent support of brutal military dictatorships around the world.

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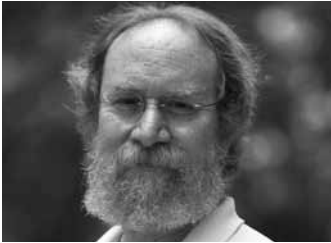
*Jacob Hornberger is founder and president of The Future of Freedom Foundation.*

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**NEXT MONTH:**  
**“The Origins of America’s  
Warfare State”**  
*by Jacob G. Hornberger*

## The Phony Trade-Off Between Privacy and Security

by Sheldon Richman



Most people take it for granted — because they have heard it so many times from politicians and pundits — that they must trade some privacy for security in this dangerous world. The challenge, we’re told, is to find the right “balance.” Let’s examine this.

On its face the idea seems reasonable. I can imagine hiring a firm to look after some aspect of my security. To do its job the firm may need some information about me that I don’t readily give out. It’s up to me to decide whether I like the trade-off. Nothing wrong there. In a freed market, firms would compete for my business, and competition would pressure firms to ask only for

information required for their services. As a result, a minimum amount of information would be requested. If I thought even *that* was too much, I would be free to choose to look after my security myself. If I did business with a firm that violated our contract — say, it disclosed my information in a way that violated the terms — I would have recourse. At the very least I could terminate the relationship and strike up another or none at all.

In other words, in the freed market I would find the right “balance” for myself, and you would do the same. One size wouldn’t be deemed to fit all. The market would cater to people with a range of security/privacy concerns, striking the “balance” differently for different people. That’s as it should be.

Actually, we can say that there would be no trade-off between privacy and security at all, because the information would be *voluntarily* disclosed by each individual on mutually acceptable terms and the disclosure would not be perceived as an invasion of privacy. Under those circumstances, it wouldn’t be right to call what the firm does an “intrusion.”

But even if one sees this as a trade-off, that sort of situation is not what Barack Obama, Rep. Mike

Rogers, Rep. Peter King, and their ilk mean when they tell us that “we” need to find the right balance between security and privacy.

### Phony debate

Obama says, “I think the American people understand that there are some trade-offs involved. It’s important to recognize that you can’t have 100 percent security and also then have 100 percent privacy and zero inconvenience. We’re going to have to make some choices as a society.”

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When we give up privacy — or, rather, when our rulers take it — we don’t get security in return.

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He meant *he and his co-conspirators* in Congress and the national-security apparatus will dictate to us what the alleged balance will be. We will have no real say in the matter, and they can be counted on to find the balance on the “security” side of the spectrum as suits their interests. That’s how these things work. Unlike what happens in a freed market, what the government does is intrusive, because it is done without our consent and often without our knowledge. (I hope no one will say that voting or continuing to live in the United States constitutes consent to invasions of privacy.)

Of course, our rulers can’t really set things to the security side of the spectrum because the game is rigged. When we give up privacy — or, rather, when our rulers take it — we don’t get security in return; we get a more intrusive state, which means we get more insecurity. Roderick Long made a similar point on his blog, *The Austro-Athenian Empire*:

In the wake of the recent NSA revelations, there’s increased talk about the need to “balance” freedom against security. I even see people recycling Larry Niven’s law that freedom + security = a constant.

Nonsense. What we want is not to be attacked or coercively interfered with — by anyone, be they our own government, other nations’ governments, or private actors. Would you call that freedom? or would you call it security?

You can’t trade off freedom against security because *they’re exactly the same thing*.

Likewise, where the state is concerned, you can’t trade off privacy against security because *they’re exactly the same thing*. Anyone who reads dystopian novels knows that

government access to personal information about people serves to inhibit and control them. That's insecurity.

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**The official directive says nothing about preventing violations of privacy and related abuses.**

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Now it will no doubt be said that while in one respect we are more insecure when “our” government spies on us (the scare quotes are to indicate that I think the U.S. government is an occupying power), in return we gain security against threats from others, say, al-Qaeda. But I see no prima facie case for favoring official domestic threats over freelance foreign threats. I'm reminded of what Mel Gibson's character, Benjamin Martin, says in *The Patriot*: “Would you tell me please, Mr. Howard, why should I trade one tyrant three thousand miles away for three thousand tyrants one mile away? An elected legislature can trample a man's rights as easily as a king can.”

Some foreigners might want to come here and kill Americans, but the U.S. government has been no slouch in that department. How many Americans who were sent by “their” government to fight in foreign wars never came back? How

many came back with their lives shattered? The number dwarfs the number of casualties from terrorism.

Throw in the fact that some foreigners want to kill Americans only because Obama's government (like George W. Bush's and others before it) is killing them, and the phony nature of this alleged protection is clear.

Obama & Co. say they welcome a public debate about calibrating the trade-off between security and privacy. No, they don't. They wouldn't even be going through the motions had it not been for the heroic whistleblower Edward Snowden, whom they are determined to lock away for life — if they catch him. A true debate is the last thing they want. What they want is a simulated debate in order to quiet public concern about spying.

### Conflict of interest

As Conor Friedersdorf of the *Atlantic* points out, Obama's directive creating the Review Group on Intelligence and Communications Technologies charges it with “accounting for other policy considerations, such as the risk of unauthorized disclosure and our need to maintain the public trust.” Unlike Obama's initial public statement, the official directive says nothing

about preventing violations of privacy and related abuses.

Friedersdorf comments,

What happened to those goals? The closest the Monday directive comes to them is an instruction to remember “our need to maintain the public trust” as one of many policy considerations.

Forget whether abuses are happening, or whether privacy rights are in fact being protected. [Director of National Intelligence James] Clapper need only probe the perception of trust. Remember, this is a man with a demonstrated willingness to tell lies under oath when he decides doing so serves the greater good.

In the end, however, the review panel was created apparently without Clapper’s playing a primary role in selecting members. It is chaired by Center for American Progress fellow Peter Swire, who has a reputation as a privacy advocate. The other members, however, do not. They are all Washington insiders (like Swire): Richard Clarke, a counterterrorism expert who spent time on the National Security Council; Michael Morell, the former deputy

director of the CIA; and Cass Sunstein, former White House regulation adviser who advocates “libertarian paternalism” and government propaganda to counter conspiracy theories. Regarding Sunstein, Glenn Greenwald writes,

In 2008, while at Harvard Law School, Sunstein co-wrote a truly pernicious paper proposing that the U.S. Government employ teams of covert agents and pseudo-“independent” advocates to “**cognitively infiltrate**” online groups and websites — as well as other activist groups — which advocate views that Sunstein deems “false conspiracy theories” about the Government. This would be designed to increase citizens’ faith in government officials and undermine the credibility of conspiracists....

Sunstein advocates that the Government’s stealth infiltration should be accomplished by sending covert agents into “chat rooms, online social networks, or even real-space groups.” He also proposes that the Government make secret payments to so-called “independent” credible voices to bolster the Government’s mes-

saging (on the ground that those who don't believe government sources will be more inclined to listen to those who appear independent while secretly acting on behalf of the Government). This program would target those advocating false "conspiracy theories," which they define to mean: "an attempt to explain an event or practice by reference to the machinations of powerful people, who have also managed to conceal their role."

This is hardly a reassuring lineup. It appears that the panel's priority indeed will be to create public trust rather than protecting the public from breaches of privacy. We've seen so-called independent civil-liberties review boards appointed before. Their records are nothing to write home about.

We should reject the phony debate, the phony trade-off, and the phony "balance" that will be struck. There is a fundamental conflict of interest between the American people and the U.S. government. The sooner we learn that, the safer we'll be.

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**NEXT MONTH:**  
"One Hundred Years of the  
Federal Reserve"  
by Sheldon Richman

*If we did all the things we are capable of doing, we would literally astonish ourselves.*

— Thomas Edison

## AmeriCorps: Idealistic Triumph or Usual Buffoonery?

by James Bovard



National service is the latest fashionable panacea for all that ails America. *Time* magazine ran a July cover story, “How Service Can Save Us,” on the potential benefits of pressing all young people into service. The article approvingly quoted a retired Air Force veteran: “There isn’t an 18-year-old boy who doesn’t need to get his butt kicked by someone in a position of complete authority.” *Washington Post* columnist Michael Gerson chimed in with a piece headlined “National Service Can Heal a Divided Nation,” while a *Politico* article headline promised, “National Service Is Key to National Strength.”

Gen. Stanley McChrystal (retired) stoked this boomlet with a *Wall Street Journal* piece that pro-

claimed, “Universal national service should become a new American rite of passage.” The Aspen Institute launched a special project, the 21st Century National Service Summit, with a gathering that included visionaries such as Arianna Huffington, Chelsea Clinton, and Barbara Bush. For McChrystal and many other service advocates, AmeriCorps is the epitome of idealism. He lamented that a budget shortfall for AmeriCorps that prevented more people from joining the program “represents democratic energy wasted and a generation of patriotism needlessly squandered.”

Then-President Bill Clinton, who created the program in 1993, said to AmeriCorps members that they were “living ... proof ... that if ... we hold hands and believe we’re going into the future together, we can change anything we want to change. You are the modern manifestation of the dream of America’s founders.” In his 1995 State of the Union address, Clinton saluted AmeriCorps as “citizenship at its best” and called the program “the essence of the New Covenant.” In February 1999, at an AmeriCorps recruiting rally held during his Senate impeachment trial, he declared, “America needs to think of itself as sort of a giant AmeriCorps ... get-



ting things done together... We cannot do good around the world unless we are good at home.” Clinton appealed for support for the expansion of AmeriCorps “to use this moment to prove that this generation of young people, far from being a generation of cynics and slackers, is instead a generation of doers and patriots.”

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**Lofty rhetoric did not deter AmeriCorps from bankrolling more boondoggles.**

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Such lofty rhetoric did not deter AmeriCorps from bankrolling more boondoggles per million dollars of appropriations than any other federal agency. During Clinton’s presidency AmeriCorps members helped run a program in Buffalo that gave children \$5 for each toy gun they brought in — as well as a certificate praising their decision not to play with toy guns. In San Diego AmeriCorps members busied themselves collecting used bras and panties for a homeless shelter. In Los Angeles AmeriCorps members foisted unreliable ultra-low-flush toilets on poor people. In New Jersey AmeriCorps members enticed middle-class families to accept subsidized federal health insurance for their children.

George W. Bush embraced AmeriCorps and sharply expanded the program — as did his successor. A few months after taking office, Barack Obama signed the Serve America Act, which authorized almost tripling the number of AmeriCorps members to 250,000. He declared that AmeriCorps embodied “the best of our nation’s history, diversity and commitment to service.” But hard times and budget fights have left AmeriCorps’s enrollment stalled around 80,000 despite a deluge of applications.

**Beltway idealism**

At a time when federal agencies are engulfed in scandals, AmeriCorps continues to represent Beltway idealism at its best. But many — if not most — of its projects spawn little more than sanctimony:

- AmeriCorps recruits in Tuscumbia, Missouri, recently released 70 blue balloons outside the county courthouse to draw attention to the plight of abused children.
- Members of a Nevada AmeriCorps program busy themselves encouraging local residents to drink tap water and watch out for bears (“bear awareness”).

- In Florida AmeriCorps members in the “Women in Distress” program organized a poetry reading on the evils of domestic violence. In Providence, Rhode Island, AmeriCorps members at the Institute for the Study and Practice of Nonviolence hosted a hip hop/poetry competition.
- Some AmeriCorps programs seek to practically rewire human nature. In San Francisco AmeriCorps members busied themselves in 2009 mediating elementary-school playground disputes. In April 2013 Obama met an AmeriCorps recruit serving with Playworks — which brings “safe and inclusive play to all students” in elementary schools by “having grown-ups play alongside of children” to add “an important element of silliness and shared humanity.”

In 1997 AmeriCorps set a goal for itself of “effective education and literacy for every child’ in the nation. Bill Clinton congratulated AmeriCorps members in 1999: “You have ... taught millions of children to read.” One AmeriCorps official ridiculed Clinton’s claim and expressed doubt that AmeriCorps

members had taught even a dozen children to read. A Mississippi program I visited in 1999 required that its “assistant teachers” read only at an eighth-grade *Mississippi* level, and the AmeriCorps grant applications for literacy programs were riddled with spelling and grammatical errors.

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**AmeriCorps grant applications for literacy programs were riddled with spelling and grammatical errors.**

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The agency subsequently defined literacy downwards; reading to kids rather than teaching them how to read was presumably close enough for government work.

Earlier this year AmeriCorps members visited elementary schools across Montana to read a short story about Martin Luther King Jr. “After hearing the story, the kids draw, color and imagine what peace looks like to them,” the *Great Falls Tribune* reported. Puppet shows that hector children about recycling are another favorite AmeriCorps school pastime.

AmeriCorps is beating the bushes to boost dependency. With-inReach’s AmeriCorps volunteers sway Washington state residents to accept food aid, Medicaid, and sub-

sides for their utility bills. A Columbus, Ohio, program specifically requires each AmeriCorps member to sign up at least 75 households for food stamps. Hunger Free Colorado brags that its AmeriCorps recruits are “vital” to “increase participation” in food stamps and “to ensure [recipients] do not fall off of the programs once enrolled.” At the same time that some AmeriCorps members seek to persuade people in “high-obesity communities” to accept more free food, AmeriCorps is also bankrolling FoodCorps programs building school gardens and orating on the value of locally raised food. The school gardens are incredibly inefficient compared with commercial agriculture, but the sense of purpose that AmeriCorps members feel — as well as the headlines in local newspapers — absolve all waste.

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**Many AmeriCorps programs also vigorously encourage members to collect food stamps.**

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AmeriCorps recruits staff from many left-leaning organizations such as Planned Parenthood and “environmental justice” groups. The Presbyterian Hunger Project recently signed up eight AmeriCorps members to support “community-

driven solutions to injustices in the food system, locally and nationally.” During the Clinton era, scandals erupted after AmeriCorps bankrolled ACORN and projects that engaged in blatant political campaigning. Federal law prohibits using tax dollars for advocacy. In 2011 a report prepared by auditors in the office of the inspector general with oversight of AmeriCorps criticized its management for policies that “leave no meaningful recourse against a sponsor that misuses [AmeriCorps] personnel.”

### Messianic delusions

AmeriCorps was based on the notion that, since volunteering is such a great thing, the feds should pay people to volunteer. The average AmeriCorps member receives more than \$16,000 on an annual basis in pay and educational awards — as well as free health care. Many AmeriCorps programs also vigorously encourage members to collect food stamps. Most recruits later work for government agencies or nonprofit groups, and their AmeriCorps gig is a career steppingstone rather than a triumph of self-sacrifice.

Obama promised that his expanded AmeriCorps would “connect deeds to needs.” But even some

AmeriCorps members scoff at that notion. Nicole Patterson, who received a Congressional Bronze Medal for Community Service, vented online, “I spent six weeks playing Scrabble and kickball for America. I spent another two months sitting in a tool shed for America. We annoyed more people than we ever helped.” Patterson pointed out that idealism often had little role in people’s joining the program: “Almost everyone who signs up for this program is avoiding something, be it college, getting a job, or another year of shuffling their feet nervously when their parents ask them what the hell their life plan is.”

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**For politicians the issue is how AmeriCorps makes people feel about the federal government.**

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Last summer, in a piece reposted on the *Huffington Post*, Olga Rodriguez pointed out that serving in AmeriCorps was destroying her work ethic. She admitted taking lengthy breaks in the middle of the day for “Power Yoga” and spending much of her time doing nothing or applying for better jobs. A 2011 audit found that AmeriCorps members in a large program run by the New York City Mayor’s Office “were

told to work from home with no substantial assignments.”

AmeriCorps boasts that “more than 800,000 AmeriCorps members have contributed more than a billion hours in service across America” since 1994. But the program has always relied on Soviet-style accounting — merely adding up labor inputs and proclaiming victory. The General Accounting Office (now the Government Accountability Office) noted in 2000 that AmeriCorps “generally reports the results of its programs and activities by quantifying the amount of services AmeriCorps participants perform.” The Office of Management and Budget concluded in 2003 that “AmeriCorps has not been able to demonstrate results. Its current focus is on the amount of time a person serves, as opposed to the impact on the community or participants.”

In 2010 GAO again condemned the agency for using performance measurements that “do not demonstrate results” and are “poorly aligned” with stated goals. GAO also noted, “None of the measures currently used by [AmeriCorps] measure the quality of service provided.” GAO warned that the self-reported data from grant recipients was unverified and unreliable.

But for politicians the issue is not what AmeriCorps members produce but how it makes people feel about the federal government. AmeriCorps puts a smiley face on Uncle Sam. As long as AmeriCorps persuades some people to view government as a vast engine of compassion, it is worth all the tax dollars it receives — at least in politicians’ eyes.

AmeriCorps is little more than social work tinged with messianic delusions. America has enough real volunteers; it does not need mass production of government-issue bogus volunteers. The glorification of AmeriCorps should awaken Americans to the phony idealism permeating Washington. Abolish-

ing AmeriCorps would be a small step towards recognizing the principle that politicians do not have a divine right so spend Americans’ paychecks as they please.

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*James Bovard serves as policy adviser to The Future of Freedom Foundation and is the author of a new ebook memoir, Public Policy Hooligan, as well as Attention Deficit Democracy and eight other books.*

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**NEXT MONTH:**  
“A Supreme Rebuff for USDA’s  
Ruinous Raisin Regime”  
*by James Bovard*

*Treat people as if they were what they ought to be,  
and you help them to become what they are capa-  
ble of being.*

— Johann Wolfgang von Goethe

# The Fault in Fairness

by *Joseph S. Diedrich*



The coffee aisle at the supermarket has become the latest front in the crusade for “social justice.” Coffee roasters proudly tout their allegiance to the ideals of the fair-trade movement, which ostensibly aims to elevate the economic and social welfare of disadvantaged Third-World farmers.

Despite its meteoric rise in popularity, does fair trade translate its stated intentions into tangible results? Unfortunately, like a stale cup of coffee, fair trade can leave a bad taste in your mouth.

Fair trade positions itself as an alternative to the supposedly merciless nature of free trade and the free market. Trade in coffee has long been anything but free, however.

In his 1972 *Wisconsin Law Review* article “Ten Years of Land Reform in Colombia,” law professor Roger W. Findley noted, “When the

Spanish and Portuguese colonized Latin America, beginning in the 16th century, they transplanted the organization of European feudal society by the device of large land grants to settlers of high rank.” For centuries, privileged landowners and coffee producers have enjoyed their favored status.

Over the last several decades, many Latin American governments have undertaken “land reform” programs with the professed goal of rectifying past injustices. The auspicious name belies what the schemes actually entail, namely, arbitrary expropriation and redistribution of land benefiting those with political connections. The absence of stable, well-defined property rights, combined with a corrupt and whimsical political class, has worked to the disadvantage of all but the most politically favored farmers. Coercive, deceitful, and involuntary practices have been commonplace.

In 1962 many of the world’s coffee importer and exporter nations entered into the International Coffee Agreement (ICA), a trade pact that established quotas on coffee exports. As a result, coffee producers enjoyed artificially high prices for their goods.

Following a paradigm shift in consumer preference from Robusta

to Arabica beans, the ICA broke down in 1989. In the years following, the market underwent a necessary correction, and coffee prices fell as much as 70 percent. Those unique circumstances precipitated the ascendancy of fair trade, its proponents situating themselves as advocates of farmers in the face of economic hardship.

State-sponsored manipulations of the market and deviations from free trade created a situation in which fair trade could emerge. Like a quota, fair trade helps keep coffee prices artificially high; accordingly, it prolongs and enhances the negative effects of government intervention in the economy.

### What fair trade is

To be a part of the fair-trade program, producers must become “certified.” Certification is granted to producers who satisfy rigid requirements set by Fairtrade International ([www.fairtrade.net](http://www.fairtrade.net)), the de facto governing body of the fair-trade movement.

The certification process is flawed from the outset. Small, disadvantaged producers — those whom fair trade seeks to help — are least likely to have access to certification. Many producers do not get certified simply because of the

small size of their operations. Researchers Aurélie Carimentrand and Jérôme Ballet explain that “certification does not necessarily assist the most marginalized producers, and can in fact actually exclude them due to the high costs associated with certification.”

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To be a part of the  
fair-trade program, producers  
must become “certified.”

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Certified producers are guaranteed a minimum (above-market) price for their goods. The purpose of the minimum price, says Fairtrade International, is to “ensure that producers can cover their average costs of sustainable production” and to act “as a safety net for farmers at times when world markets fall below a sustainable level.”

### Economic absurdities

Respectable stated intentions notwithstanding, fair trade does not and cannot achieve its professed ends. Elementary economics exposes its faults.

Whenever the price of a good is artificially raised above its market level, a binding price floor is created. The price floor reduces demand for the good while simultaneously signaling to both current and po-

tential producers that an increase in production is warranted.

Throughout history, price floors have invariably failed. Henry Hazlitt notes in *Economics in One Lesson*, “Attempts to lift the prices of particular commodities permanently above their natural market levels have failed so often, so disastrously, and so notoriously that sophisticated pressure groups, and the bureaucrats upon whom they apply the pressure, seldom openly avow that aim.”

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**Throughout history, price floors have invariably failed.**

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Drawing an analogy, the fair-trade price floor resembles the minimum-wage law. Contrary to its purported goal, the minimum wage actually has the potential to increase unemployment, because it brings about an excess supply of labor. Anyone who is not worth \$7.25 an hour is not hired. Likewise, a price floor that establishes an above-market price for a good (e.g., coffee) inevitably leads to an excess supply of that good.

In addition, a market for any good always contains “marginal” producers — producers who are the least efficient, either because of comparatively high production

costs, comparatively low-quality goods, or both.

Raising prices above their market level allows a larger-than-optimal number of marginal producers to continue their operations, which can hinder progress. In his exhaustive study of fair trade, Marc Sidwell of the Adam Smith Institute writes, “Fair trade does not aid economic development. It operates to keep the poor in their place, sustaining uncompetitive farmers on their land and holding back diversification, mechanization, and moves up the value chain. This denies future generations the chance of a better life.”

### The future of fair trade

Strong, bold, robust — in addition to describing a flawless cuppa Joe, these words also characterize the current virility of the fair-trade movement. Shrewd businessmen have taken full advantage of its vogue, and, as Jeffrey Tucker illustrates, there’s nothing wrong with that:

On the one hand, it is part of the genius of capitalism that it gives rise to a class of entrepreneurs that can use any fashionable culture shift to make a buck. Whether a cereal is called “Sugar Smacks” or



“Earthen Honey Morsels” is neither here nor there to me, and if some marketing genius figures that the cereal company can make more money with one name over another, good for him and the company. Capitalism is so darn good at what it does that it can even bamboozle muddleheaded socialists to cough up money for its products; that’s wonderful.

Fashions are fleeting, however — the particular genus of social consciousness that is fair trade will inevitably wither as it is superseded by the next great pseudo-philanthropic movement. And when that happens, what will be the fate of the farmers who have come to rely on artificially high prices for their goods?

Five years ago in *The Freeman*, Gene Callahan wrote, “In short, I see the Fair Trade movement as embodying a mixture of sound ideas for improving the state of the coffee industry and well-meaning but misguided attempts to fight the realities of supply and demand.” While fair trade may be misguided, it is essentially innocuous.

But there is another side to the story. Right now, fair trade is voluntary for producers and consumers

alike, but as the movement and its institutional organizations (e.g., the FLO) continue to gain momentum, an alliance with government could conceivably form. It is easy to imagine fair traders exerting enough influence over their legislators such that their system is mandated by force.

That’s what generally happens when economic illiteracy and sanctimonious audacity coalesce.

### The other option

Striving to enhance economic and social welfare is a noble pursuit. Fair traders must ultimately realize, however, that there are flaws in their program. The only way that disadvantaged third-world farmers will truly become better off is by the implementation of free trade, not fair trade. Free trade, together with well-defined, unwavering property rights, optimizes production and price levels, fosters technological progress, and creates opportunity for everyone.

It’s time for doubters of freedom to wake up and smell the coffee.

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*Classically trained as a composer, Joseph S. Diedrich is a freelance writer in Madison, Wisconsin.*

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## Freedom of Speech: Abridged to Nowhere

by Michael Tennant



Americans, known for their outspokenness on matters of politics, sports, *American Idol* contestants, and practically every other topic, would appear to treasure few things more highly than their freedom of speech. Why, it's even right there in the Constitution: "Congress shall make no law ... abridging the freedom of speech." In America, everyone is allowed to speak his mind on any subject without fear of government reprisals.

Well, not quite.

The U.S. government, like all governments throughout history, has always hated free speech. Just seven years after the First Amendment was ratified, Congress passed and John Adams signed the Sedition Act, which made it a crime to "write, print, utter or publish ... any

false, scandalous and malicious writing or writings against the government of the United States." During World War I Congress, with Woodrow Wilson's consent, passed the Espionage Act and yet another Sedition Act (the original having expired in 1801), again banning speech the government didn't like. The Supreme Court upheld the conviction of Charles Schenck under the Espionage Act for printing leaflets opposing the draft. The opinion, authored by Justice Oliver Wendell Holmes Jr., contained the famous dictum that "the most stringent protection of free speech would not protect a man in falsely shouting fire in a theatre and causing a panic."

But that was then and this is now, one might argue: America has long since abandoned such heavy-handed infringements on free speech.

In fact, free speech is under far greater assault today than ever before. The earlier laws, bad as they were, at least only restricted speech concerning the government. Today there are countless laws and regulations restricting what one may say and mandating what one *must* say on practically every topic under the sun.

Consider insider-trading laws. These laws prohibit those with "inside" knowledge of a particular

business or market both from acting on that knowledge and from conveying that knowledge to any non-insiders. Even employees of a company must be kept in the dark, to a certain degree, about how the business is faring out of fear that they might tell others what they heard or personally profit from such information. These laws have also been used to prevent persons from publishing newsletters with investment advice. “To the extent the [Securities and Exchange Commission] prevents persons from speaking, or threatens to punish them for speaking, or tells them how to speak or what to say, it places a chilling effect on the right of free speech,” Robert W. McGee and Walter E. Block wrote in the *Northern Illinois University Law Review*.

### Commercial speech

Employers are not permitted to ask a variety of questions during job interviews. (For details see <http://bit.ly/135scBe>.) They may not ask whether a prospective employee is a U.S. citizen, what his religion or other social associations are, how old he is, whether he is married or a parent, how tall he is, or even whether he lives close enough to the office to be able to commute. How’s *that* for free speech?

The Federal Communications Commission possesses enormous power when it comes to free expression, whether in the form of spoken words or of images. For nearly four decades the FCC enforced the Fairness Doctrine, which mandated that if a radio or television station presented one side of an argument, it had to offer representatives of the other side time to present their case as well. The predictable result was that stations simply avoided broadcasting discussions of anything of real importance. The Fairness Doctrine was eliminated in 1987; the next year Rush Limbaugh took his show nationwide, and talk radio exploded.

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**The Federal Communications Commission possesses enormous power when it comes to free expression.**

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The FCC fined CBS \$550,000 for the infamous Super Bowl XXXVIII “wardrobe malfunction” that ever so briefly exposed Janet Jackson’s breast to millions of viewers. (The fine was later voided by a federal court.) It has also, in recent years, levied hefty fines for “fleeting expletives” on TV — a policy the Supreme Court has upheld as long as the FCC meets certain procedural

criteria. In addition, the FCC wields the ultimate power over free speech on the airwaves: revoking a radio or TV station's license for broadcasting things the government doesn't like.

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**Speaking out against the government isn't exactly allowed to flourish these days.**

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The Food and Drug Administration dictates what food and drug manufacturers may say about their products. Prior to the early 1970s, food manufacturers were prohibited from including nutrition information on product packaging; since 1990, however, such information has been mandatory, with the FDA assuming control over the form and content of it. Claims that vitamins and other supplements have health benefits were long forbidden on packaging, though they are now permitted as long as they state that the FDA has not approved them. Food manufacturers, on the other hand, are still hounded by the FDA if they dare to claim that their products have specific health benefits that the bureaucrats have not approved, as walnut distributors found out a few years ago when the agency threatened to force their products off the market because the packaging stated that the fatty acids in walnuts

help reduce the risk of heart disease and certain types of cancer.

Speaking (or, rather, not speaking under penalty of law) of product claims, the Federal Trade Commission has reams of regulations governing what advertisers may, may not, or must say about what they have to sell.

Fair-housing laws prohibit real-estate agents from serving their clients effectively. Those laws forbid agents to tell prospective homebuyers about neighborhood characteristics, such as demographic makeup, crime statistics, school-district quality, and nearby houses of worship — even when asked about those things by the prospective buyer. (See details at <http://bit.ly/135tQCZ>.)

### Political speech

Speaking out against the government isn't exactly allowed to flourish these days, either. The Obama administration has ruthlessly prosecuted government whistleblowers under the 1917 Espionage Act, even when those persons were informing the public of rather mundane things such as wasted taxpayer dollars. Pvt. Bradley Manning (who now wishes to be known as Chelsea Manning) was subjected to brutal detention for supplying gov-

ernment secrets to WikiLeaks and faces 35 years in prison. And those the administration hasn't prosecuted, it has often persecuted — firing whistleblowers or their spouses who work for the government, shunting them off into meaningless positions, and otherwise harassing and threatening them.

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**“Depending on who’s making the assessment, anything can be considered disorderly.”**

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One needn't be exposing government wrongdoing from within for his speech rights to be curtailed, either. During the George W. Bush administration, protesters were often cordoned off into “free-speech zones” far away from where Bush would be appearing so he wouldn't have to see or hear them. Barack Obama went him one better by signing the Federal Restricted Buildings and Grounds Improvement Act of 2011, which essentially makes it a crime to be in the same location as a federal official unless one is a sycophantic bootlicker. John Whitehead, president of the Rutherford Institute, put it this way in an interview with WND.com:

A person eating in a diner while a presidential candidate

is trying to score political points with the locals could be arrested if government agents determine that he is acting “disorderly.” Mind you, depending on who's making the assessment, anything can be considered disorderly, including someone exercising his right to free speech by muttering to himself about a government official. And if that person happens to have a pocketknife or nail clippers in his possession (or any other innocuous item that could be interpreted by the police as “dangerous”), he could face up to 10 years in prison.

Add to that the fact that the president wields the power to imprison, torture, or even assassinate people, including U.S. citizens, whom he deems to be threats, and it's a wonder anyone dares to criticize the government at all.

With all those restrictions on speech — and many more that could be adduced if time and space permitted — it is clear that Americans do not live in a society that prizes freedom of speech as highly as the First Amendment would seem to indicate. Indeed, the United States may well be approaching

the point where, as is often said of Germany, “everything is forbidden except that which is permitted,” and not just in matters of speech. If that happens, Americans will have very

little remaining freedom of which to speak.

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*Michael Tennant is a software developer and freelance writer.*

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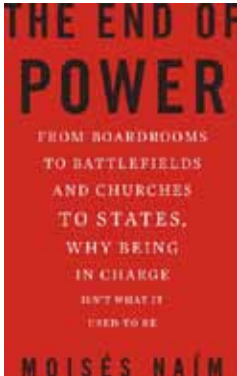
*What prudent merchant will hazard his fortunes in any new branch of commerce when he knows not but that his plans may be rendered unlawful before they can be executed? What farmer or manufacturer will lay himself out for the encouragement given to any particular cultivation or establishment, when he can have no assurance that his preparatory labors and advances will not render him a victim to an inconstant government?*

— James Madison

# Whither Power?

by Kevin Carson

*The End of Power: From Boardrooms to Battlefields and Churches to States, Why Being in Charge Isn't What It Used to Be* by Moisés Naím (Basic Books 2013), 320 pages.



The topic of Moisés Naím's book is the decay of power — the shift of power “from brawn to brains, from north to south and west to east, from old corporate behemoths to agile start-ups, from entrenched dictators to people in town squares and cyberspace.”

But he might just as easily call it a book on the transition from hierarchies to networks. Power, Naím says, isn't just shifting in the directions described in the quotation above. Power itself is evaporating —

“slipping away” — even in the hands of its new recipients. And what's emerging in its place is a society based not on power but voluntary association: horizontal networks and self-managed groups.

The main reason for the declining power of legacy institutions is falling barriers to entry. Individuals, small groups, and self-organized networks are increasingly able to take on powerful institutions on an equal — or more than equal — basis. That results, in Naím's terminology, from the “More Revolution” (quantitative increases in population, income, literacy, et cetera), the “Mobility Revolution” (self-explanatory), and the “Mentality Revolution” (more education, rising expectations, and decreased deference to authority).

But the decisive revolution, in my opinion, is the “Less Revolution”: the ephemeralization, or the decline in material requirements (overhead and capital outlays) required to undertake any given function. The 20th century was the era of large, centralized, hierarchical institutions, mainly because of the large capital outlays required to enter the field. The precipitous fall in capital costs required to undertake the same functions means that by the end of the 21st century there

probably won't be enough of such institutions left to bury.

### Declining advantages

The rest of the book is a survey of Naím's thesis — the declining power advantages of size — as it applies to specific facets of society.

In politics, majority parties in control of national governments are finding their political power less and less meaningful. The proliferation of groups with veto power — organized interest groups such as the Pirate Party in Europe and Tea Party in the United States, the Arab Spring, hacktivist movements, and NGOs et cetera — has led to a paralysis in national politics. The application of asymmetric warfare techniques to other areas of life — political, economic, social — means that the deliberate application of power finds itself increasingly thwarted by “vetoes, foot-dragging, diversions, and interference.” The network-communications revolution and the removal of transaction costs for coordination have increased what Samuel Huntington called the “crisis of governability” back in the 1970s by several orders of magnitude.

In the international arena, despite the apparent concentration of power in the hands of the United

States (the “sole remaining super-power”), the actual power advantage of the United States and second-tier Great Powers is steadily diminishing. As asymmetric warfare techniques proliferate, the advantages of superior military force are in rapid decline. The weaker military side prevailed 55 percent of the time between 1950 and 1998, compared to only 12 percent between 1800 and 1849. And the change has accelerated in the last decade or so, with the rapid technological advances and cheapening of area-denial weapons that make American power-projection capabilities less and less usable.

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**Majority parties are finding their political power less and less meaningful.**

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In economics the falling capital outlays for production are undermining the whole material basis for the power of large institutions. The revolution in cheap manufacturing technology makes the large mass-production factory irrelevant from a purely material and technical standpoint. The revolution in desktop information processing, network communications, and P2P (peer-to-peer) organization is having a similar effect on the big media corporations.



The network-information revolution is also rendering large government and corporate institutions vulnerable to networked public information and pressure campaigns. Until the 1990s, the Mexican government's attempted suppression of the Zapatista uprising in Chiapas or Shell Oil's use of mercenary death squads to suppress local resistance in Nigeria would hardly have merited an inside paragraph in the major newspapers of record. But thanks to global information campaigns on the Internet, such state and corporate malefactors have found themselves blindsided by negative publicity and scurrying under the refrigerator like cockroaches when the kitchen light is turned on.

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**The network-information revolution is also rendering large government and corporate institutions vulnerable.**

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For most prestigious corporate brands, the five-year risk of a catastrophic collapse of value from attacks on their public reputation has grown from 20 percent to 82 percent over the past 20 years. Negative publicity by means of networked communications media is a venerable David-vs.-Goliath strategy that

has been practiced by the Wobblies as “open-mouth sabotage” for decades. More recently, in the Internet Age, it's been the primary weapon of public-pressure campaigns such as Charles Kernaghan's fight against Kathie Lee Gifford, and the Coalition of Immolakee Workers against Taco Bell and KFC. Corporations are starting to learn they no longer live in the broadcast era of one-way communications that they control. And their attempts to shut up critics with SLAPPs (strategic lawsuits against public participation) or DMCA (Digital Millennium Copyright Act) take-down notices are running up against what Mike Masnick calls the Streisand Effect: attempts to suppress embarrassing speech have the tendency to draw orders of magnitude more attention to the embarrassing speech.

### **The shared paradigm**

The main problem with Naím's analysis is that, for all his celebration of the network revolution and the decline in institutional power, he wants to stop the rolling rock halfway down the hill. Throughout the book, he warns of the dangers attendant to a loss of authority, like “anarchy” or a Hobbesian “war of all against all.” At the same time he idealizes the role of authority —

e.g., the “Pax Americana” — in imposing order.

In the end he seems unable to conceive of the possibility that rather than being something “imposed” by authority, order may instead result from horizontal, voluntary cooperation.

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### **Naím ignores the extent to which problems result from the past exercise of power.**

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It is a fundamental deficiency of vision. He repeatedly points to all the complex problems facing the world — climate change, terrorism, resource depletion, et cetera — that, in his view, require some sort of usable power to solve. He ignores the extent to which such problems actually result from the past exercise of that power.

In so doing, he perpetuates a paradigm common to both mainstream Left and Right that should be quite familiar to us in American politics: the portrayal of the world’s present ills (poverty, corporate power, the concentration of wealth, et cetera) as natural and inevitable absent state intervention to prevent them. The statist Left justifies state intervention on the grounds that it’s necessary to prevent the otherwise inevitable emergence of wealth dis-

parities and concentrations of economic power caused by an unregulated market. The statist Right (which misappropriates to itself the label “free-market” or “libertarian”) shares the view of those outcomes as inevitable, but argues either that the outcomes really aren’t all that bad or that they’re the reward for superior productivity and performance in a “free market.” This shared paradigm of statist Left and Right serves as a legitimizing ideology for both big government and big business by portraying them as competitors or enemies rather than, as they are in reality, parts of a single interlocking system of power.

That is demonstrated by Naím’s view of the importance of some hegemonic power in guaranteeing global political stability. He idealizes the “peace” and “stability” imposed by hegemonic powers such as the bipolar superpower condominium of the Cold War, as well as the United States’s unilateral attempt to impose a world order since the end of the Cold War. He totally ignores the fact that many of the instabilities that supposedly require a hegemon to suppress them were themselves the direct result of past exercises of hegemonic power.

How much terrorism was directly *generated* by Britain’s promo-

tion of the Zionist project in Palestine, or the American decisions to overthrow Mosadeq and to destabilize the Soviet client regime in Afghanistan? How many global hot spots are aftereffects of the World War I victors' hubris in drawing imaginary lines through the territories of the Ottoman and Austro-Hungarian empires?

How much bloodshed was foisted on the world by the U.S. government itself, when it supported Central American death squads, instigated bloody coups in places such as Indonesia, and promoted the universal triumph of military dictatorship in the Southern Cone of South America through Operation Condor?

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**How much bloodshed was foisted on the world by the U.S. government itself?**

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The superpower dual hegemony during the Cold War may have “left little room for local conflicts to spread,” but superpower involvement in local proxy wars also made them extremely bloody. The deforested toxic-waste dump that persists in what was formerly South Vietnam should be enough to convince us of that. Instead of asking who will prevent aggression after

Pax Americana, it would make more sense to ask who will deter America.

### Misunderstanding free trade

Naím also idealizes — unjustifiably — the world order enforced by superpower military hegemony and the “soft power” of the IMF and World Bank. The claim that the Washington Consensus promotes “lowered trade barriers” is ludicrous. It has lowered tariffs — but only because tariffs have ceased to serve corporate power and instead have become a hindrance to it. Meanwhile, it greatly strengthened a new form of protectionism: so-called intellectual property, which serves the same protectionist function for transnational corporations that tariffs did for industrial corporations a century ago. The global system of information lockdown enforced in behalf of transnational corporations — I call it the DRM (digital rights management) Curtain — is more protectionist than anything Smoot and Hawley could have imagined.

The “peace” enforced under the UN Security Council since World War II has been a regime of extraction by the industrial powers of the global north against the global south.

What Washington calls a global regime of “free trade” in fact ratifies a status quo resulting from centuries of imperial land expropriation, enclosure, and slavery. It protects state-subsidized and state-protected global corporations in mining and agribusiness, as well as sweatshop employers, against victims’ attempts to obtain justice. It has absolutely nothing to do with free trade or free markets.

The problem with Naím’s framing is that he fails to understand the true nature of the state. The state, as Franz Oppenheimer pointed out, is the political means to wealth — i.e., rent extraction — by the coalition of privileged classes that control it. This is as true of the global neoliberal regime enforced by the United States as it is of domestic policy. The American state does not promote “free markets” or “lower trade barriers,” but instead a *mixture* of markets and state intervention best calculated to guarantee the maximum sustainable rate of rent extraction for the classes that control the state.

Despite his enthusiasm for the network revolution, Naím constantly finds himself looking back to the fleshpots of Egypt. His most thoroughgoing rhetoric about the revolutionary effects of decentralization notwithstanding, he seems

most comfortable with a hybridized vision in which the network revolution is domesticated, co-opted, and incorporated into existing institutional power structures.

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The American state does not promote “free markets” or “lower trade barriers,” but instead a *mixture* of markets and state intervention.

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The history of the last few decades is a history of attempts by existing power structures to put new wine in old bottles — to domesticate new decentralized production technologies by decentralizing operations while retaining centralized disposal of their product. Transnational corporations outsource actual production to small job shops in China but use “intellectual property” law to integrate them into a corporate framework. They attempt to copy the advantages of P2P organization within their institutional framework by means of management fads such as the Wikified firm and Enterprise 2.0, despite the fact that genuine P2P organizations are inevitably more agile and efficient than corporate imitations.

Naím shows no little sympathy with this state of affairs. In language reminiscent of Tom Peters’s gush-

ing back in the 1990s about the portion of his new Minolta's price that reflected "human imagination" rather than labor and materials, Naím celebrates the growing share of firm market value that results from patents and copyrights, human capital, and goodwill rather than the book value of tangible assets: in other words, "value" created by embedded rents on artificial scarcities enforced by the state, rather than by natural scarcities or necessary costs of production. To put it in Biblical language, the Children of Israel have invented a way to make bricks without straw — but Pharaoh has forbidden it in order to keep the straw suppliers in business.

Naím imagines that new small-scale production technologies such as job shops full of cheap CNC (computer numerical control) machinery will be integrated into the existing global economy — "small-batch production of mass-market goods." But that is only a temporary hybrid form resulting from the effort — ultimately doomed — to integrate garage-production technology into a corporate institutional framework. It will eventually give way to small-batch local production of goods for *local* consumption,

by small neighborhood shops in both American and Chinese communities. Garage factories in American communities will soon be producing knockoffs of patented industrial goods, or illegally producing generic replacement parts and accessories from CAD/CAM files on the Pirate Bay. Chinese and Vietnamese shops will ignore Nike's trademark and sell identical sneakers — without the enormous brand-name markup — locally.

In every case, genuine network organizations run circles around the corporate imitations. And (as the record companies can tell you in regard to file-sharing technologies) the artificial property rights on which such attempts at co-optation depend are becoming unenforceable.

Despite Naím's attempt to maintain a position with one foot in the old world and one in the new, there's no halfway stopping point. He needs to stop worrying and learn to love complete freedom.

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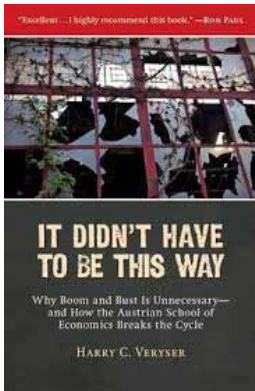
*Kevin Carson is a senior fellow of the Center for a Stateless Society ([www.c4ss.org](http://www.c4ss.org)), where he holds the Karl Hess Chair in Social Theory.*

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# The Business Cycle Explained

by George C. Leef

*It Didn't Have to Be This Way: Why Boom and Bust Is Unnecessary — and How the Austrian School of Economics Breaks the Cycle* by Harry C. Verser (Intercollegiate Studies Institute 2012), 318 pages.



This is one instance where a book's subtitle tells the reader much more about its content than the title does. You know at once that the book is devoted to explaining Austrian-school thinking, especially with respect to the problem of cycles of economic booms followed by recessions.

The United States enjoyed a boom, largely due to the housing

bubble, from 2002 to 2007, and since then it has languished in a recession that shows no sign of abating, much less turning into another boom. Economists and politicians keep proposing to solve the economy's troubles by "stimulating" it with more government spending and more money creation by the Federal Reserve. Once you have read this book, you will understand why such "solutions" must not only fail but can only make matters worse. More than that, you will understand why most of what passes as "mainstream" economic thinking is the furthest thing from the sound principles that could lead to prosperity.

Many Americans regard economics as a bewildering jumble of mathematics and opaque jargon that they can't begin to decipher. Therefore, they shrug and say that it is something we have to "leave to the experts." Verser addresses that destructive notion, writing, "Economics is not — or does not have to be — a mysterious science. Quite simply, it is the study of reconciling the unlimited wants of man with limited resources." Properly explained, ordinary people can easily grasp the lessons of economics and see the adverse consequences of government's tampering with mon-

ey, prices, and incentives. That is exactly what the book does.

Veryser weaves his lessons in Austrian economic thinking into the story of the modern economic condition. He starts with a chapter covering the development of the Austrian school, from Carl Menger up to the present day. This is more than a cursory overview. In addition to writing about the contributions of the best-known Austrians (Ludwig von Mises and Friedrich A. Hayek), he also dwells on lesser-known scholars, such as Frank Fetter and Wilhelm Röpke, and non-academics who helped to popularize Austrian thinking, such as Henry Hazlitt.

### The fall of liberalism

The chapter that follows discusses the age of classical liberalism — the century from the fall of Napoleon to the outbreak of World War I. During that century living standards and longevity increased far more rapidly than ever before. That happened, Veryser shows, because the major nations adopted (for the most part, at least) the principles that make economic progress possible, namely, the rule of law (including the sacredness of contracts), free trade, sound money based on precious metal, economic

freedom, and low taxation. While the U.S. government surely interfered less in the economy during that period than later on, the book would have been strengthened by explicitly noting that interventions such as protective tariffs, land grants, and subsidies for favored businesses such as railroads kept economic growth from being as great and as widespread as it might have been.

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Veryser weaves his lessons in Austrian economic thinking into the story of the modern economic condition.

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Before long, however, the increasing wealth brought about by liberalism was targeted by “Social Gospel” reformers, Marxists, and other advocates of a powerful and intrusive state. Believing that they knew how to engineer a much better society, they worked incessantly to undermine the classical principles with “social-insurance” legislation and laws that eroded property rights and liberty of contract.

The immense cataclysm of World War I not only claimed millions of lives and destroyed vast amounts of property, but also tore down the foundations of classical liberalism. Veryser writes,

After the Great War, the pillars of classical liberalism fell: the rule of law gave way to arbitrary government, taxation levels were raised to finance the war and then to pay off war debts, and economic freedom was curtailed (including by requiring passports for travel); world trade was restrained, as was capital movement; and the gold standard was suspended, never to be restored.

The grave economic troubles of the 1930s were a direct result of the new economic order the war had produced, and Veryser makes it clear that the nation would never have suffered the Great Depression if it had stayed with the old liberal precepts.

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Why did the Great Depression (and indeed all depressions) occur? Veryser carefully explains the Austrian theory that government meddling with money and credit to drive down interest rates leads to a temporary, unsustainable boom. He then supports the theory with

historical data, such as the short-lived Florida land craze in the latter 1920s.

The great Austrian economists of the time, Mises and Hayek, vigorously attacked the governmental policies that created the boom as well as the policies that, intending to alleviate it, made it worse. But no one in power paid any attention to them. The turmoil of the 1930s set the stage for World War II, which probably would not have occurred but for the ruinous, anti-market interwar economic policies.

### Postwar meddling

It did occur, of course, and in 1944 the Allied powers, seeing victory on the horizon, met in a conference at Bretton Woods, New Hampshire, to work out a postwar economic order that would lead to peace and stable growth. Veryser provides an excellent analysis of Bretton Woods, showing that it got some things right (especially the efforts at preventing trade protectionism) but got other things wrong. Its fatal flaw, which would not become evident for more than 20 years, was its reliance on the stability of the U.S. dollar rather than gold as the monetary anchor of the system. Putting trust in the dollar, which is subject to political manip-



ulation, was a blunder, and Hazlitt and other Austrians said so.

Veryser raises a particularly welcome point when discussing postwar Europe: the Marshall Plan did not cause an economic rebound, as is widely believed. The idea that government aid is necessary for economic growth is part of the interventionist mythology, but those European nations that recovered most quickly from the war did so because they followed relatively laissez-faire policies that allowed their people to build, produce, work, and trade. Notably, Britain had the slowest recovery despite the great amount of aid it received; that was because of the anti-market policies of the Labour Party government from 1945 on.

That fatal flaw in Bretton Woods — assuming that the American dollar would remain stable — began to reveal itself in the late 1960s, as Lyndon Johnson’s appetite for both welfare and warfare led to the depreciation of the dollar. Veryser rips “Nixon’s Folly” of eliminating the last vestige of the gold standard (the ability of foreign governments to redeem dollars for gold) and imposing a regime of wage and price controls. Austrians attacked those decisions at the time they were made (1971), and time has validat-

ed their criticisms. The years from Nixon through Carter were a time of inflation, stagnation, and government expansion because the country was drifting further and further away from the foundations for freedom and prosperity.

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The idea that government aid is necessary for economic growth is part of the interventionist mythology.

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“Reagan’s Rally,” as the author terms it, was a period of economic revival due to the relaxation of some government regulation and cuts in tax rates. Veryser argues that Reagan’s administration was marred in several major respects — especially by the use of protective tariffs and quotas — and that it blew the opportunity to return to gold.

Having given the reader a short course in economic history, Veryser returns at this point to economic theory — changing gears from “how things got this way” to “how things could improve.”

The last section of his book is entitled “A Reconstruction of Economics,” and here he expounds on the need for economists to focus again on the essentials of human action: the division of labor, entrepreneurship, sound money, a price

system free of government meddling, savings, and capital formation. To those I would add the concept of opportunity cost. It is remarkable how frequently “mainstream” economists these days talk about government programs (especially policies that are supposed to “stimulate the economy”) without ever discussing the inevitable trade-offs between increased government activity and decreased private-sector activity. A few paragraphs on the problem of ignoring opportunity costs would have been a good addition to the book.

Except for the Austrians (and a few others), the economics profession has been wandering around in a theoretical fog, and to the extent that the advice it offers has been followed, we are much the worse for it. Perhaps, though, we are on the verge of what Veryser optimistically calls “an Austrian moment” — a return to the sound economic thinking the Austrian school stands for.

That, however, won't happen easily. Veryser tells a revealing story concerning his teaching. In 2005 a dean criticized him for teaching economics that lacked “rigor.” What

he meant was that Veryser's Austrian approach did not use mathematics. The dean felt that “real” economics must involve teaching “financial engineering,” or, in the author's words, transforming “dodgy debt into AAA bonds by the use of statistical tools.” When Veryser argued against teaching such alchemy, the dean roared back that “he had letters from companies who would not hire our graduates” unless they had been taught that pernicious nonsense.

The bursting of the housing bubble may have dampened the business world's enthusiasm for the pseudo-economics of “financial engineering,” but it will take a lot of effort to dislodge the entrenched, harmful notions of “mainstream” economics.

*It Didn't Have to Be This Way* is a powerful move in that direction. The book deserves a vast readership and national discussion.

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