
FUTURE OF FREEDOM

VOLUME 25 | NUMBER 6

JUNE 2014

*An honest man is one who knows that he can't
consume more than he has produced.*

— *Ayn Rand*

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

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's other activities are described on our website.

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 2014. *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



*The U.S. Embrace of
Monetary Tyranny, Part 2* 2

Jacob G. Hornberger

*Fighting Discrimination
without the Government* 8

Sheldon Richman

*How Trade Wars
Shaped Early America, Part 1* 13

James Bovard

*Class Theory, Part 2:
Modern Progressive Class Analysis* 19

Anthony Gregory

The Defining Challenge of Our Time 27

George Leef

The Boast in the Machine 34

Joseph R. Stromberg

The U.S. Embrace of Monetary Tyranny, Part 2

by Jacob G. Hornberger



In the midst of the Civil War in 1862, Abraham Lincoln secured passage of the first legal-tender law in the history of the United States. It was a law that planted the seeds of monetary debauchery that would culminate more than 70 years later during the presidential regime of Franklin D. Roosevelt.

Up to the Civil War, the American people had been living under the most unusual monetary system in history. It was a system in which gold coins and silver coins were the official money of the United States. That's because the Constitution, which enumerated the powers of the federal government, established a monetary system based on gold coins and silver coins rather than paper money.

The Constitution, however, also delegated to the federal government the power to borrow money. In return for money borrowed, the government would issue debt instruments. In essence, those debt instruments — bills, notes, and bonds — were nothing more than promissory notes.

Of course, there was nothing to prevent people from transferring their debt instruments to other people in economic transactions. If John owed Peter \$5,000 in gold coin and possessed a \$5,000 U.S. note, Peter might well be willing to accept the note rather than require John to go redeem the note for gold coins and then pay Peter with the gold coins.

Nevertheless, everyone understood that federal debt instruments were not money but only promises to pay money — that is, promises to pay with gold coins or silver coins.

During the Civil War, Lincoln was faced with the difficulty with which many other rulers in history had been faced. His administration's expenses were exceeding its tax revenues. To express the matter in modern-day parlance, Lincoln was running a deficit.

Lincoln had options to deal with his financial problem. One option was to slash expenditures to such an

extent that they matched tax revenues. That option was problematic because Lincoln was waging a war that was becoming increasingly expensive. A second option was to increase taxes to match the level of expenditures. But that option was also problematic because people were already overtaxed and a tax increase was likely to result in lots of anger among taxpayers.

Legal tender

Lincoln did what U.S. officials do today to finance their deficits. With the consent of Congress, he borrowed the difference between what he was spending and what he was bringing in with tax revenues.

A major problem arose, however. Because of the large amounts in notes that Lincoln was issuing to evidence the government's debts, the notes began trading at a discount in the marketplace. People didn't have 100 percent confidence that the federal government was going to repay the notes, especially since the outcome of the war was still in doubt. More important, people were figuring out that Lincoln's government lacked the necessary amount of gold to pay off all its debts.

Lincoln's response was to secure passage of the first legal-tender law

in the history of the United States. The law required people to accept the federal government's debt instruments at face value. Even though they might be trading at a discount in the marketplace, commercial establishments and creditors were required by the law to accept them as if they were equal in value to what they promised to pay.

For example, suppose that in 1860 Peter borrows \$1,000 from Paul. Paul gives Peter \$1,000 in gold coins and Peter in turn gives Paul a promissory note in which he promises to pay Paul the sum of \$1,000 in gold coin plus interest, with the note coming due in 1863.

People didn't have 100 percent confidence that the federal government was going to repay the notes.

Meanwhile, let's assume that Lincoln issues a massive amount in federal bills promising to pay the bearer the sum of \$100 on demand. By the time 1863 rolls around, those federal bills are now trading at a 20 percent discount. That is, they have a fair market value of \$80 in gold coin rather than \$100 in gold coin.

When Paul's note comes due in 1863, Peter approaches him and offers him \$1,000 in U.S. bills in pay-

ment rather than \$1,000 in gold coin. Paul realizes that the notes have a fair market value of only \$800 in gold coins. He rejects Peter's offer and demands to be paid back \$1,000 in gold coins.

Peter points out that under Lincoln's legal-tender law, Peter is permitted to pay his debt with U.S. notes and Paul is required to accept such payment at the face value of the notes. Paul responds that Lincoln doesn't have the authority under the Constitution to deprive him of money that is lawfully due him.

In fact, that's how the case of *Hepburn v. Griswold* reached the U.S. Supreme Court in 1869. A Mrs. Hepburn offered to pay a debt that she owed Henry Griswold with legal-tender notes that were trading at a deep discount. Griswold refused the tender and demanded payment in gold coins. Hepburn refused, citing Lincoln's legal-tender law. Griswold sued and the case ultimately reached the U.S. Supreme Court five years after the war ended.

In a 4-3 decision (actually five justices favored the majority position but one retired before the formal vote was taken), the Court declared Lincoln's legal-tender law to be unconstitutional. The Court pointed out that while the Constitution delegated to the federal govern-

ment the powers to coin and borrow money, it did not delegate the power to enact legal-tender laws.

The Court pointed out that the Constitution did not delegate to the federal government the power to enact legal-tender laws.

The Court stated,

It is not doubted that the power to establish a standard of value by which all other values may be measured — or in other words, to determine what shall be lawful money and a legal tender — is in its nature, and of necessity, a governmental power. It is in all countries exercised by the government. In the United States, so far as it relates to the precious metals, it is vested in Congress by the grant of the power to coin money. But can a power to impart these qualities to notes, or promises to pay money, when offered in discharge of preexisting debts, be derived from the coinage power, or from any other power expressly given?

It is certainly not the same power as the power to coin money. Nor is it in any reason-

able or satisfactory sense an appropriate or plainly adapted means to the exercise of that power. Nor is there more reason for saying that it is implied in, or incidental to, the power to regulate the value of coined money of the United States, or of foreign coins. This power of regulation is a power to determine the weight, purity, form, impression, and denomination of the several coins and their relation to each other, and the relations of foreign coins to the monetary unit of the United States.

Nor is the power to make notes a legal tender the same as the power to issue notes to be used as currency....

The Court also cited the Fifth Amendment, which the American people had adopted soon after the Constitution brought the federal government into existence. It expressly prohibits the federal government from depriving people of property without due process of law. The Court pointed out that the legal-tender law was no different from a law that allowed a person who had been paid for 100 acres of land to instead deliver only 50 or 75 acres to the buyer.

“Evil likely to follow”

Thus, Lincoln’s legal-tender law was effectively dead. Under the Court’s decision, America’s monetary system would continue to be based on gold coins and silver coins. The government would continue to have the power to borrow and those debt instruments might well continue to serve as money substitutes in the economic marketplace. But the government would forever be precluded from forcing people to accept its notes at face value through the passage of legal-tender laws.

In 1870 the Supreme Court upheld the constitutionality of Lincoln’s legal-tender law.

Yet the following year, owing to the appointment of two new judges to the Court, in *Knox v. Lee* and *Parker v. Davis* the Supreme Court overturned the decision in *Hepburn v. Griswold* and upheld the constitutionality of Lincoln’s legal-tender law. Then, in the 1884 decision in *Julliard v. Greenman*, the Court upheld, once and for all, the constitutionality of legal-tender laws.

Implicitly rejecting the enumerated-powers doctrine, the Court held that the federal government had the sovereign power to estab-

The U.S. Embrace of Monetary Tyranny

lish any type of monetary system it wanted over the American people. The Court's decision effectively placed the federal government in the same position with respect to monetary power that all other governments in history had wielded, including the power to plunder and loot people through monetary debasement. Justice Stephen J. Field put the matter best in his dissenting opinion in *Julliard*:

If there be anything in the history of the constitution which can be established with moral certainty, it is that the framers of that instrument intended to prohibit the issue of legal-tender notes both by the general government and by the states, and thus prevent interference with the contracts of private parties....

For nearly three-quarters of a century after the adoption of the constitution, and until the legislation during the recent civil war, no jurist and no statesman of any position in the country ever pretended that a power to impart the quality of legal tender to its notes was vested in the general government....

We all know that the value of the notes of the government in the market, and in the commercial world generally, depends upon their convertibility on demand into coin; and as confidence in such convertibility increases or diminishes, so does the exchangeable value of the notes vary.... They are promises of money, but they are not money in the sense of the constitution....

From the decision of the court I see only evil likely to follow....

Some 50 years later, Field's prophecy would come to fruition during Franklin Roosevelt's New Deal. It continues to haunt us to this day.

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

NEXT MONTH:
"The U.S. Embrace of
Monetary Tyranny, Part 3"
by *Jacob G. Hornberger*

[We considered the Alien and Sedition] acts as so palpably against the Constitution as to amount to an undisguised declaration that that compact is not meant to be the measure of the powers of the General Government, but that it will proceed in the exercise over these States of all powers whatsoever... [We] view this as seizing the rights of the States and consolidating them in the hands of the General Government, with a power assumed to bind the States, not merely as [to] cases made federal (casus foederis), but in all cases whatsoever, by laws made, not with their consent, but by others against their consent.... This would be to surrender the form of government we have chosen and live under one deriving its powers from its own will and not from our authority.

— Thomas Jefferson

Fighting Discrimination without the Government

by Sheldon Richman



Should the government coercively sanction business owners who refuse to serve customers because of their race or ethnicity?

While such behavior is troubling — judging persons by their involuntary membership in a group eats at the foundation of libertarianism, respect for human dignity — the refusal to serve someone on such a basis is nevertheless an exercise of self-ownership, property rights, and freedom of nonassociation. It is both nonviolent and non-violative of other people’s rights. If we are truly to embrace freedom of association, logically we must also embrace freedom of nonassocia-

tion. The test of one’s commitment to freedom of association, like freedom of speech, is whether one sticks by it even when the content is objectionable.

But does that mean that *private individuals* may not peacefully sanction businesses that invidiously discriminate against would-be customers?

No! They may, and they should, where appropriate. Boycotts, ostracism, publicity, and other noncoercive measures are also constituents of freedom of association.

So why do many people assume that the only remedy for anything bad — including bads that involve no physical force — is state action, which always entails at least the threat of violence? Are we really so powerless to deal with objectionable but nonviolent conduct unless politicians act on our behalf?

Earlier this year, the Arizona legislature passed — and the governor vetoed — a bill that would have amended the state’s Religious Freedom Restoration Act (RFRA), which holds that even a seemingly religiously neutral law may not “substantially burden” the exercise of religion in the absence of a “compelling government interest” and a less-restrictive method of advancing that interest.

SB 1062 was said to have been prompted by a New Mexico Supreme Court ruling in the case of a commercial photographer who, apparently on religious grounds, refused to take pictures at a same-sex civil-commitment ceremony. The court held that the state's RFRA does not apply in cases involving private individuals, that is, cases in which the government is not a party. Thus a private person or business owner accused of violating the prohibition on discrimination against a designated protected group in public accommodations cannot invoke a religious exemption. ("Public accommodations" generally refers to businesses and government offices open to the general public.) Similar cases have arisen elsewhere.

The Arizona bill would have extended the RFRA to any "individual, association, partnership, corporation, church, religious assembly or institution, estate, trust, foundation or other legal entity." It was interpreted as legislation intended to permit anti-gay discrimination in public accommodations — and maybe it was — but the bill made no reference to sexual preference or identity. (Arizona law bans discrimination on the basis of race and sex, but not sexual orientation.) As the *New York Times* noted, "A range

of critics — who included business leaders and figures in both national political parties — said it was broadly discriminatory and would have permitted all sorts of denials of service, allowing, say, a Muslim taxi driver to refuse to pick up a woman traveling solo."

I'd ask how a "compelling state interest" could license government to impose burdens on anyone's peaceful exercise of religion.

What's an advocate of individual freedom, peaceful social cooperation, and tolerance to make of all this?

Right off, I'd ask how a "compelling state interest" — whatever that may be — could license government to impose burdens, substantial or otherwise, on anyone's peaceful exercise of religion.

Next I'd ask why religion is the only consideration to be taken into account. Shouldn't the state also be restrained from burdening the exercise of secular convictions?

As Mario Rizzo of New York University wrote on Facebook,

The difficulty is that the law singled out an approved reason — religious — why someone could refuse his or her services to another person.

The default used to be freedom of association and contract unless there was some very good countervailing reason. Now it seems that the default is you must behave according to “progressive” values or else. No one in Arizona would have been in danger of being deprived of vital services — the environment is competitive and people want to make money. It is totally unlike the old south. But, hey, no one has the interest in subtle distinctions about liberty.

State prohibitions drive discrimination into the shadows, making private response more difficult.

When Rizzo says, “No one in Arizona would have been in danger of being deprived of vital services — the environment is competitive and people want to make money,” he’s referring to the fact that, unless government intervention protects intolerant business interests (as it did in the old South), markets will punish them and reward inclusive establishments.

Now, the moment anyone says that government should have no power to prohibit business owners from

discriminating in public accommodations, a progressive interlocutor will respond, “So a business should be allowed to refuse service to someone because the person is black?”

To which I would say, No, the business *should not be allowed* to do that. But by “not be allowed,” I mean that *the rest of us should be free to nonviolently impose costs on those who humiliate persons by the refusal of service*. As noted, that would include boycotts, ostracism, and publicity. The state should not be seen as a remedy, and considering that its essence is violence, it certainly should not punish non-violent conduct, however objectionable.

The libertarian alternative

State prohibitions drive discrimination into the shadows, making private response more difficult. Would a Jewish couple want an anti-Semite photographing their wedding? Moreover, legal prohibitions may cut both ways. Should a black photographer have to work the wedding of a white-supremacist couple? Shouldn’t the thought of forced labor make us squirm?

As I wrote previously in connection with the public-accommodations provision (Title II) of the 1964 Civil Rights Act, private ac-

tion is not only morally superior to government action, it is also more effective. Direct nonviolent social action

had been working several years before Title II was enacted. Beginning in 1960 sit-ins and other Gandhi-style confrontations were desegregating department-store lunch counters throughout the South. No laws had to be passed or repealed. Social pressure — the public shaming of bigots — was working.

Even earlier, during the 1950s, David Beito and Linda Royster Beito report in *Black Maverick*, black entrepreneur T.R.M. Howard led a boycott of national gasoline companies that forced their franchisees to allow blacks to use the restrooms from which they had long been barred.

It is sometimes argued that Title II was an efficient remedy because it affected all businesses in one fell swoop. But the social movement was also efficient: whole groups of offenders would relent at one time after an intense sit-in campaign. There was no need to win over one lunch counter at a time.

Title II, in other words, was unnecessary. But worse, it was detrimental. History's greatest victories for liberty were achieved not through lobbying, legislation, and litigation — not through legal briefs and philosophical treatises — but through the sort of direct “people’s” struggle that marked the Middle Ages and beyond. [See also Thaddeus Russell, *A Renegade History of the United States*.] As a mentor of mine says, what is given like a gift can be more easily taken away, while what one secures for oneself by facing down power is less easily lost.

The social campaign for equality that was desegregating the South was transmogrified when it was diverted to Washington. Focus then shifted from the grassroots to a patronizing white political elite in Washington that had scurried to the front of the march and claimed leadership....

We will never know how the original movement would have evolved — what independent mutual-aid institutions would have emerged — had that diversion not occurred.

In other words,

Libertarians need not shy away from the question, “Do you mean that whites should have been allowed to exclude blacks from their lunch counters?” Libertarians can answer proudly, “No. They should not have been allowed to do that. They should have been stopped — not by the State, which can’t be trusted, but by nonviolent social action on behalf of equality.”

The libertarian answer to discrimination is community organizing.

Unquestionably, private owners have the right to set the rules for their property. But that should not stop libertarians from realizing that invidious, collectivist discrimination, however peaceful, corrodes

the foundations of a free society. The historical radical liberal project strove for human flourishing through individual freedom, tolerance, and social cooperation. The right to be a nonviolent ogre was merely a logical, uninteresting implication.

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:
“What Social Animals Owe to Each Other”
by Sheldon Richman

How Trade Wars Shaped Early America, Part 1

by James Bovard



Fair trade is once again a rallying cry for many Americans. Many contemporary leftists believe that the U.S. government should impose restrictions or tariffs on imported goods that are alleged to have been produced by underpaid or oppressed Third World workers. Few contemporary protectionists are aware of the sordid history of trade conflicts earlier in American history.

Restrictive trade policies were a major cause of the American Revolution. “In 1732, England slapped heavy duties on American pig iron, and, in a death blow to the hat industry, decreed that hat makers were forbidden to have more than two apprentices each,” as an 1892 Stanford University monograph

noted. In 1750 Britain prohibited Americans from erecting any mill for rolling or slitting iron; William Pitt exclaimed, “It is forbidden to make even a nail for a horseshoe.” The Declaration of Independence denounced King George for “cutting off our trade with all parts of the world.” Many Founding Fathers recognized the corrupt nature of such restrictions. Benjamin Franklin observed, “Most of the statutes or acts, edicts, arrests, and placarts of parliaments, princes, and states, for regulating, directing, or restraining trade, have been either political blunders, or jobs obtained by artful men for private advantage, under pretense of public good.”

The first Congress under the Constitution passed a new tariff in 1789 with an ad valorem rate of 8 percent; the entire tariff code consisted of a single sheet of rates posted at U.S. custom houses. (By the 1980s, the tariff code would fill two hefty volumes with more than 8,000 different categories.) While the 1789 tariff seemed high to many Americans at the time, the tariff levels would continue rising and reach triple that level by 1816.

In 1791 Secretary of the Treasury Alexander Hamilton issued “Report on Manufacturers,” in which he sought to persuade Americans to

How Trade Wars Shaped Early America

support high tariffs for infant industries to spur economic development: “Though it were true, that the immediate and certain effect of regulations controlling the competition of foreign with domestic fabrics was an increase of price, it is universally true, that the contrary is the ultimate effect with every successful manufacture.... In a national view, a temporary enhancement of price must always be well compensated by a permanent reduction of it.” Hamilton neglected to explain why higher prices always lead to lower prices, but that did not deter subsequent generations of protectionists from invoking him as if his report had been handed down from Mount Sinai.

Congress enacted a tariff in 1816 that was far higher than any prior import barrier.

As the 1800s began, the United States’s trade was rollicked by the competing embargoes imposed on European trade by Britain and by Napoleon in France. In response to British attacks on American ships, Thomas Jefferson imposed a temporary embargo on trade with England in 1807. Inefficient American manufacturers loved the boycott and also profited heavily from the

War of 1812. After that war ended, the northern part of the United States was permeated by “mushroom industries” — businesses that had thrived only because they were sheltered from foreign competition. To protect the new companies, Congress enacted a tariff in 1816 that was far higher than any prior import barrier.

The profits for factory owners generated by that tariff helped spur more pro-tariff propaganda in Washington. Northern congressmen began to advocate a ban on importing any product that any American chose to manufacture. Southern farmers, whose cotton and tobacco were the prime exports of the nation, were forced to buy in a protected market and sell in a free market. Even before the doctrines of David Ricardo reached America, Virginian farmers were protesting to Congress that government policy should not scorn a nation’s comparative advantage: “That instead of struggling against the dictates of reason and nature, and madly attempting to produce every thing at home, countries should study to direct their labors to those departments of industry for which their situation and circumstances are best adopted.”

In 1821 a congressional Committee on Manufactures released a

report asserting “that commerce is exporting, not importing,” and “the excess of exports over imports is the rate of profit.” Tariff proposals were widely seen as a way to enrich the North at the expense of the South. The committee easily got rid of this objection: “The committee thus publicly declare, that if the proposed tariff had, in their opinion partaken of the character imputed to it, it would not have received their sanction; this House certainly would withhold theirs.” The committee recommended blind faith in the (future) generosity of factory owners: “It is a fact, which cannot be too often repeated, which has been verified by every experience, confirmed on every trial, that, when the domestic market has been secured to the domestic manufacturer, domestic competition has reduced the price to the consumer.”

Early Americans recognized the issue of principle in trade restrictions far more clearly than did their successors.

Sen. John Taylor of Virginia, in a fiery reply to the congressional report entitled *Tyranny Unmasked*, warned, “The Committee have entirely overlooked by far the most important branch of political econ-

omy, namely, the economy which teaches nations not to expend the principles which secure their liberty, in search of money... How could it happen that exchanges of property with foreigners should ruin us, but that transfers of property to capitalists should do us no harm?” Taylor had a far better grasp of economic history than did the congressional committee: “In the history of the world, there is no instance of a political economy bottomed upon exclusive privileges, having made any compensation for the deprivation it inflicts.”

“The American system”

Early Americans recognized the issue of principle in trade restrictions far more clearly than did their successors. A Committee of the Citizens of Boston warned in 1827, “Let it never be forgotten, that the question ... is not so much what may be beneficial to manufacturers, as whether government has a right to benefit these, to the manifest injury both of the agricultural and commercial classes.” Sen. Daniel Webster of Massachusetts was one of the most eloquent opponents of trade barriers. He derided protectionism as “a policy which no nation had entered upon and pursued without having found it to be a

How Trade Wars Shaped Early America

policy which could not be followed without great national injury, nor abandoned without extensive individual ruin.”

Sugar tariffs were one of the heaviest burdens on American consumers in the 1820s. After 1816, tariff hikes drove U.S. sugar prices to more than double the world price. Sugar farmers in Louisiana petitioned Washington to maintain the tariff, claiming that they needed government help in their “war with nature” trying to produce sugar in a climate not ideally suited to it. One Southern politician warned that dropping sugar tariffs could inflict widespread collateral damage because “the ruin of the sugar planters would depreciate slave property in the United States by \$100,000,000.”

Wool was the item that received the most attention from the early American protectionists. The main reason for Congress’s obsession to protect wool — one of the most primitive industries — was the pervasive distribution of sheep among congressional districts. In the 1820s wool cost twice as much in the United States as in Britain. As the 1892 Stanford study noted, “Even though the tariff was up to 150% on some wool products, one-third of wool supply still came from abroad. Naturally, the tariffs were carefully

designed so that the tariffs were far higher in the lowest-quality clothing than on the highest-quality clothing; this allowed the poorest citizens to best partake of the benefits of ‘the American system.’” By the late 1820s, the wool lobby was infesting Washington, wailing about a supposed epidemic of smuggling of clothes across the national borders.

Northern manufacturers got almost all the benefits of protection.

In 1828 Congress passed the “Tariff of Abominations” — a crushing, heavy tariff that explicitly sacrificed one part of the country to another part. Northern manufacturers got almost all the benefits of protection, while Southern farmers were forced to pay higher prices for comparatively inferior American products and lost their cotton export markets because of foreign retaliation against the United States.

In 1832 Congress upped the tariffs still higher. South Carolina declared the new tariff unconstitutional and thereby null — and busied itself buying cannon and signing up volunteers to defend its state’s rights. Congress backed down and lowered the tariffs, but

the clash bitterly alienated the North and South and helped paved the way for the Civil War.

Protectionists had long insisted that sagacious government restrictions could speed the development of the American economy. But some of the tariffs that Congress imposed actually subverted industrial development. Prior to the Revolution, American iron manufacturers had been competitive with foreign products. But after Congress imposed a high tariff on iron imports, U.S. producers sharply raised their prices. Former Treasury Secretary Albert Gallatin, in an 1832 report, condemned “the injustice and mischievous effects of an exaggerated duty on an article of such general use as iron. It falls

upon the farmer, the mechanic, the shipping interest, and on every branch of the iron manufacture, those few excepted which have been embraced by the partial protecting system.”

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.

NEXT MONTH:
**“How Trade Wars Shaped
Early America, Part 2”**
by James Bovard

Whoever desires liberty should understand ... that every man who puts money into the hands of a “government” (so called), puts into its hands a sword which will be used against himself, to extort more money from him.

— *Lysander Spooner*

If a person advocates free trade domestically, he cannot logically advocate protective tariffs and other similar measures that prevent goods and services from moving freely across national boundaries. It is simply not true that a nation and a people are made more prosperous by compelling themselves to pay two and three times as much as they need to pay for the goods and services they want. It just does not make sense to improve the means of moving goods from one nation to another, and then to cancel out the savings in transportation costs by passing laws to hamper the resulting trade. I am convinced that such contradictions arise more from lack of understanding than from evil intentions.

— Dean Russell

Class Theory, Part 2: Modern Progressive Class Analysis

by *Anthony Gregory*



On September 17, 2011, the Occupy Wall Street (OWS) movement staged its first protests in Zuccotti Park, a location in New York's financial district. This "direct action" movement has been defined in terms of its opposition to economic inequality, institutional corruption, and the revolving door between corporate America and government. Within one month, the movement was protesting in more than 70 cities and hundreds of communities around the world.

Depending on one's perspective, it can be seen either as a complement to or an opposing version of the Tea Parties. Like the Tea Parties, the Occupy movement identified systemic rottenness in the financial

system and the government bail-outs of Wall Street and big business. It presented itself as largely a leftist phenomenon, a cultural opposition to the Tea Parties. Yet the Occupy movement, like the Tea Parties, claimed to stand with the majority of common Americans — 99 percent of them, in fact, against the top 1 percent. This top 1 percent is at least implicitly defined in terms of wealth, which gave the movement a distinct egalitarian flavor. Yet it is also at least implicitly defined in terms of power and access to privilege. There is a class analysis implied in OWS's "we are the 99 percent" chants that overlaps with that of the Tea Parties.

Occupy Wall Street was neither demographically nor structurally homogeneous as a group. A general assembly issued an official list of grievances in September 2011. Among them were complaints that the government failed to intervene in the marketplace to stop discrimination. Most of the hostility was aimed at corporations, rather than the government that enabled them to exact privileges. Yet at least a number of the grievances could easily be tweaked to target the same federal government lambasted by the Tea Parties:

[Corporations] have taken bailouts from taxpayers with impunity, and continue to give Executives exorbitant bonuses.... They have poisoned the food supply through negligence, and undermined the farming system through monopolization.

They determine economic policy, despite the catastrophic failures their policies have produced and continue to produce.

They have donated large sums of money to politicians supposed to be regulating them....

They have accepted private contracts to murder prisoners even when presented with serious doubts about their guilt.... They have perpetuated colonialism at home and abroad.

They have participated in the torture and murder of innocent civilians overseas.

They continue to create weapons of mass destruction in order to receive government contracts.

In each of these areas, the document targeted corporations, yet the government could be seen as the

primary culprit — the same government that agitated the Tea Parties. But the solution the Occupiers often embraced involved more government power. That raises the question of whether government itself is part of the top 1 percent, and whether it can be wrested away from the wealthy.

The solution the Occupiers often embraced involved more government power.

Among the Wall Street Occupiers were many “working groups.” One of them had an unofficial document, “The 99 Percent Declaration,” which was representative of the ideas of many Occupiers. Aside from a condemnation of war and prison profiteering, the war in Afghanistan, and Internet censorship, most of the document was a call for more government, although sometimes with the aim of ending corruption in that very government. There was a call for “elimination of the corporate state,” but the mechanism advocated was campaign-finance regulation, rather than stripping government of the powers to regulate the economy. Other demands included overturning the Citizens United ruling (which legalized corporate and union contri-

butions to independent campaigns in behalf of political candidates), a “fair tax code,” “health care for all,” more environmental regulations, and national jobs programs.

This group planned a huge conference in Philadelphia on July 4, 2012, hoping for delegates to come from all 50 states to draft a “petition for a redress of grievances.” The “official” Occupy Wall Street group did not endorse the conference.

Occupy versus the state

There were also anarchist contingents in Occupy Wall Street. Doug Henwood of the Demands Working Group complained of their influence. Some of the so-called anarchists committed vandalism and were therefore seen by much of the movement as destructive. Yet there has been an intellectual strain of anarchism since the beginning of the protests. David Graeber, one of the anarchists, wrote in November 2011 of the split in the radical Left going back to the 19th century:

Even back in the 19th century, anarchists argued that this [the Marxist idea of abolishing class through the state] was a pipe dream. One cannot, they argued, create peace

by training for war, equality by creating top-down chains of command, or, for that matter, human happiness by becoming grim joyless revolutionaries who sacrifice all personal self-realisation or self-fulfillment to the cause.

Graeber did not share the big-government enthusiasm of many of his fellow anti-capitalists:

I should be clear here what I mean by “anarchist principles.” The easiest way to explain anarchism is to say that it is a political movement that aims to bring about a genuinely free society — that is, one where humans only enter those kinds of relations with one another that would not have to be enforced by the constant threat of violence. History has shown that vast inequalities of wealth, institutions like slavery, debt peonage or wage labour, can only exist if backed up by armies, prisons, and police. Anarchists wish to see human relations that would not have to be backed up by armies, prisons and police. Anarchism envisions a society based on

equality and solidarity, which could exist solely on the free consent of participants.

Graeber argues that the Occupy movement embodied many anarchistic principles: “The refusal to recognize the legitimacy of existing political institutions [or] the existing legal order” and the rejection of “an internal hierarchy.”

The state itself also appeared to treat the Occupiers worse than the Tea Partiers.

The state appeared to treat the Occupiers worse than the Tea Partiers, a point that conservatives used to favorably compare the law-abiding Tea Parties to the unruly Occupiers. In the fall of 2011, as the movement had just begun in New York, the police corralled people into fenced-off areas, aggressively pepper-sprayed them, seemingly with little provocation, and slammed at least one peaceful protester’s head into a car. Seven hundred protesters walked onto the Brooklyn Bridge, many or most of them apparently thinking the police wanted them to take that path, only to find themselves arrested. Insofar as the protesters see their cause as one against institutional violence and exploita-

tion, the police have done more to bolster their narrative than the activists themselves.

In October 2011, in Oakland, California, the Occupiers struggled to maintain their grip on Ogawa Plaza, a chunk of public property near City Hall. I witnessed from my apartment dozens of police cars zooming in from neighboring jurisdictions the night of October 25. Hundreds of police in riot gear confronted the mostly peaceful activists. Police fired a projectile at activist Scott Olsen’s head and then shot percussion grenades at those who came to help him. In November a video of police pepper-spraying student protesters at UC Davis as they sat unthreateningly on the ground went viral. In January 2012 hundreds were arrested in Oakland.

The Occupy protesters appeared to be split on electoral politics and identification. In October 2011 Democratic pollster Douglas Schoen found that out of 200 polled OWS protesters, the “overwhelming majority of demonstrators supported Barack Obama in 2008.... 48% say they will vote to re-elect him in 2012, while at least a quarter won’t vote.” The support for social democracy was strong in this poll, with the protesters evenly split down the middle on the bank bailouts:

Sixty-five percent say that government has a moral responsibility to guarantee all citizens access to affordable health care, a college education, and a secure retirement — no matter the cost. By a large margin (77%–22%), they support raising taxes on the wealthiest Americans, but 58% oppose raising taxes for everybody, with only 36% in favor. And by a close margin, protesters are divided on whether the bank bailouts were necessary (49%) or unnecessary (51%).

From the beginning, the Occupy Wall Street movement had both anti-establishment and statist elements. Adbusters, a key organization behind launching the movement, saw it as an engine for more regulation from the beginning. In February 2012 John Paul Thornton filed to create an Occupy Wall Street Political Action Committee — the very mechanism symbolizing evil to the movement.

There is another complication concerning the identification of the top 1 percent. It cannot be defined merely in terms of wealth. There is a group of wealthy Americans, “1% for the 99%,” who support higher

taxes, and most 99 percent types seem to welcome the group. Nor is it clear that everyone in the 99 percent is actually part of the victim class — most of the police who are harassing and assaulting the Occupiers do not qualify for the top 1 percent.

The Occupy Wall Street movement had both anti-establishment and statist elements.

Then there is Obama and the actual governing class of this country. While half the Occupiers did not plan to vote for him, about half did. Much of what they want is for the government to crack down harder on corporate wrongdoing — but that raises the question of how much of the government itself would count as being in the top 1 percent. Not just financially, but also in terms of power, surely the president would qualify.

The right-wing response to Occupy

Many of the criticisms of Occupy Wall Street are about as dubious as those the progressives level at the Tea Parties. OWS has been derided on an ad hominem basis for being unkempt and anarchic. Occupiers have been accused of advocating policies far more disruptive to the

prevailing political order, for better or for worse, than most of them actually do. And they have been accused of playing “class war,” sometimes by the same conservatives who criticized Mitt Romney for being rich or Barack Obama for being out of touch with common Americans.

Former Federal Reserve official Herman Cain made headlines with his very stern admonition directed at the Occupiers:

I don't have facts to back this up, but I happen to believe that these demonstrations are planned and orchestrated to distract from the failed policies of the Obama administration. Don't blame Wall Street, don't blame the big banks, if you don't have a job and you're not rich, blame yourself!... It is not a person's fault if they succeeded; it is a person's fault if they failed.

In a presidential debate Ron Paul criticized Cain and sided with the Occupy movement. As the *Los Angeles Times* reported the exchange,

“I think Mr. Cain has blamed the victims.... There are a lot

of people who are victims of this business cycle.” And Paul delivered a veiled attack on Cain's past as a member of a regional board of directors of the Federal Reserve, Paul's favorite target. “They created the bubble,” he said. Cain had said the protesters “are directing their anger at the wrong place. They ought to be over in front of the White House taking out their frustration.” The back-and-forth was part of a larger debate over the role of the federal government in the recession and the Wall Street bailouts in 2008. “Guess who they bailed out?” Paul said. “The big corporations who were ripping people off in the derivatives market. Who got stuck? The middle class got stuck.”

Many other critiques of the Occupiers, as with the Tea Party movement, have been a bit misguided. The idea that Occupiers are predominantly unemployed, like the assumption Tea Partiers were largely uneducated, has been refuted. The idea that Occupiers are overwhelmingly young is also off the mark. The accusation that Occupiers are “Astroturfing” — getting lots

of their funding from establishment billionaires — is also, as with the Tea Parties, not the full truth.

An Occupier said that both the Occupiers and the Tea Parties oppose crony capitalism.

One of the most interesting responses to the Occupy Wall Street movement’s “we are the 99 percent” chant has been the conservative slogan, “We are the 53 percent!” The slogan refers to the 53 percent of Americans whose incomes are high enough to be taxed. The implication is that the true victim class is *that* group, everyone else (including, implicitly, many Occupiers) being beneficiaries of an unfair transfer system. This response, aside from amounting to bragging about being victimized, fails to take into account the many other taxes paid by most of the remaining 47 percent — payroll taxes, of which most Americans pay more than they do in income taxes; sales taxes; excise taxes; property taxes; tariffs; the inflation tax; and many more.

Conservatives have in many cases cheered on the police in their violence against the protesters, siding with the state against the movement, just as many progressives reflexively defended the establish-

ment against the Tea Party. To the consternation of Tea Partiers, in October 2011 *Time* magazine reported a poll showing the Occupy movement was about twice as popular among the general population as the Tea Parties. The accuracy of that poll became the subject of controversy.

Solidarity

In February 2012 *Salon* reported a most inspiring story for those seeking a true realignment against the establishment, as Occupiers and Tea Partiers were seen bonding at Washington’s Conservative Political Action Conference over beers, agreeing with one another about the problems with crony capitalism. One of the Occupy Wall Street leaders called it “the most important thing happening at this conference tonight ... a table of Tea Partiers, Republicans, and Occupiers who have been here for a few hours in solidarity, finding things we have in common.”

In one recorded exchange, an Occupier said that both the Occupiers and the Tea Parties oppose crony capitalism, but they disagreed on the solution. The Occupier mentions the restoration of the Glass-Steagall banking regulation — a common regulatory ambition of

the Occupiers, and one with a very tenuous connection to the financial collapse — and said such regulatory moves, in contrast with the free-market reforms the Tea Partiers want, represents the Occupiers’ idea of a solution. (Ron Paul opposed the repeal of Glass-Steagall in 1999 because he did not want restrictions removed from banks while the taxpayers were still on the hook through government deposit insurance.) It would seem from this that the Tea Partiers support less government and the Occupiers more, although the methods that many Tea Partiers have adopted — the support of Republican candidates — hardly seems consistent with that goal.

If there is a unifying theme in both Occupy and the Tea Parties that could possibly pose a true threat to the establishment, it is in a class consciousness that puts the Tea Party’s Country Class and the Occupiers’ 99 percent against the real Ruling Class, the 1 percent who run the government and benefit most from its pilferage. We see a hint of it in the similarity between insights from Occupier Graeber

and Tea Party hero Angelo Codevilla. Graeber, as mentioned above, believes “that vast inequalities of wealth, institutions like slavery, debt peonage or wage labour, can only exist if backed up by armies, prisons, and police.” Codevilla has written that “[whatever] else government may be, it is inherently a factory of privilege and inequality.”

To realign the spectrum and unify disaffected ordinary people against the ruling elite, what is needed is libertarian class analysis. That’s what we will explore next.

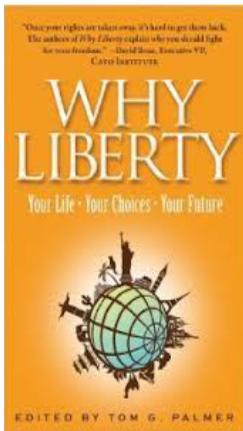
Anthony Gregory is research fellow at the Independent Institute and the author of a forthcoming book on habeas corpus. He is a policy adviser to The Future of Freedom Foundation and a columnist at LewRockwell.com. His website is www.AnthonyGregory.com

NEXT MONTH:
“Class Theory, Part 3:
Libertarian Class Analysis
Revisited”
by Anthony Gregory

The Defining Challenge of Our Time

by George Leef

Why Liberty — Your Life, Your Choices, Your Future edited by Tom G. Palmer (Jameson Books 2013) 116 pages.



With this short, easily read, yet intellectually powerful book, Tom Palmer continues his work of making libertarianism *the* philosophy that will appeal to and animate young people around the globe. While the arguments for vastly downsizing our enormous, meddling, and dangerous government are just as applicable to mature people as to younger ones, Palmer wisely crafts

the book (a joint effort of the Atlas Economic Research Foundation and Students for Liberty) for maximum traction with the generation that must either begin to ratchet down the mega-state or else watch it grow like a malignant tumor.

The so-called progressives want to increase the power of government across the board. What stands in their way is the residual belief among the populace that liberty is good and should not be sacrificed. Palmer and his writers seek to strengthen and spread that belief. They do a superb job. (Alas, there isn't space here to do justice to all of the contributions.)

Palmer's lead essay, "Why Be Libertarian?" explains the common ground between libertarianism and the rules most people instinctively follow in their everyday lives. Acting like a libertarian, he writes, means "You don't hit other people when their behavior displeases you. You don't take their stuff. You don't lie to them or trick them.... You respect other people. You respect their rights. You might sometimes feel like smacking someone in the face for saying something offensive, but your better judgment prevails and you walk away or answer words with words. You're a civilized person."

Libertarianism simply means extending those decent, nonaggressive instincts most of us follow individually to the level of government. If you shouldn't use force or fraud, neither should those who run the government.

But isn't government different? Haven't people consented to government coercion because "the common good" often requires it?

That belief has been drummed into people almost everywhere. Palmer proceeds to tear it apart.

Libertarianism means extending the nonaggressive instincts most of us follow individually to the level of government.

The French philosopher Jean Jacques Rousseau is probably the best-known advocate of the rightness of government coercion. Even if few people have actually read his book *The Social Contract*, most have absorbed its central argument that there exists a "general will" regarding the good of society, so when government officials compel us to go along with whatever they claim to be the general will, they are just "forcing us to be free." Palmer counters that there never has been a "general will" in any society and the claim that there is by Rousseau and

many philosophers since is nothing but a deception to enable some people to control others.

The tripod

Next, well-known TV personality John Stossel contributes an essay cleverly entitled "There Ought *Not* to Be a Law." Stossel observes that both left-wingers and right-wingers think they can improve on society in various ways. Their ends may be laudable, but both sides err in their choice of means when they turn to government, with its tools of coercion, rather than peaceful, voluntary approaches.

If you think, e.g., that drug use is bad, don't seek laws forbidding it, but instead use your freedom to find the best ways of persuading people that they'd be better off not using drugs. Or if you think that poor people need better medical care, don't lobby for a law that has government take over everyone's care, but instead use your freedom to target voluntary assistance to those who need it.

Stossel sums this up with a line all readers should easily remember: "There is nothing government can do that we cannot do better as free individuals."

Libertarians are part of the "extreme Right" in American politics

— correct? No, says Clark Ruper in an essay challenging the conventional left-to-right spectrum. Libertarians, he argues, are *radical centrists*. They are *radical* because libertarian analysis goes to the root of issues, and *centrist* because, he writes “we project our ideas outward and inform political parties and ideologies across the spectrum.” How so?

Ruper observes that modern freedoms which almost everyone favors exist only because of principled opposition by libertarians (formerly known as classical liberals, or just liberals) to laws and social norms that gave to the few power over the many. For example, the separation of church and state, legal protection for free speech, and more all were triumphs of libertarianism. (One more example Ruper might have included was the ending of military conscription.) So is libertarianism just a “fringe” political movement? Hardly. Life today would be much less pleasant if it hadn’t been for those “radical centrists” in the past.

Palmer follows with an essay that expands on the history of libertarian thought — especially how it undermined the old medieval social forms that left the individual at the mercy of “superiors” in the no-

bility and clergy. He points out that during the Middle Ages, cities were the oases for people who sought liberty rather than the oppressive feudal order in the countryside. “The new cities and their civil societies were known as places of personal freedom, as expressed in the old German slogan *Stadluft macht frei* (city air makes one free) and peace,” Palmer writes.

The separation of church and state, legal protection for free speech, and more all were triumphs of libertarianism.

Furthermore, the freedom people enjoyed in cities led to great improvements in standards of human conduct because commercial success depended on having a reputation for fair dealing. Civil norms of respect for the rights of others, honesty, and politeness also developed. The behaviors we associate today with civil society are rooted in the soil of libertarianism that dates back a thousand years.

Palmer proceeds to explain the modern conception of libertarianism, likening it to a tripod. One leg is individual rights — rights that do not come from government, but precede it and can even be asserted against it. Those rights set the

boundaries for the actions others, including rulers, may rightfully take against you.

The second leg is spontaneous order. Libertarian thinking recognizes that order emerges in society from the voluntary associations and agreements people enter into. Thus, there is no need for government officials to impose order by force.

Finally, there is *limited* government. Government has a role to play in society, but that role is limited to the defense of rights. Government must be tightly controlled lest it become a tool of plunder and tyranny.

Summing up, Palmer sets forth what should be a strongly appealing libertarian vision: “Social, scientific, and artistic progress, of peaceful coexistence and mutual respect among a myriad different ways of life and culture; of industry, commerce, and technology; of eradicating poverty and pushing back the frontiers of ignorance; of free, independent, and dignified individuals secure in the enjoyment of their rights.”

Slavery, humility, and the arts

James Padelioni’s essay links the spirit of libertarianism with the abolition of slavery. The greatest human-rights campaign in history was fueled by the libertarian belief

that violations of the right to live in freedom cannot be tolerated. The fire that burned in abolitionists was *libertarian fire*. It animated not only the campaign against slavery, but also the campaigns against laws that denied equal rights to women and to Jews.

Government has a role to play in society, but that role is limited to the defense of rights.

In all of that, the great weapons against oppression were nonpolitical and, of course, nonviolent. Libertarians used economic means to battle slavery, such as consumer boycotts of slave-produced sugar, and education to raise the moral vision of the mass of people so they would see the wrong in long-accepted practices of oppression. Glad we no longer have slavery and state-supported discriminations against groups of people? Thank libertarians.

Perhaps the essay most likely to open the eyes of younger people is Sarah Skwire’s “No Liberty, No Art: No Art, No Liberty.” In it she draws the connection between artistic freedom (which naturally rebellious teens and young adults understand to be important) and freedom in general. Surveying history from ancient times to modern, she gives

examples where rulers used their power to punish poets, artists, and musicians who dared to criticize them. Stalin and Hitler both imprisoned and killed artists who dared to speak out against their regimes. More recently, Vladimir Putin's Russian government had the punk band Pussy Riot sentenced to a penal colony for performing an anti-government song.

Art, Skwire argues, can also help to advance liberty. The Czech Republic's "Velvet Revolution" was catalyzed by the government's prosecution of a rock band. She quotes Czech leader Vaclav Havel, who said, "The freedom to play rock music was understood as the freedom to engage in philosophic and political reflection, the freedom to write, the freedom to express and defend the various social and political interests of society." Of the many reasons to fear the expansion of state power, the way it is used to attack the arts is one of the most compelling.

Aaron Ross Powell's essay argues that libertarianism is a philosophy of humility. It is humble in admitting that all of us have limited knowledge, and in insisting that no one can be entrusted with the power to coerce others. Out of that humility grows respect for the dignity of each person and the willingness

to allow each person to pursue his own quest in life.

But out of humility also grows, Powell writes, "a realistic view of how governments operate." Here he introduces readers to Public Choice theory, which is the antidote to the fairy-dust notions about government that most Americans absorb in school. Instead of serving "the public interest," as children are taught, politics usually does the opposite, helping those few who are the most vocal and politically important. Powell develops that point at length, and rightly so; the fact that government does far more to succor the well-connected than to aid the poor is the Achilles' Heel of governmental legitimacy.

**Out of that humility grows
respect for the dignity of each
person and the willingness to
allow each person to pursue his
own quest in life.**

Showing that the yearning for liberty is universal, Nigerian Olu-Mayowa Okedirans's essay argues that African peoples could enjoy enormous gains in prosperity if most African intellectuals and rulers did not adhere to European socialistic thinking. Okedirans points out that Africans have long engaged

in production and trade, just as Europeans and Asians have. “Profit and entrepreneurship,” he writes “were the backbone of trade empires such as the Mali Empire, the Ghana Empire, and the Songhai Empire.... The freely chosen activities of individuals — of farmers, blacksmiths, fishermen, market women [women who sell goods in the market], and professional merchants — were responsible for economic advancement; the anticipation of profit was the driving force behind those activities.”

Okedirans is especially adamant in denouncing the claim that socialism is the “authentic” model for African societies. It simply isn’t true, and serves only as an excuse for authoritarian and kleptocratic rulers to hold on to power. If they would stop interfering and allow their people to act freely, Africa would rapidly change from the continent we feel sorry for into a continent of rising prosperity.

Stationary bandits

Not long after the book was published, the disastrous rollout of Obamacare occurred. Advocates for that law repeatedly said that it was needed to solve the “crisis” afflicting our medical-care system. In her essay, “The Tangled Dynamics

of State Interventionism: The Case of Health Care,” Sloane Frost brilliantly dismantles the tiresome notion that the problems we have in health care and health insurance stem from free markets and demand a federal solution. She demonstrates that those problems are entirely due to decades of government interference — a vast array of mandates and prohibitions and taxes and subsidies that replaced voluntary arrangements and prevented better systems from emerging.

Frost dismantles the notion that the problems we have in health care stem from free markets and demand a federal solution.

Young Americans are both worried about health-care issues and confused about the nature of the “crisis.” Frost has made it all clear: government is the problem and liberty is the solution.

In his concluding essay, “The Origins of the State and Government,” Tom Palmer jousts with “progressives” who claim that government is responsible for everything good in society. Supposedly, in the absence of the state, people would live under frightful conditions of poverty and fear. But since government furnishes the frame-

work for civilization, the wealth that people manage to accumulate actually belongs to it and hence rulers are entitled to take as much as they want in taxes.

Palmer demolishes that argument. First, the state did not originate in some kind of social contract, but rather as a predatory institution. It did not make production and trade possible; instead, it fastened itself in parasitic fashion on peaceful and productive societies through conquest. Originally “roving bandits,” the state gradually transformed itself into “stationary bandits.”

Many readers will be intrigued by Palmer’s point that throughout history, there have been regions of the world where there was no government, and yet the people devel-

oped the economic, social, and legal institutions necessary for prosperous, harmonious societies. That will come as a surprise because, he writes, “State systems of social control — from military conscription to compulsory schooling — have thoroughly permeated our consciousness.” Just so.

The great task before us — indeed the true “defining challenge of our time,” contrary to Obama — is to “free our minds from dependence on the state.” Anyone who reads this book will take a big step in that direction.

George C. Leef is the research director of the John W. Pope Center for Higher Education Policy in Raleigh, North Carolina.

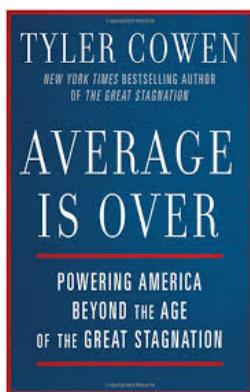
Our Constitution was written to restrain government, not the people.

— Ron Paul

The Boast in the Machine

by Joseph R. Stromberg

Average Is Over: Powering America Beyond the Age of the Great Stagnation by Tyler Cowen (Dutton 2013), 304 pages.



In *Average Is Over*, George Mason University economist Tyler Cowen delivers good news and bad news with nearly equal enthusiasm. Basically, artificial “intelligence” (AI) is aggregating the “knowledge of the entire world” and intruding everywhere, ready to overturn our lives, laws, and customs. DARPA (Defense Advanced Research Projects Agency) sails electronic seas, and GPS follows us through retail stores. Given enough

ever-better supercomputers, “we” (some of us) will see like a state and know as much as God. The NSA certainly believes that.

As AI makes goods cheaper, money flows to scarce factors: land, intellectual property, and quality labor. Machines *will* put humans out of work, but Cowen wobbles a bit on how many. Still, each military drone needs 160 human minders (be happy), and he who increases AI “value” wins. Marketing will provide the “hyper-meritocratic” elite with false friends (it’s a job), and others can serve them as gardeners, maids, et cetera. In this two-layered society, exclusionary corporate teams will dominate ever-finer divisions of labor and select employees for conscientiousness. Few jobs lost in the recent (or current) “recession” are coming back; any that do, will pay less. Unemployment, Cowen says, is significantly higher than is usually admitted. Wages *have* stagnated since 1973. Owing to AI, from 2009 labor productivity per hour has gone up. So has self-employment. By now Cowen has begun making lengthy digressions on computer chess.

Robot managers will “grade” professionals’ work and help doctors rid themselves of uncooperative patients. Robo-credit checks

are here. AI contributes to war, surveillance, and drones (be happy): here, probability analysis decides someone's death. (Robotic Just War Theory is surely next.) There is AI dating advice and AI bother without end. Humans do have a little time to adjust to the new order, in which the cost of these new machines will set wage rates. Cowen wisely avoids Singularity and even notices that the whole human body is needed for the "brain" (he may mean *mind*) to work properly. (He almost discovers Aristotle's concept of *hylomorphism*, the idea that substance comprises form and matter.) In all the general AI enthusiasm, the saving (and limiting) notion of GIGO ("garbage in, garbage out") is not found in this book.

Outsourcing and immigration, Cowen writes, haven't caused American job and wage losses, even if "offsetting gains" in the corporate state are hard to find except for those going to capital. There are real regional losses. "Educated" machines are the cause. (Cowen's peculiar plan of keeping the jobs here and putting foreigners in them seems incoherent.) In Europe Cowen foresees the "hollowing out" of various regions" — a conclusion long ago reached by André Gorz in *A Strategy for Labor* (1967) and

Farewell to the Working Class (1982). The socialist Gorz condemned it, while Cowen feels duty-bound to welcome it. Cyber Utopia thus entails turning southern Europe into southwest Florida writ large — supported by tourists, retirees, and others not working. Internationally, cyber education is a brain-drain accelerant — an obviously good result, if money made by American entities is our only test.

**Outsourcing and immigration,
Cowen writes, haven't caused
American job and wage losses.**

But not all is well: workers in two domestic sectors (health and government) still enjoy some security, given the lack of wholesome, international market "tests." No one can tell what "value" they add, since it doesn't benefit large corporations. And inefficiencies arise when too many people are secure.

Under AI, Cowen says education will be cheap, with competition driving "price down close to costs." AI will even "grade" essay questions! Instructors will be untenured adjuncts, more or less. Robosnoops will police students using scanners and sensors. Profits to AI are up. But that stronghold of job security that Cowen spies in uni-

versities must not stand. The old model was tolerable when teachers were cheap, but now professors must become “motivators,” “entertainers,” even “impresarios.” AI education will be “more like the Marines,” an inspiring model to be sure. Motivators will presumably help rich people find their Inner Midas.

Science marches on

Average science is over, too. Science is about prediction, control, and “understanding our world.” (For the last item, metaphysics might be much more useful.) Science is all about teamwork as scientists merge with machines, subordinating “the individual scientist” to corporations and the state. So-called empiricism prevails. Computers will do “their own research.” An advanced machine-generated “theory” of cosmology might well mean nothing to humans. But if it’s unintelligible, why isn’t it an untheory? Cowen worries (probably needlessly) that the public’s “long-term loyalty to scientific reasoning” may wane.

Under the new “hyper-meritocratic” social contract, the Stagnated shall have cheap education and heaps of entertainment. The U.S. fiscal crisis will force cuts in Social Security, Medicare, et cetera, but (apparently) never in military

spending. The United States will not default on the national debt. Organized groups will shift costs onto others. The answer for the 85 percent of nonwinners is Texas, or Mexico, or imported Brazilian fave-las. Texas has cheap housing (low rent), “job creation,” and little zoning. People can move to such places but are not *forced* to do so: note the economist’s trump card. (If you block all exits from the maze but one, the rats “voluntarily” go to that one.) It will all end well: an aging population won’t be revolutionary, and most “envy” is local. (But, as left-libertarian author Kevin Carson notes, justified anger at having the rules all rigged is not “envy.”)

**Science is all about teamwork
as scientists merge with
machines, subordinating “the
individual scientist.”**

For complacent economists, facts exist mainly for hauling off-stage. Exercises in economic history, journalism, et cetera normally end, rather jarringly, right where everything turns out for the best. Possibly as insurance, Cowen plays the inevitability card (perhaps intending to demoralize opponents and skeptics?) and allows little escape from the radiant future.

Preliminary observations

A strange sort of economic honesty (wage stagnation, job loss) runs through the book, as witness (perhaps) to a kind of social myopia. Cowen establishes no “merit” in his technocrats. He mentions “value” fairly often, but can measure it only by (state) capitalists’ profit levels and high incomes for upper-middle class techies. By contrast, work done by me or thee is seldom “tested” rigorously enough. “Unproductive,” we shall have no pie. Machines got so “intelligent” as the book went on, that I thought for sure Cowen would declare Oskar Lange (with his 1960s computers) winner of the socialist-calculation debate, but the announcement never came. Instead, Cowen settles for the new regime of capital accumulation based on turning frozen ideas into capital. Since they generate big profits for worthy capitalists, these collectivist hives are unobjectionable.

Finally, and worse luck, Cowen endorses the American empire under other names. The United States has “logistical abilities, and a strong trade-protecting military,” and a North American century looms. The United States must be *dominant* (no reasons given). His unworried accounts of AI use in TSA scanners, drones — and the whole

electronic Panopticon — reflect a strongly Hamiltonian conception of political economy. (Philip Mirowski terms Cowen a neo-liberal rather than a libertarian.)

Objections historical

Cowen wants to leave moral judgments on such political-economic matters to Emersonian individuals. We shall take our own look. From about 1900, American corporate managers and engineers, aided by competition-suppressing intervention, undertook, quite deliberately, to build complex operations into machinery to rid themselves of skilled workers. If World War I was a great success for those corporate cadres, World War II was a triumph, made permanent by the Cold War. Historical inevitability, heavily subsidized, could now set in, full-tilt.

American corporate managers and engineers undertook to build complex operations into machinery to rid themselves of skilled workers.

Corporate chieftains largely shared the state’s ambitious managerial projects: knowledge was power and atom bombs were physics-on-parade. Cyborg (man-ma-

chine) sciences began in World War II gunnery studies, and from 1947, Air Force ideologues and the RAND Corporation were major players. With taxpayers paying for research and development, electronics and communications were among the most subsidized industries in U.S. history.

Here is Big Science and teamwork; here is the stable where AI was born, as a close cousin of the atomic bomb, game theory, and all the “rat” theories (such as Rational Actor). Of course the corporate participants could innovate and make money.

Objections philosophical

Bags of electrons organized by mathematical Platonists are quite impressive, really, but are not intelligent, whatever increasingly robotic human-Americans wish to believe. Already in 1835 Andrew Ure found in the wooden, iron, and brazen structures of the cotton mill a “perfection of automatic industry” amounting to “*an intelligent agency*.” (Emphasis supplied.) In a book full of computers apparently teaching, playing, composing, doing, seeing, et cetera, Cowen observes, “it isn’t the computer ‘thinking’... [it is] consulting memory” or engaging in “pure calculation” (not even

that). He is quite right. Numerous scientists and laymen would prefer it otherwise, and Theodore Roszak (*Where the Wasteland Ends*) gave evidence of their existence way back in 1972.

The once-useful word
information has almost no
lingering connection with
meaning, knowledge, or wisdom.

Truth be told, programs, “code,” et cetera, amount to manmade Aristotelian forms. The once-useful word *information* has almost no lingering connection with meaning, knowledge, or wisdom. In America we don’t work along such unprofitable lines. Information now refers mainly to atomic “bits” fit for mathematical manipulation. (Compare that with individuals, atoms, signs, transactions, et cetera in other fields.)

A much older project is at stake. Sir Francis Bacon’s New Science aimed at subduing nature by abandoning the assumptions of Scholastic science. Alas, projects to control nature invariably lead to controlling people. Baconians were ready.

Computer mania may mark an era, but it also continues the ages of the Artificial Man (Leviathan), who has the bodily strength of many,

and the Artificial Merchant-and-Craftsman (the corporation), who uses the savings of many and the bodies of many others. At long last, those two characters, working in tandem, are offering us Artificial Mind in their headlong, simultaneous pursuit of materialism and abstraction — materializing Kant’s project of living in our heads, while etherealizing anything actually material. Bacon wanted men to think “as if by machinery.” The madness is in the method. After two centuries of what Edmund Burke called the age of “sophisters, economists, and calculators,” we may need to rethink some things.

With Artificial Intelligence’s help, deskilling has advanced from the machine shop into the front office.

Perhaps Karl Marx was polemical and unscientific when he called capital goods dead labor; yet it might be useful to think of robotic capital (AI) *as dead thought* whenever folks go on about “machine intelligence.” In a computer program the erstwhile thoughts of a corporate team now lie entombed in various loci (software, hardware, et cetera). Just as dead labor confronted living labor in factories, so

does dead intelligence confront the living, while its keepers badger us with updates.

With AI’s help, deskilling has advanced from the machine shop into the front office, and now besieges the holdouts: lawyers, doctors, academics, and possibly others. Of course under AI, as under older forms of corporatism, revenues attributed to machines go not to them but to their owners.

As hype and ideology, cybermania brings to mind America’s railroads — colossal, state-subsidized boondoggles, on which some sharp owners and promoters got rich, while spreading ideological mystification. Is it accidental that a recurring archetype in American literature is the confidence man?

Objections merely human

“Sorry, we just won’t retrain to work for you. Retrain your own damned self. And the machine you rode in on.” So some persons might say in a candid moment.

There are good reasons to reject the grave new world under consideration. The rent is too damned high; worse, the rents are too damned *many*. In *Average Is Over* the rents are too damned absent: Cowen notices only inefficiencies and pockets of offensive, unde-

The Boast in the Machine

served security. “Cartel” comes up once, but only in reference to universities. It is odd that the word “proletarian” nowhere occurs in the book, given that so few people seem to possess their own means of production these days. At AI’s dizziest heights, it is perhaps enough that one is splendidly paid. Menaced

with Cybertopia, we might well ask how we can avoid being railroaded into it: a good question, which I reckon AI can’t answer. Skilled human labor may be needed.

Joseph Stromberg is a historian and free-lance writer.

The poorest man may in his cottage bid defiance to all the forces of the Crown. It may be frail; its roof may shake; the wind may blow through it; the storm may enter; the rain may enter; but the King of England cannot enter — all his force dares not cross the threshold of the ruined tenement!

— *William Pitt, Earl of Chatham*

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