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*Dream manfully and nobly, and thy dreams shall
be prophets.*

— E.G. Bulwer-Lytton

FUTURE OF FREEDOM

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Why We Don't Compromise, Part 4

by Jacob G. Hornberger



The crown jewel of the U.S. welfare state is Social Security. This federal program was adopted during the 1930s as part of Franklin Roosevelt's New Deal, which consisted of an array of government programs that revolutionized America's economic system. While he assured the American people that his programs were nothing more than a way to "save America's free-enterprise system" during the Great Depression, in reality they were a combination of socialist programs, which were based on taking money from one person and giving it to another person, and fascist programs, which entailed leaving money in private hands but subjecting it to government control or manipulation.

The real nature of Roosevelt's New Deal has been detailed in a

book entitled *Three New Deals: Reflections on Roosevelt's America, Mussolini's Italy, and Hitler's Germany, 1933–1939*, by Wolfgang Schivelbusch. Schivelbusch shows the remarkable parallels that Roosevelt's economic programs had with those that were being established by Adolf Hitler in Germany and Benito Mussolini in Italy. I'll bet quite a few Americans would be surprised to learn that Hitler sent a message to Roosevelt in 1934, by means of a communication from the German consul general in New York to the U.S. ambassador to Germany, commending Roosevelt on his new economic plan for America:

[Hitler] congratulates the president [stated the counsel general] upon his heroic effort in the interest of the American people. The president's successful struggle against economic distress is being followed by the entire German people with interest and admiration. The Reich chancellor is in accord with the president that the virtues of sense of duty, readiness for sacrifice, and discipline must be the supreme rule of the whole nation. This moral demand, which the

president is addressing to every single citizen, is only the quintessence of [the] German philosophy of the state, expressed in the motto “The public weal before the private gain.”

Roosevelt seized on the crisis of the Great Depression to adopt Social Security, a program that would become a permanent part of the U.S. governmental system. The idea for the program originated not within America’s Founding Fathers but instead among socialists in Germany. That’s why Social Security was a core program in Germany under Hitler. It’s also why the U.S. Social Security Administration displays a bust of Otto von Bismarck, the so-called Iron Chancellor of Germany, on its website, rather than one of George Washington or James Madison.

NIRA

Another centerpiece of Roosevelt’s economic program was the National Industrial Recovery Act or NIRA. Few Americans know about the NIRA today but nearly every American knew about this federal program during the 1930s. That’s because the NIRA revolutionized America’s economic system by forcing or manipulating businesses and industries to enter into monopolies

and cartels that had the power to set wages and prices.

The NIRA was straight out of Benito Mussolini’s economic playbook. Like Mussolini’s fascist economic programs, the NIRA left the means of production in private hands but subjected them to government controls and manipulation.

The NIRA was straight out of Mussolini’s economic playbook.

The NIRA was enacted in 1933 amidst tremendous excitement and hoopla. Not surprisingly, it was run by a retired army general, Hugh Johnson, who adopted a symbol called the Blue Eagle to promote the program. The patriotism of any firm or business that refused to prominently display the Blue Eagle was questioned.

The entire NIRA scheme would have fit in perfectly in fascist Italy.

After two years of operation nearly everyone recognized what a chaotic fiasco the NIRA was. But since it had become such a central part of America’s economic system and since a large segment of Americans had become dependent on it, people assumed that the NIRA would have to be phased out gradually. There was no “button” to push to get rid of it and even if there was,

people would have been too scared to push it.

Then one day in 1935, the Supreme Court declared the NIRA to be unconstitutional — i.e., alien to the governmental structure established by the Framers with the Constitution. On that day — May 27, 1935, the Supreme Court effectively “pushed the button” that instantaneously put the program out of existence. The result was not the chaos that many had fearfully predicted but instead an immediate surge in economic activity.

Unfortunately, the Court failed to do the same thing to Roosevelt's Social Security program, notwithstanding the fact that the Constitution had failed to grant the federal government the power to institute socialist economic programs.

The libertarian position

What is the libertarian position on Social Security? Repeal it, immediately, just like food stamps, farm subsidies, education grants, foreign aid, and every other welfare-state program. Social Security is nothing more than a socialist program, one that takes money from the people who are working and gives it to seniors. Contrary to popular opinion, there is no “fund” and no one is just getting back the

money he supposedly put into the system. As Congress made very clear when it established Social Security, and as the Supreme Court has held, Social Security is nothing more than a welfare program, one that can be repealed whenever Congress chooses to.

Social Security is nothing more than a welfare program, one that can be repealed whenever Congress chooses to.

Recall our 1890 America minimum baseline position on freedom that I posed in part 2 of this series: People have the right to keep everything they earn and to decide for themselves what to do with it. Moreover, genuine freedom means that charity is entirely voluntary, with government playing no role whatsoever in charitable activity.

However, several years ago some libertarians joined with free-market conservatives to advance an alternative to Social Security. Termed “choice,” “privatization,” or “free-market oriented,” this Social Security plan would leave everyone free to keep his own money, but people would nonetheless be forced by the government to place a portion of their income into government-approved retirement accounts that invest in

the stock market, the bond market, or some other investment vehicle.

It goes without saying that forcing someone to save his money, on pain of fine and imprisonment, constitutes a severe violation of libertarian principles as well as our 1890 America minimum baseline for economic liberty. Remember: Under principles of economic freedom, people have the right to keep everything they earn and to decide for themselves what to do with their own money. Forcing someone to save some of his money or even manipulating him into doing so is not what genuine freedom is all about.

Let's assume that we libertarians were living in 1890 America, an era in which Americans lived without income taxation, Social Security, or other welfare-state programs. Someone approaches us and says, "Hey, I've got an idea. Let's enact a law that forces everyone to save a part of his money and place it in government-approved retirement accounts."

What libertarian would endorse such a scheme, knowing that it would constitute an abandonment of a system in which he is free to keep everything he earns and to decide for himself what to do with it?

Would a scheme based on Social Security "privatization" be bet-

ter than the Social Security system we have today? Maybe. And maybe not. Some people say that it would be better because it leaves people free to keep their own money and invest it in the stock market. Others say it wouldn't be better because the stock market could crash, wiping out everyone's retirement funds.

The debate revolves around which system is better — a socialist system — one in which government takes money from some and gives it to others — or a fascist system — one that leaves money in private hands but is controlled, directed, or manipulated by those in political power.

Aren't libertarians about freedom rather than choosing between socialism and fascism?

Why should libertarians involve themselves in that debate? Why should they endorse either scheme? Aren't libertarians about freedom rather than choosing between socialism and fascism?

Some libertarian proponents of Social Security "privatization" say that their scheme is actually a "gradualist" way to achieve economic liberty. But as in the case of school vouchers, gradualism, as it turns out, isn't gradualism at all. In-

stead, the “privatization” scheme actually works to entrench the state more deeply into the economic lives of the citizenry, especially by making a large number of Americans dependent on the scheme — so dependent that they’ll never endorse any plan to abolish it.

Even the libertarian proponents of “privatization” are not about to tell people that gradualism time is over.

Think of all the investment firms that would be receiving hundreds of millions of dollars in retirement funds. They would be working from big office buildings, which come with long-term rental contracts involving extremely high rent payments. They also would have to have enormous staffs to handle all the incoming money and the investment of the funds. There would be huge accounting divisions to keep track of it all. There would also be huge teams of investment advisors and analysts.

After, say, five years of a “privatization” scheme, what are the chances that those firms would suddenly say, “Well, gradualism time is over. The time has arrived to dismantle the system and embrace economic liberty. We’ll just make do without

all that financial business that the government has sent our way”?

The chances are nil, just like the chances are nil that schools that have become dependent on vouchers would ever say, “Gradualism time is over. Time to dismantle the voucher program.”

Indeed, suppose the “privatization” program is “working.” What are the chances that people who are benefiting from a soaring stock market are going to start calling for repeal of the program? In fact, my hunch is that if the program is “working,” even the libertarian proponents of “privatization” are not about to tell people that gradualism time is over and that it’s now time to end government involvement in people’s retirement. Instead, they’ll be basking in the glow of all the praise for advancing a successful statist program.

The example of Chile

A perfect example of this phenomenon is Chile, which adopted the type of Social Security plan that libertarian proponents of “choice” and “privatization” want for the United States. Until 1981, Chile had had the type of Social Security system that the United States has — that is, one by which the government simply takes money from the

working class and gives it to the retired class.

Then, in 1981, under the dictatorial regime of army Gen. Augusto Pinochet, Chile adopted the “privatization” model — that is, the one that permits people to keep their money but mandates that they put it into government-approved retirement accounts.

It shouldn’t surprise anyone that Pinochet chose the fascist model for Social Security over the socialist model. After he and his military-intelligence establishment had ousted the democratically elected socialist president of the country, Salvador Allende, from power, they used any means to eliminate any sign of socialism in Chilean society, including such means as kidnapping, torture, rape, execution, or simply reeducation of anyone who was suspected of holding socialist beliefs.

Moreover, Pinochet was an acolyte of Francisco Franco, the army general who was dictator of Spain and who was deeply devoted to the principles of economic fascism. During the Spanish Civil War, Franco had received assistance from none other than Germany’s ruler, Adolf Hitler, the man who had complimented Franklin Roosevelt for adopting the same sorts of

economic policies that he himself was adopting for Germany. When Franco died, Pinochet was the only major ruler to attend his funeral.

Was Pinochet’s Social Security fascist Social Security scheme better than Allende’s socialist scheme? Pinochet certainly thought so and so do many libertarians today who are trying to foist Pinochet’s scheme onto the American people. On the other hand, despite Pinochet’s efforts to purify Chile of socialist ideas, there still are Chileans who support returning to the Social Security plan favored by Allende and his fellow socialists.

The Pinochet scheme is not a “gradualist” way to achieve liberty.

One thing is certain: Despite the passage of more than 30 years, the proponents of the Pinochet plan are not ready to say, “The end of the gradualist period has finally arrived. It’s time to end all government involvement in retirement.” On the contrary, despite the fact that the Pinochet scheme has proven to be just another Social Security reform plan and not a “gradualist” way to achieve economic liberty, they are bound and determined to keep the scheme fully intact in

Chile and, even worse, they're trying their best to spread it to the United States and other parts of the world.

When you see or hear the term "gradualist" insofar as it is applied to phasing out government programs, do you think in terms of 35 years? Just think: if the libertarian proponents of Pinochet's Social Security scheme succeed in getting it adopted here in United States, it might well be another 35 more years or more before Americans can finally achieve economic freedom. Do you want freedom now or 35 years from now?

Moreover, consider the fact that some proponents of the Pinochet plan rarely, if ever, even disclose to people that their plan is intended to "gradually" phase out Social Security. In all their arguments in favor of "choice" or "privatization," they don't cause people to question or even just think about the libertarian position: that government has no legitimate role whatsoever in people's retirement. Their arguments are based solely on the supposed

superiority of their fascist scheme over the socialist scheme, albeit couched in terms of a "free-market oriented" program.

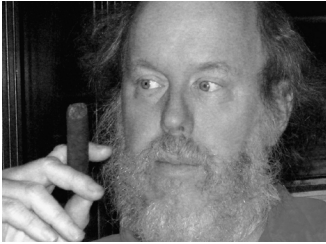
Is a government-mandated retirement scheme genuine freedom? Is that what libertarianism has come to? I say not. I say libertarianism is not about whether fascism is better than socialism. I say that libertarianism is about freedom. I say it's about the fundamental, God-given right of people to keep everything they earn and to decide for themselves what to do with it. The only chance we have to achieve freedom is to stand squarely in favor of it. If libertarians won't do that, who will?

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

NEXT MONTH:
**"Why We Don't
Compromise, Part 5"**
by Jacob G. Hornberger

Obama's "Cynicism" Racketeering

by James Bovard



Barack Obama captured the presidency in part because of his appeals to “hope and change.” But after more than six years in power, he is now spending far more time denouncing cynicism. As usual, the worst example of cynicism is citizens who fail to trust the government and the Supreme Leader. A presidency built on restoring faith in the political system is instead disillusioning a new generation toward Washington.

Obama has always milked cynicism like a prize Holstein cow. In 2004, he declared that he was running for the Senate because “we’ve got too much cynicism in this country, and we’re all in this together, and government expresses that.” In 2007, he announced that “my ri-

val in this [presidential] race is not other candidates. It’s cynicism.” At that point, few people recalled that presidential candidate George W. Bush in 1999 had promised Americans “a fresh start after a season of cynicism.”

At a 2008 campaign rally, Michelle Obama told students that “Barack Obama ... is going to demand that you shed your cynicism.” Shortly after Obama was first elected, he declared, “Where we are met with cynicism and doubts and those who tell us that we can’t, we will respond with that timeless creed that sums up the spirit of a people: Yes, we can.” Shortly before Obama’s first inauguration, *Washington Post* columnist Kathleen Parker wrote, “Cynicism isn’t just unfashionable; it’s downright unpatriotic. Heretical.”

At a California fundraiser last year, the president complained that “the fact that since 2007, [Republican senators] have filibustered about 500 pieces of legislation that would help the middle class just gives you a sense of how opposed they are to any progress — has actually led to an increase in cynicism.” That was Obama at his best — brazenly lying while complaining of distrust in politicians. *The Washington Post* awarded Obama “four Pin-

nochios" because there have been fewer than 140 filibusters since 2007 for any legislation. *The National Journal* labeled such assertions as the "stray voltage" tactic, when Obama intentionally misleads listeners in order to embed ideas that advance his agenda.

Factual inaccuracies

Nowadays, Obama increasingly portrays himself as a victim of cynicism. At the Gridiron Club dinner for Washington poohbahs in 2013, the president bewailed that "maintaining credibility in this cynical atmosphere is harder than ever, incredibly challenging." The existence of cynicism somehow absolves the president of all the factual inaccuracies in his declarations in the prior year. Later in 2013, he told attendees at an Organizing for Action dinner that the "filter through which people see and receive information about government ... is tilted toward cynicism." Last October, while campaigning to help Democrats in the midterm elections, he lamented, "We've got to feel a sense of urgency about this at a time when, frankly, the press and Washington, all it does is feed cynicism."

Obama brought along the Cynicism Bogy for his speech last year on the 70th anniversary of the

D-Day landings: "Whenever the world makes you cynical, whenever you doubt that courage and goodness is possible, stop and think of these men.... They sacrificed so that we might be free. They fought in hopes of a day when we'd no longer need to fight." The fact that Americans died at the Omaha beach landings somehow proves that the United States is still a free nation — and thus that Leviathan is a mere asterisk for our daily lives. Obama's appeal to "hopes of a day when we'd no longer need to fight" apparently doesn't apply to his own administration — since he dragged the nation deeper into the Afghan war and is bollixing into Syria and back into Iraq.

Obama's appeal to "hopes of a day when we'd no longer need to fight" apparently doesn't apply to his own administration.

Last March, when he was dedicating the Edward Kennedy Institute in Boston, Obama declared, "We live in a time of such great cynicism about all our institutions, and we are cynical about government and about Washington most of all." The new institute contains a life-size replica of the Senate chamber to awe young people. Obama gushed,

Imagine [children's] moral universe expanding as they hear about the momentous battles waged in that chamber and how they echo throughout today's society.... Imagine what a child feels the first time she steps onto that floor, before she's old enough to be cynical; before she's told what she can't do; before she's told who she can't talk to or work with; what she feels when she sits at one of those desks; what happens when it comes her turn to stand and speak on behalf of something she cares about; and cast a vote, and have a sense of purpose.

Obama talked as if the Senate had been the most honorable place in the nation in recent centuries. But it was U.S. senators who rubber-stamped George W. Bush's dragging the nation into war against Iraq — it was U.S. senators who enacted the Military Commission Act of 2006, which retroactively legalized torture — it was U.S. senators who perennially failed to safeguard citizens' rights and liberties from the ravages of the executive branch. But since U.S. senators are esteemed, that is “close enough for government work” to being honorable.

This past May, in a speech at Georgetown University, Obama declared, “I think it's important when it comes to dealing with issues of poverty for us to guard against cynicism and not buy the idea that the poor will always be with us, and there's nothing we can do. Because there's a lot we can do.” Obama sounded as if the government had not yet commenced the trillion-dollar Great Society programs. Nor did he mention that food-stamp enrollment has skyrocketed under his watch, in part owing to federally funded recruiting drives to sway able-bodied persons to rely on Uncle Sam for their next meal. Politicians can reap applause for urging new steps against poverty regardless of how much harm was inflicted by their previous interventions.

It was U.S. senators who enacted the Military Commission Act of 2006, which retroactively legalized torture.

Obama is especially mortified that millennials have lost faith in him. In a 2012 college commencement speech themed to his reelection campaign, he told Barnard College graduates that “whenever you feel that creeping cynicism ... the trajectory of this country should

give you hope." The following year, he exhorted Ohio State University graduates to beware of the "creeping cynicism" and people who "warn that tyranny is always lurking just around the corner." He did not seize that opportunity to explain why being president entitled him to authorize the killing of American citizens solely on the basis of his own decree. Nor did he issue an addendum to the Ohio State speech when, shortly thereafter, Edward Snowden's leaks proved that the National Security Agency had illegally destroyed tens of millions of Americans' privacy.

Who's to blame?

The Obama administration blames everybody except itself for the plummet in trust in government since 2009. White House deputy press secretary Josh Earnest told a press gaggle in May 2014, "I think the thing that breeds a lot of cynicism about the political process are those outside groups that don't disclose their donors." (Earnest earns his pay by emitting with a straight face howlers like that.)

Apparently, the Obama administration's perennial refusals to disclose how it is using the power it seized is irrelevant. Are Americans cynical because they expected

Obama to honor his promise to have "the most transparent administration in history"? Are they cynical because they thought a former constitutional law professor would not authorize pervasive illegal spying on average citizens? Are they cynical because they thought a president should honor his oath to faithfully execute the laws — instead of issuing endless exemptions to salvage Obamacare?

It wasn't cynicism that caused the federal debt to soar by \$6 trillion since Obama took office.

Nor can Obama blame citizens' loss of faith for some of his biggest flops. It wasn't cynicism that caused the Obamacare health-care exchanges to be one of the biggest debacles in Internet history. It wasn't cynicism that caused the massively subsidized Solyndra solar-panel company to go bankrupt. It wasn't cynicism that caused the federal debt to soar by \$6 trillion since he took office.

While the president still retains some of the "idealist sainthood" the media bestowed in 2008, his rhetoric is indistinguishable from preceding grafters. "I reject the cynical view that politics is inevitably, or even usually, a dirty business," de-

clared Richard Nixon on April 30, 1973, the day his top White House aides resigned over their role in the Watergate scandal. Bill Clinton announced in January 1997 that people can “make [America] better if we will suspend our cynicism” about government and politicians. This is the Peter Pan theory of good government: Government would be wonderful if only people believed that it has magical powers.

Politicians hate cynicism the same way that burglars hate Brinks alarm systems. Cynicism about politicians, though, is akin to financial markets for government debts, which routinely mark down bonds to junk status because traders doubt that rulers will pay up. It is unfortunate that there is no way to similarly precisely gauge politicians’ credibility and to mark them down to junk after they reneged once too often.

Does Obama think that Americans who distrust him violate his presidential prerogative? It is not cynical to have more faith in freedom than in subjugation. It is not cynical to have more faith in indi-

viduals vested with rights than in bureaucrats armed with penalties. It is not cynical to suspect that governments that have connived so often in the past may not be dealing straight today.

Until we reach the golden age of honest rulers, moderate cynicism can provide a brake on political power grabs. In the meantime, the best hope for the survival of freedom is that Obama will receive exactly the amount of trust and deference that he deserves.

James Bovard serves as policy advisor 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:
“Supreme Demolition for the Raisin Racket”
by James Bovard

Does Empire Provide Global Public Goods?

by Joseph R. Stromberg



Many of us have brushed up against public-goods theory once or twice, in an economics class or in various policy arguments. In the 1970s the concept took off in international-relations studies and we hear much these days about global public goods. This broadening of public-goods theory serves to license a broad array of state activities abroad, modeled on those at home.

Economist Murray Rothbard was a severe critic of the theory. In *Man, Economy and State*, vol. 2 (1970 [1962], 883–90), he dealt with one argument involving “collective goods” and another involving “external goods.” On the first argument “some goods or services, by their very nature, must be supplied ‘collectively,’ and ‘therefore’

[by] government....” Rejecting the idea that collectivities *can* actually “want and then receive” goods, Rothbard denied that even *defense* constitutes a single, collective good or service.

Addressing economist Paul Samuelson’s idea of “collective consumption goods,” which individuals can enjoy without reducing the supply to others, Rothbard wrote,

most governmental services simply do not fit Samuelson’s classification — including highways, libraries, judicial services, police, fire, hospitals, and military protection.... [In fact] ... *no* goods would ever fit into Samuelson’s category of ‘collective consumption goods.’... [If] a good is really technologically ‘collective’ in Samuelson’s sense, it is *not a good at all*, but a natural condition of human welfare, like air — superabundant to all, and therefore unowned by anyone.

Turning to the matter of “external goods” (“benefits”), Rothbard notes that different formulations of the idea “cancel each other out,” since some writers “*attack A for not doing enough for B,*” while others

“denounce B for accepting a benefit without paying A in return.” But the first argument fails because “it is presumptuous of the free rider [‘B’] to assert his right to a post of majesty and command.” “Compulsory thrift,” which *might benefit* others and “attacks on potential savers for not saving and investing enough” are examples. In cases of “coerced growth ... the various ‘free riders’ band together to force *other* people to be thrifty so that the former can benefit” (835, 886–88).

Where *public goods* and *public ownership* apparently exist, state bureaucracy “controls and directs and ‘owns’ the property.”

(Recall that mercantilists and classical economists alike denounced the poor for not working nearly enough for employers; they preferred, apparently, to work for themselves as much as they could.)

Rothbard’s radical approach to the free-rider “problem” emerges in his response to the argument that someone becomes a free rider by inadvertently enjoying “the ‘unearned increment’ of the productive actions of others.” But this moral judgment was valid only “when directed ... against the free rider *who wants compulsory free rides.*”

In many cases “the free rider did not ask for his ride. He received it ... as a boon because A benefits from his own action.” To gripe about this is to send in the police “because too many people in the society are happy.” Because of others’ investments, “we are all ‘free riders’ on the past” (888).

For Rothbard, *noninvasive* free riding requires no state action at all, while *invasive* free riding stems either from positive state action or from state failure to protect property rights. Where *public goods* and *public ownership* apparently exist, state bureaucracy — *not* the public — “controls and directs and therefore ‘owns’ the property” (828). Accordingly we may address the everyday fact that states control resources and installations without recourse to existing public-goods theory. So stands the critique.

Public goods so far

Looking at two cases, let us ponder these rather abstruse notions. Local inhabitants and travelers may use a public park, perhaps for a fee, but no user can *remove* an “aliquot” share of it (Rothbard). Somewhere else, *these* peasants have a right to keep their animals on a specific common field: a specific, local right necessarily *excluding* all other peas-

ants. (Yet, as Elinor Ostrom has shown, a “tragedy of the commons” hardly follows.) Both cases might seem to involve *collective* or *public* goods. In the one, a local government owns the park in the name of some community; it could not provide this service should millions of outsiders arrive. The second case involves a shared *private* right, and we need hardly say more. So collective need not mean public, or public, state. State-controlled goods and services exist, however, but are not necessarily *public* in the sense required by the usual theory (some will be “bads” or disservices). Nor can we just assume that literally “public” goods — if they *can* exist — must be provided by a state.

International public goods

But how does public-goods theory fare in international-relations (IR) thinking? Let us interrogate some practitioners. John A.C. Conybeare, building on Charles Kindleberger’s work of 1973, writes that many IR scholars view “an open world trading system [as] a public good which will not be voluntarily provided by any actor in the system” unless by “an enlightened hegemonic actor” (“Public Goods, Prisoners’ Dilemmas and the International Political Economy,” *Inter-*

national Studies Quarterly, 1984, 6). Thus a dominant great power *may* impose economic openness out of benevolence or self-interest — somewhat in the manner of Rousseau’s republic that *forces men to be free*. This imposed free-trade regime constitutes a public good. (The whole thing seems rather dubious.) Surveying the usual criteria, “excludability” and “joint supply,” Conybeare concludes that public-goods theory does not have much value for international studies. It would be better, therefore, to make use of the famous “prisoners’ dilemmas” devised by game theorists and others to shed more light on social action and social coordination (6–8). (See below.)

Conybeare concludes that public-goods theory does not have much value for international studies.

Conybeare sees free trade as generally beneficial. Global trade problems arise from the efforts of states to profit from restricting trade: “Most of the major disputes in international trade are about neo-mercantilist rivalries in the consumption of the benefits of trade.” But it is possible, he believes, to have fairly free trade while *ex-*

cluding some parties (8). But if this relatively free trade “is not a public good, the rest of the system has *no need for the hegemon* to provide free trade per se....” [Italics added.] In actual practice, states often bargain down their restrictions on trade in pursuit of other goals. Absent a power able to *impose* poor alternatives, the prisoners’ dilemma does not arise, either. Conybeare has arrived at some interesting conclusions (11–12).

An aside on prisoners’ dilemmas

Prisoners-dilemma analysts spend much time theorizing what individual people will (or might) do when subjected to *coercively structured* sets of *bad* alternatives. It is no accident that their classic scenario directly involves manipulation of captives by government bureaucrats. The chief claim seems to be that speculation on various “pay-offs” available to either of two prisoners held incommunicado — i.e., the benefits in certain circumstances of “ratting out” the other for a reduced sentence — yields useful insights into human social life. And there is a practical side to this: Paul Craig Roberts and Lawrence M. Stratton showed in 2000 that Benthamite plea bargains are largely replacing real trials in this “free”

country, rendering constitutionally guaranteed procedural rights quite useless. Unlike flying saucers, the prisoners’ dilemmas are real.

Benthamite plea bargains are largely replacing real trials in this “free” country.

It seems worse, somehow, that alongside a rising tide of real, non-theoretical prisoners’ dilemmas we must endure social theorists who think like kidnappers. Their work may indeed tell us much about states, kidnappers, and their moral outlook, but not much (perhaps) about society — outside of special situations contrived by third parties (usually a state) capable of taking prisoners in the first place. Whether prisoners-dilemma theory would explain much about a society not suffering from colossal overlegislation, metaphorical “wars” on bad behavior, and unrestrained prosecutors and police, we may leave as unproven.

States and lighthouses

Joanne Gowa takes the argument over free trade and public goods a bit farther. She is interested in the claim that strong (autonomous) states favor free trade, whereas “weak” states cannot with-

stand pressure from organized, domestic protectionist blocs. Political scientists are divided here, but there is some agreement that the U.S. government is autonomous with respect to policies involving raw materials (oil) and banking (“Public Goods and Political Institutions,” *International Organization*, 1988, 15–20).

Gowa doubts that public-goods theory sheds much light on collective (social/political) action. She quotes Howard Margolis, who states that the “conventional economic model predicts (incorrectly) such severe problems that no society we know could function if its members actually behaved as the conventional model implies they will” (22). Gowa’s account of interest groups’ problems with their own free riders suggests that the former often overcome their problems through cooperation or “exclusion.” They then go their merry way — with the state helping them to exploit *everyone outside* their reconfigured cartel. Their political-economic “goods” are others’ “bads” (21–25, 28).

On lighthouses, once-popular as the “typical” public good, Gowa cites political scientist Michael Laver, who writes, “I could surround the entire area within which the

lighthouse was visible with a minefield, and issue the directions for safe passage only to those whom I wished to use it” (23). Hoping to use this possible exclusion of users to undermine *lighthouses* as public goods, Laver has to *think like a state*. We can more easily resolve things if we adopt Rothbard’s understanding that actually existing “public goods” are *state goods*. State officials can and *will* exclude users from them, by denying them to noncitizens, by restricting them as punishment or social control, et cetera. Such practices may be good for the state, but they are not good for the *pure theory* of public goods.

Such practices may be good for the state, but they are not good for the *pure theory* of public goods.

Sensibly observing that “few goods are unalterably non-excludable,” Gowa adds, “Whether potentially public goods are *treated as such* is determined by political institutions” and that “the *public character* of the specific goods of trade and monetary policy resides as much in *the political institutions* that produce them as in the goods themselves” (28–29, italics added). Exactly: these goods are grants of

privilege by the state and instances of coercive free riding. They are state “goods,” and “state” does not equal “public.” The public-goods category is rather arbitrary.

International public “bads”

Our third witness is Rahul Rao, who reasons that the case against empire as imposed, external rule “applies *even if*, as many have argued, empires supply public goods.” Even if the empire provides real public goods for free *for its own reasons*, it hardly follows that “*this* [U.S.] empire ... is providing the public goods that it claims to” (“The Empire Writes Back,” *Millennium*, 2004, 161–62). Rao cites language from the Bush Doctrine about protecting friends and allies — language suggesting that security can indeed be excludable and nonjoint (unshared). But if so, “then security cannot be considered a *public good*” (162–63). And there are “very sound reasons for doubting whether U.S.-imposed ‘security’ is a *public good*,” since “world politics for a long time to come will be driven by blowback from the U.S.-led ‘war on terror,’” with the United States “producing public ‘bads’ both for itself and others.” This, he adds, is essentially what happened during the Cold War, when U.S. policy fostered coopera-

tion in the core western states and disruption in the world’s periphery.

If it turns out, he adds, that the “assumption of benevolence is unwarranted or exaggerated,” the imperial power may nonetheless “be capable of coercing others into paying for the goods.” By implying that those who do not pay for imperial services, wanted or unwanted, are suspicious “free riders,” public-goods theory becomes “a moral prop” of imperial pretensions (163–64).

There are “very sound reasons for doubting whether U.S.-imposed ‘security’ is a *public good*.”

Is hegemony cricket?

The effort to shift imperial costs onto others brings us to the global monetary system as a mechanism for universalizing U.S. inflation. No one doubts this, although some — like the Nietzschean technocrat Thomas P.M. Barnett — have redefined it as a “voluntary transaction”: an implicit bargain wherein America provides invasions and aerial assaults (“security”) and a grateful world accepts and uses devalued U.S. dollars (*The Pentagon’s New Map*, 2002, 308–309). This supposed exchange fails the test of

demonstrated preference (Murray Rothbard, “Toward a Reconstruction of Utility and Welfare Economics,” in Mary Sennholz, ed., *On Freedom and Free Enterprise*, 1956, 224 ff. Rothbard opposed “demonstrated preference” to neoclassical “revealed preference.”).

The claim that a benevolent superpower must provide world public goods looks like a bad long-run bargain.

If dollars-for-security were a real economic exchange, actual foreigners would sign detailed security agreements, including commitments to “pay” (or not) by accepting evanescent U.S. dollars. Instead, we see foreign *politicians* — caught up in alliances and monetary relations they cannot (or prefer not to) escape — agreeing to nothing so specific. Since these parties constitute a large subset of Rothbard’s “coercive” free riders, we can analyze their mutual relations *politically*, but without conjuring up specifically economic theorems on public goods. Economist Hans-Hermann Hoppe was quite realistic when he called U.S. monetary authorities the “autonomous counterfeiter of last resort to the entire international banking system” and attributed

many existing evils to its works (“Banking, Nation States, and International Politics,” *Review of Austrian Economics*, 1990, 83–84).

If the U.S. government issues excess money for its own reasons and if much of the world accepts that money as sounder (for the moment) than any other, those facts alone do not prove U.S. monetary services to be “public” or a “good.” The claim that a benevolent superpower must provide world public goods looks like a bad long-run bargain. Of course identifying this Benevolent Hegemon is dead easy. As Anglo-Canadian historian Edward Ingram writes, the favorite game of American scholars is searching for “the King in the Castle ... knowing he is the United States” (“Hegemony, Global Reach, and World Power,” in Colin and Miriam Fendius Elman, eds., *Bridges and Boundaries*, 2001, 250).

Down with public-goods theory

Exposure of the weaknesses of public-goods theory seems to have been an unintended (but over-determined) consequence of its migration into international relations. Public-goods theory sought, after all, to explain (and justify) things governments were *already doing* (cf. Musgrave, Samuelson, and Bau-

mol). Since governments do those things, economists reasoned, there must be good, functionalist reasons for them. Still, merely *being done* did not make them public or goods. There are perils in thinking like a state, and public-goods theory may have developed in part to justify taxes.

There is an analogy with eminent domain. Kings sometimes just *took* land they wanted, whether under “prerogative” or “war powers.” Since all property was “held of” the king (especially in England), the king or his favorites were well-placed to seize land for purposes they could call “public,” however arbitrarily. Lawyers arrived, followed at length by economists, and both sects crafted rationales for what rulers had long *gotten away with*, time out of mind. If economists had been choosier about where they got their models or metaphors, economic *theory* might contain fewer state-centric (or state-serving) premises.

“Distribution,” seen as a process separate from production, arose rather directly out of the state’s fiscal activity of taxing some and paying others (Rothbard, *Man, Economy and State*, vol. 2, 794–95). So

abstracted, John Stuart Mill could treat it (in Frank van Dun’s words) as “free moral activity” (“Natural Law, Liberalism, and Christianity,” *Journal of Libertarian Studies*, 2001, 20). Similarly, men impressed with Harvey’s medical discoveries might still have thought twice about the “circulation” of money (Rothbard, vol. 2, 666).

The public-goods rationale for imperial activity is widespread today. Some parties claim that the United States must go beyond providing inflationary dollars and imposing “free trade” and guarantee global democracy and general happiness. That is the American state’s World Mission — something Americans would do well to avoid. As for public goods, the term might be excusable, if it referred only to things or relations that really are nonexcludable and joint. But in what must seem deliberate mystification, obsessive focus on harmless free riders diverts attention from invasive free riders inside (or allied with) the state.

Joseph Stromberg is a historian and free-lance writer.

The Crisis of the Welfare State

by Clarence Carson



The welfare state is more like a vast overlay of interventions on the market and economy than the displacement of it. They burden the economy, distort it, disrupt it, but they do not replace it. The interventions produce episodic disorders as well as crises. Some of these have been called by such varied names as recessions, inflation, economic stagnation, even stagflation, in recent decades. They are usually popularly described as if they were economic in origin. Actually, they are the products of government intervention. Each intervention, whether it be increasing of the money supply, raising of the minimum wage, price controls, production controls, redistributionist programs of a more direct kind, or what not, produces its own bitter

fruit of price rises, unemployment, surpluses, shortages, and so on.

On the surface, at least, the welfare state appeared to be working fairly well for much of the 1950s and 1960s. It was generally conceded that prosperity was widespread, and some commentators even became publicly concerned about the dangers of affluence. The prosperity, however, was despite the welfare-state intervention, not because of it. There were special conditions which help to explain the prosperity.

First and foremost, capital investment and technological innovation overcame much of the drag of the welfare state. Increased productivity kept prices from rising nearly as much as might have been expected from the increases in the money supply. That is not to say that capital investment and technological innovation could have done the job alone. While the federal government had deficits, they were not nearly so large then as they have become since. Interest rates generally were low during most of the period.

The United States had acquired vast holdings of gold in the 1930s, and this was being used, and nearly used up, in defending the dollar around the world. This was so effective in supporting the dollar that it

was only in the late 1960s that the pressure shifted to silver, which was legal tender domestically, in the flight from the dollar. At that point, the issuance of silver certificates was discontinued, and silver coins ceased to be used as a medium of exchange. But the dollar had been reinforced by precious metals to that point.

Nor should the role of human adaptation in overcoming the disruptions, distortions, and drag of the welfare state be discounted. Man is marvelously adaptive in finding ways to survive, and even prosper, in the face of otherwise debilitating government interventions. Americans were somewhat aided in making these adaptations from the late 1940s through the mid 1960s by the removal or reduction of some of the more burdensome restraints and interventions of the New Deal and wartime years. For example, production and price controls were either removed or reduced in both agriculture and industry. The drag of the welfare state was there during these years, but much of it was overridden by favorable developments.

Since the early 1970s, at the latest, the United States has been in a crisis. It is similar in many respects to those crises which used to be

called depressions. It is as severe as most of the depressions in past American history and has lasted longer than the generality of them. But the word has gone out of style since the beginning of the New Deal, out of deference, it may be, to the claims that the legislation of the early New Deal had banished depressions once and for all. (Of course, the Federal Reserve system, which was passed much earlier, was supposed to prevent depressions, but it didn't.) At any rate, we only have recessions nowadays, according to fashionable terminology. But this is not a call for the revival of the word "depression" nor a brief for the use of such words as "recession." At best, they describe symptoms, not causes.

Since the early 1970s, at the latest, the United States has been in a crisis.

To call the present condition a crisis would be no better, if the word were left to stand alone. It becomes much more precise, however, when it is labeled the crisis of the welfare state. Moreover, the cause is identified and named. It is the welfare state. More specifically, the cause of the crisis is those government interventions by which the

welfare state is established and grows and expands. The crisis is reached when the interventions so unbalance and disrupt the economy that it is, in effect, at least extensively paralyzed. To put it another way, the crisis of the welfare state occurs when the social-justice modes of something-for-every-class and something-for-nothing go so far in displacing the market's something-for-something principle that the market can no longer function effectively and the economy is debilitated.

The premise

Let me not suggest, however, even by implication, that a crisis of the welfare state occurs at some precise identifiable point which could be pinpointed and be expected to recur again and again at that point. The crisis of the welfare state is ultimately qualitative, not quantitative. The welfare state establishes a vast network of dependencies of the people upon it, assumes responsibility for their well-being, and arouses expectations that it will deliver. In consequence, many people are unaccustomed to taking the initiative and making the adaptations which might enable them to survive and prosper. For example, they may not move to new locations to find

work or enter new fields of endeavor or when old ones promise little for the future. Also, interventions tend to mix up such signals as the market can send, and many people become frustrated with the continual fluctuations which accompany government interference. These are qualitative matters depending upon the wills of people, are not measurable, and hence are unpredictable. In any case, the symptomatic character of indices deduced from statistics makes them unreliable predictors of anything....

The welfare state establishes a vast network of dependencies of the people upon it.

Administered prices and wages, whether it be minimum-wage laws, union-prescribed wage scales, price controls on goods and services, or what not, produce inflexibilities that make changes to meet changing conditions exceedingly difficult, if not impossible. Deficit spending must be made up either by borrowing in the market or increasing the money supply. High taxes take money away from productive purposes to be applied to nonproductive ones. Redistribution disturbs and distorts the market mechanism for distribution.

Long-term commitments, such as Social Security, produce crises as they come due. Indeed, the United States government has a large assortment of long-term commitments in its various “insurance” programs which could only be met, if at all, by so flooding the market with paper money that the dollar would be destroyed.

But let us not be drawn away from the main point by an elaboration of intermediate causes of the present crisis. To be aware of the economic consequences of political intervention is no doubt desirable, but to focus on these is to leave the root cause untouched. The root cause is not to be found in any one or combination of intermediate causes. Those who believe this way are still open to the view that by better-conceived political manipulations, based on better understandings of economics, the crisis can be averted and things set right. But so long as the root cause continues to produce its effects, the crisis will remain, either potentially or actually.

The root cause is a premise. It is the premise of the welfare state. It is the belief that government can and should intervene in the economy so as to achieve social justice. It is this belief which prompts those in pow-

er to alter or supplant the *quid pro quo* of the market — a system of equity for voluntary traders — with a class system of distribution. It is this that burdens the market and economy with every sort of exaction, extraction, regulation, control, distortion, and disruption.

The cause of the present crisis is political, not economic. That means that the cure is political. The cure is for government to confine itself to establishing justice and reducing force, leaving equity to the market in economic matters. That will not solve all problems. Nothing will. But it will restore the responsibility for wrestling with them to the individuals and voluntary groups who are best qualified to deal with them. When that is done, the economy will function as well or as poorly as the people who operate within it.

Clarence Carson (1925–2003) was a professor of economics at Birmingham-Southern College in Birmingham, Alabama. This is an excerpt from his book A Basic History of the United States, which appeared in the April 1983 issue of The Freeman, published by The Foundation for Economic Education. Reprinted by permission.

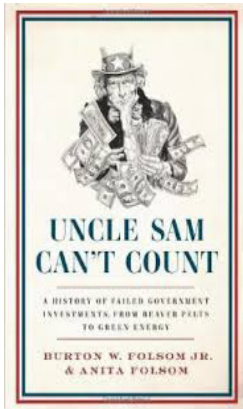
“Did you really think that we want those laws to be observed?” said Dr. Ferris. “We want them broken. You’d better get it straight that it’s not a bunch of boy scouts you’re up against — then you’ll know that this is not the age for beautiful gestures. We’re after power and we mean it. You fellows were pikers, but we know the real trick, and you’d better get wise to it. There’s no way to rule innocent men. The only power any government has is the power to crack down on criminals. Well, when there aren’t enough criminals, one makes them. One declares so many things to be a crime that it becomes impossible for men to live without breaking laws. Who wants a nation of law-abiding citizens? What’s there in that for anyone? But just pass the kind of laws that can neither be observed nor enforced nor objectively interpreted — and you create a nation of law-breakers — and then you cash in on guilt. Now, that’s the system, Mr. Rearden, that’s the game, and once you understand it, you’ll be much easier to deal with.”

— Ayn Rand

Business Is No Business of the State

by George Leef

Uncle Sam Can't Count: A History of Failed Government Investments from Beaver Pelts to Green Energy by Burton W. Folsom Jr. and Anita Folsom (Broadside Books, 2014), 239 pages.



The day after the 2010 mid-term elections, the federal government quietly announced the bankruptcy of Solyndra, a “green energy” company that had been touted by Barack Obama as a leader in the kind of innovation that would help the planet to “heal.”

Solyndra had been founded by a big supporter of the president and the company had received a \$535

million loan from the government early in 2009. Less than two years later, the company was bankrupt and the taxpayers were stuck with the loss.

Solyndra is a recent instance of the foolish combination of government and business, but few Americans have any idea about the long history of such “partnerships.” As authors Burton and Anita Folsom show in their wonderful book, *Uncle Sam Can't Count: A History of Failed Government Investments from Beaver Pelts to Green Energy*, Americans have been making the mistake of trying to mix government with business since their country's earliest days as a nation.

The book's subtitle lets the reader know what it covers: the history of failed government “investments,” from frontier trading posts in the 1790s through the present day with the obsession with subsidizing businesses that are supposedly friendly to the environment. Throughout, the stories the Folsoms tell are fascinating but at the same time maddening, since they leave you thinking, “How could anyone have been so stupid?”

Let's start with the beaver pelts. George Washington had led the war for independence from Britain, but he nevertheless adhered to Brit-

ish mercantilistic concepts, under which the government established and supported business enterprises for the imagined national good. In 1795, with his backing, Congress passed an appropriation of \$50,000 to create a number of trading posts in the Northwest Territories. The stated purpose for this was to counter British influence among the Indians by purchasing furs from them and selling goods to them.

There already were private traders doing exactly that, but Washington and the Federalists who controlled Congress thought them inadequate for advancing the national purpose. They were certain that the government had to get involved. Thus we see the earliest manifestation of a notion that still bedevils us — that state action is the most reliable means of promoting the public interest.

Although these trading posts (called “factories”) were expected to at least break even, they lost money and the subsidies had to be increased steadily. Having begun this folly, Congress could not easily stop it.

In 1808, John Jacob Astor, a German immigrant, went into the trading business. With his own money at stake and possessing a much sharper mind for business

than the government functionaries running the competing posts, Astor earned good profits. Among other important differences with the government posts, Astor paid his people on the basis of their profitability, whereas the government managers and workers were paid a flat salary. Naturally, Astor’s success was an affront to the people who were receiving those salaries.

Washington had led the war for independence from Britain, but he nevertheless adhered to British mercantilistic concepts.

Instead of figuring out how to compete against Astor, the man in charge of the government’s operations, Thomas McKenney, turned to politics. He wheedled more money from Congress, and also sought high licensing fees for all his competitors. He even lobbied to get Congress to ban all of his free-market rivals. McKenney was the prototype of what the Folsoms call a “political entrepreneur” — eager to “win” through political influence rather than by doing a better job of satisfying consumers.

Finally, in 1822, Sen. Thomas Hart Benton managed to get a bill passed that ended the subsidies and closed the government posts, after

27 years of waste. Sad to say, however, that wasn't the end of the foolishness. In 1824, at the instigation of Secretary of War John C. Calhoun, Congress created the Bureau of Indian Affairs, employing almost one hundred people, with the same Thomas McKenney as superintendent. Federal meddling with the Indians continues to this day.

Land and water ...

Another fascinating story the authors tell is that of the early steamship industry. Here, the central character is another famous business magnate, Cornelius Vanderbilt.

A "political entrepreneur" is eager to "win" through political influence.

In his youth, Vanderbilt worked for Thomas Gibbons, who broke the Hudson River steamboat monopoly given to Robert Fulton by New York. Soon Vanderbilt was in business on his own, rapidly improving the steamboat, lowering fares, and improving customer service.

Vanderbilt was so successful that the cartel he competed against, the Hudson River Steamboat Association, offered to buy him out for \$100,000, provided that he would

not run boats for ten years. He took the deal, but it did the cartel little good. It raised prices after Vanderbilt left, but other entrepreneurs quickly entered the market and undercut its prices.

With the capital from the River Association, Vanderbilt went into the business of trans-Atlantic shipping. The British were already there, Parliament having given Samuel Cunard a large subsidy for passenger and mail service. Shortly thereafter, the U.S. government followed suit, subsidizing Edward Collins to compete with Cunard.

How could Vanderbilt survive against such subsidized and earlier-established rivals? By innovation and superior efficiency, that's how.

When Vanderbilt's lower fares put Collins into financial trouble, naturally he looked to politics for salvation. He pleaded for bigger subsidies and got them. But while Vanderbilt kept working to lower his costs, Collins squandered money building huge, luxurious ships that lost money in competition. Economic sense finally prevailed when President Franklin Pierce vetoed the Collins subsidy in 1855.

The Folsoms next write about Michigan's "boy governor," Stevens T. Mason, and the hard lesson he (and, of course, the state's taxpay-

ers) learned about government investments in business.

Mason was a child prodigy whose ability came to the attention of Andrew Jackson. In 1831, Jackson appointed Mason — just 19 years old — to be the governor of Michigan Territory. Unfortunately, the brilliant young man was captivated by the great symbol of early American “can do,” namely the Erie Canal. He assumed that because that canal was a success, other canals would be similarly successful. Mason wanted one to speed up Michigan’s development.

Shortly after Michigan became a state in 1837, the Board of Internal Improvements began planning a 216-mile canal to run from Detroit to Kalamazoo. Digging began the next year, but this government project proved to be an utter boondoggle. After seven years, just 16 miles had been completed at a cost of \$350,000. Total revenues collected amounted to \$90. The project was abandoned in 1843.

And still, Mason thought that government “investments” would boost the state, and he pushed for state-planned and state-financed railroads. The Board of Internal Improvements wanted to redeem itself after the canal blunder and laid out two lines running west from De-

troit. Both proved to be gigantic mistakes. The lines were badly constructed and costs far exceeded revenues. Quite a few of the politically connected contractors, however, made money selling goods and services for the lines to clueless government officials who were spending the taxpayers’ money and had no profit motive.

Most Americans know about the Wright brothers, but few know that the federal government subsidized their main rival.

During that same period, quite a few other states made the same mistake Michigan did. Instead of waiting for free-market entrepreneurs to invest where they saw profitable opportunities, politicians rushed in with various schemes for fast development. Michiganians, at least, learned a valuable lesson and when they revised the state constitution in 1850, included language stating, “The state shall not be a party to or interested in any work of internal improvement, nor engaged in carrying on such work.”

... and air

Another illuminating story in the book is that of the development of the airplane. Most Americans

know something about the Wright brothers, but few know that the federal government subsidized their main rival, Samuel Langley — money that was, naturally, wasted.

In 1896, Langley, an accomplished scientist and head of the Smithsonian Institution, had managed to successfully fly a model airplane for about 90 seconds. Believing that he could move from that accomplishment to building an airplane capable of transporting people, he set about hunting for financial backers. At first, he turned to wealthy individuals, pitching his venture as one of pure science, untainted by any thought of making a profit. Langley found no one who had any interest under those conditions. Of course, he then turned to the government.

Playing on the rampant militarism in the country, Langley was able to land a subsidy from Congress.

Circumstances just happened to favor him. After the U.S. battleship USS *Maine* blew up in Havana harbor in February of 1898, war fever swept Washington and Langley cleverly argued for federal backing on the grounds that the airplane would be of great military value to

the nation. That message was enthusiastically embraced by the assistant secretary of war in the McKinley administration, Theodore Roosevelt. Playing on the rampant militarism in the country and with the administration's support, Langley was able to land a \$50,000 subsidy from Congress for his efforts.

Meanwhile, two bicycle mechanics living in Dayton, Ohio, had also taken a great interest in the challenge of heavier-than-air flight. Wilbur and Orville Wright had no college education and no friends with money or political connections. They were, however, smart and determined. From 1900 to 1903, they would work in their bicycle shop in the spring and summer months, then head off to remote, windy Kitty Hawk on the North Carolina coast during the fall and winter to work on their great passion — to build an airplane.

They studied and solved each of the problems that confronted them. Especially important was building a light but powerful engine. How they did that is revealing. The Wrights asked a mechanic in their shop, Charlie Taylor, to see if he could build them what they needed. Within six weeks, he had fashioned a twelve-horsepower engine weigh-

ing only 179 pounds. The authors observe, “What took Langley four years and an international search took the Wright brothers six weeks, using only labor and materials found in Dayton, Ohio.”

In the fall of 1903, Langley twice suffered disastrous crashes that nearly killed his pilot. Nevertheless, he kept pleading for more federal money — even while rejecting offers of voluntary funding. Fortunately, Congress declined to throw any more money his way. And in December 1903, the Wrights successfully flew the airplane they had built without a dime from any government.

Today we often hear that government funding for science and technology is essential. The story of Samuel Langley and the Wright brothers is a good antidote to that.

Among the other illuminating stories about failed governmental forays into business include the subsidized waste and corruption of the transcontinental railroads built

after the Civil War (with the notable exception of J.J. Hill’s sound and unsubsidized Great Northern), the proliferation of government subsidies for business during the New Deal (such as the Export-Import Bank), and the wasteful efforts ever since the Carter administration to “solve” the energy crisis (itself a result of government meddling) by subsidizing renewable-energy sources, especially ethanol.

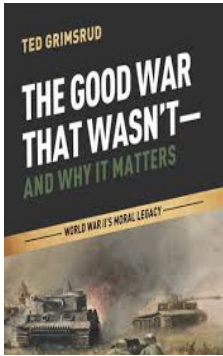
Government should stick to its few proper tasks, which do not include any kinds of business operations. Political incentives invariably work against the efficient use of scarce resources to produce the goods and services people want. If you doubt that, you really must read this book.

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The War That Justified Other Wars

by Laurence M. Vance

The Good War That Wasn't — And Why It Matters: World War II's Moral Legacy by Ted Grimsrud (Cascade Books, 2014), 286 pages.



Even among some libertarians, World War II is viewed as the great exception. Although it was the most destructive thing to life, liberty, and property that the world has ever seen, World War II is viewed as a good war. Although it took the lives of more than 50 million people, World War II is viewed as a moral war. Although it killed more civilians than combatants, World War II is viewed as a noble war. Although it wounded hundreds of millions, World War II is viewed as a just war. Al-

though it made hundreds of millions of refugees, widows, and orphans, World War II is viewed as a necessary war. The invoking of Hitler, Nazism, and World War II is supposed to forever constitute the definitive refutation of pacifism, shame conscientious objectors, discredit anti-war sentiments, serve as a trump card in all discussions of the morality of war, and, especially, silence critics of U.S. military interventions.

Ted Grimsrud will have none of that. He is the author of the new book *The Good War That Wasn't — And Why It Matters* that engages “in a moral evaluation of World War II.” Grimsrud is Professor of Theology and Peace Studies at Eastern Mennonite University in Harrisonburg, Virginia. He has written four other books, including *A Pacifist Way of Knowing: John Howard Yoder's Pacifist Epistemology* (2010). This is not the first time that Grimsrud has written on World War II. His doctoral dissertation was on “the phenomenon of conscientious objection to World War II.” He has two simple theses: (1) World War II was morally problematic, not morally good; and (2) there are alternatives to war that address authentic moral concerns raised by injustice and tyranny.

Unlike other recent writers on the subject of the morality of World War II — Michael Bess in *Choices under Fire: Moral Dimensions of World War II* (2006) and Michael Burleigh in *Moral Combat: A History of World War II* (2010) — Grimsrud tends to “assume that all wars are deeply morally problematic rather than to assume that, of course, some wars are appropriate.” Indeed, “no war could possibly be good.” World War II is not the great exception. American participation in World War II is not “self-evidently just and morally good,” and neither was it “necessary,” as the overwhelming majority of Americans assume. Grimsrud believes that this approach allows him to scrutinize the war “more critically” than if he didn’t start with that assumption.

American participation in World War II is not “self-evidently just and morally good,” and neither was it “necessary.”

Although the author grew up believing that World War II was a “good war,” three sources shaped his “disbelief in the moral legitimacy of war.” First, his parents: “proud veterans” whose “values of kindness and respect ran deeper than their values of patriotism.” Second, his

coming of age at the tail end of the Vietnam War: when he “became more interested in war issues.” And third, his theological reflection: as his faith deepened he “came to the conviction that as a follower of Jesus” he “could not support war in any form.” It was only after reaching “clarity” in his convictions that Grimsrud “began to read Mennonite writings on pacifism and sought to converse with actual Mennonites,” attend a Mennonite seminary, and join a Mennonite congregation. The author’s background is important because he cannot simply be dismissed as a lifelong Mennonite pacifist who just blindly rejects the justness of any war. Indeed, he has “several reasons to be positively disposed toward the War” and “no direct personal reasons not to be.”

Evaluating the war

Although the author is a “convinced” and a “committed” pacifist, he evaluates World War II “pragmatically, not ideologically.” He draws on “accepted just war criteria and the moral values that advocates for the War themselves established as the grounds for American participation.” And although he does not see “the just war theory to be an adequate moral response to the

question of support for war,” he believes it “offers us a framework for evaluating the morality of particular wars.” But along with “the more abstract traditional just war criteria,” the author also seeks “to use as bases for moral evaluation the stated ideals that American leaders and their allies used to justify involvement in this war.” When he comes to negative conclusions about the war, Grimsrud does so in terms of how it fell short of “the moral criteria war proponents themselves articulated.”

Grimsrud describes *The Good War That Wasn't — And Why It Matters* as “an essay in moral philosophy with historical illustrations.”

It is an essay in moral philosophy because from start to finish “warfare is infused with moral choices, moral convictions, and moral priorities.” Indeed, “If we looked at every war that societies have fought we would see that the rationale for the war and, especially, the appeals that were made to gain people’s support and participation in the war were overtly couched in moral terms.” This is especially true concerning World War II and Americans, who “supported the War, risked their lives and their children’s lives, and made other sac-

rifices mostly without complaint because they believed in the moral importance of this war.” Americans’ “involvement in the War followed from certain moral convictions.”

“Warfare is infused with moral choices, moral convictions, and moral priorities.”

The author makes no claims to originality in his use of the historical cases. The bases for his negative portrayal of “World War II and its moral legacy” are “actual events of history, open for evaluation by everyone, pacifist or not.” But his main goal is “to raise questions” — “questions that are not often asked” — not “to provide new information.” Grimsrud has three sets of questions and issues he wants to engage: whether World War II “had just causes and employed just means”; the aftermath of the war, especially as it “shaped U.S. foreign policy in the years since”; and “the viable nonviolent alternatives to seeking human well-being in the face of tyranny.”

Thus, *The Good War That Wasn't — And Why It Matters* naturally has three parts: Total War, Aftermath, and Alternatives. Part 1 looks at three questions: (1) why America entered World War II, (2) whether

America's conduct in the war was just, and (3) what the human and political costs of the war were. Part 2 examines (1) the Pax Americana that emerged after the War, (2) the Cold War, and (3) the U.S. squandering of the "peace dividend" after the Cold War and its quest for militarized global domination. Part 3 presents (1) pacifists and war resisters before and during World War II, (2) the Civil Rights and anti-nuclear movements, and (3) the service committees and anti-war activism. The book's valuable conclusion is included in part 3, but should not be seen as part of it. The book also has a brief preface, a long and important introduction, a bibliography, a name index, a subject index, and, something that is getting scarcer every day, footnotes.

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Entering the war

The most important part of the book is, of course, the first part, so that will be the focus of my review.

In exploring why America entered World War II, Grimsrud first briefly surveys the world's political and historical climate in the years

between the two world wars. He chronicles Franklin Roosevelt's actions to move the country toward intervening in yet another European war. "For the last time in American history," says Grimsrud, "a president assumed he must defer to the Constitutional requirement for a formal declaration of war by Congress." Grimsrud points out many inconvenient truths about the war:

- As late as 1936, Germany bought more arms from American companies than from sources in any other country but two.
- Poland, like Germany, was ruled by a militaristic, right-wing dictatorship.
- Unlike Poland, Czechoslovakia, which capitulated to the Germans, came through the war relatively unscathed.
- The Soviet Union would have defeated Germany even without much involvement from the United States and Britain.
- Hitler took initiative after initiative toward the British in hopes of ending the war in the West.
- American involvement in the war had virtually nothing to do with "saving Jews."

- Chiang Kai-shek was far from a supporter of democracy.
- Japan's expansionistic policies in the Far East threatened America's own imperialistic interests in the region.
- Britain's conflict with Japan stemmed from Japan's threat to its colonial possessions in the Far East.
- The United States had clearly initiated actions on both fronts that made full-scale involvement in the war inevitable at some point.
- U.S. tension with Japan can be traced back to the 1850s, when American warships visited Japan with the demand that Japanese isolation from the Western world end.
- U.S. national borders were never under threat of an invasion from Germany or Japan.

And perhaps the most damning: "When the U.S. aligned itself with the Soviet Union and Nationalist China, American leaders made it clear that their war effort simply was not animated by principled opposition to tyranny — no matter what the purpose statements declared."

Grimsrud sees America's conduct in the war as anything but just.

He bases that on the two central elements for considering just conduct in war: proportionality and non-combatant immunity. The author believes "that actions that result in the violent deaths of millions of people (perhaps three-fourths of whom were noncombatants) could be anything but at best 'morally ambiguous' seems obvious if the term *morality* is to have meaning." Although Grimsrud mentions the immorality of the bombing of Dresden, Roosevelt's policy of unconditional surrender, the firebombing of Tokyo and other Japanese major cities, and the dropping of the atomic bombs on Hiroshima and Nagasaki, he finds the U.S. alliance with the tyrannical Soviet Union to be especially "morally problematic." He sees Nazism and Stalinism as kindred spirits. The conduct of the war by America's ally, Great Britain, was no better: "From the very start, the British strategy for defeating Germany relied at its core on directly targeting noncombatants in search of victory through killing, terrorizing, and dispossessing countless millions."

The human and political costs of the war were extraordinary. Although "only" about 400,000 Americans died, the Soviet Union lost as many as 26 million. Nations "caught

in the crossfire” suffered millions of casualties as well, including as many as 20 million in China. Up to 80 percent of the deaths in the war were nonfighting civilians. Owing to the effects of famine and disease, the total number of deaths caused by the war cannot be calculated.

One thing Grimsrud points out that one rarely hears about is the serious and long-lasting psychological trauma that afflicted thousands of American soldiers. By July 1943, 10,000 soldiers per month were discharged for psychiatric reasons. In 1945, more than 10,000 soldiers per month were diagnosed with a psychiatric disorder. And then there is the death and destruction caused to animals and the physical environment.

By July 1943, 10,000 soldiers per month were discharged for psychiatric reasons.

The Allied policy of unconditional surrender “cut off the possibility of negotiating with the Nazis concerning their treatment of the Jews.” Indeed, “the Allies did next to nothing to mitigate the horrors of the Holocaust, even when they could have.” And “the Nazi defeat was, if anything, a victory for totalitarian communism not democra-

cy.” The United States would never be the same after the war: “American democratic governance was transformed with the emergence of military-oriented institutions such as the Pentagon, Central Intelligence Agency, and nuclear-weapons programs.

The afterward

Grimsrud doesn’t let up in part 2. He documents how Pax Americana replaced Pax Britannica. The conquered nations of Japan and Germany became locations for “massive permanent American military establishments” and “pawns in the Cold War.” American corporations profited greatly from arms contracts and the coercive might of the American military to aid in “solidifying their global presence when it was resisted.”

The war transformed the United States “from a relatively demilitarized, relatively democratic society into the world’s next great empire.” The CIA — which initially “misread virtually every global crisis” and subsequently “actually provided little reliable information concerning the Soviet Union” — and the National Safety Council diminished “democratic oversight of American foreign policy.” Military spending exploded, the government of Iran

was overthrown (the repercussions of which we are still experiencing), the government of Guatemala was overthrown, and unnecessary, undeclared wars were fought in Korea and Vietnam (killing millions more). The United States failed to turn away from its militarism after the end of the Cold War and found a new enemy to replace the Soviet Union and justify the national-security state.

The United States failed to turn away from its militarism after the end of the Cold War.

“World War II was the ultimate test for American pacifists,” begins Grimsrud in part 3. Most of them unfortunately failed the test, thanks to “prowar propaganda from the Roosevelt administration” and, of course, the Japanese attack on Pearl Harbor. Grimsrud traces the history of war resistance in America from the Quakers in colonial Pennsylvania to early peace societies to interwar pacifist organizations to conscientious objectors in World War II to the Civil Rights and anti-nuclear movements. He devotes a whole chapter to three service committees: the American Friends Service Committee, the Mennonite Central Committee, and the Catho-

lic Worker. In it he also focuses attention on anti-war activism and draft resistance during the Vietnam War. He faults the transformation in America wrought by the rise of the national-security state after World War II as responsible for the “sustenance of militarist dynamics even in the face of such a major failure as Vietnam.”

Grimsrud concludes that when he applies “the just war criteria to the American involvement to World War II” he finds that “it was not a just war.” The United States “did not enter World War II for just cause or prosecute it with just means.” And “certainly the wars the U.S. has engaged in since World War II have even less chance of meeting the criteria for just wars.”

World War II was simply “an exercise in mass killing and unleashed militarism.” It transformed the United States “from a nonmilitarized, relatively free and democratic nation to a global power that became seemingly unable to turn away from a devastatingly self-destructive pursuit of empire.” The war provided “an opportunity for the military to move into an unprecedented place of power and influence within the federal government, and it was an opportunity for American corporations to profit immensely from

the U.S. becoming the one global economic superpower.”

The author recognizes that “seriously to doubt the justness of World War II is almost entirely unheard of.” He points out that “even historians who raise questions about the war’s justness almost invariably conclude that indeed the War ultimately was just.” And of course, for the large majority of historians, “simply to raise moral questions about the War is unacceptable.” For Americans, World War II stands as “the war that justified other wars.”

I cannot recommend *The Good War That Wasn’t — And Why It Matters* highly enough. Unlike

World War II, the book is both good and necessary. And it is also an eminently readable, brilliant, tour de force that wastes no words and leaves no moral stone unturned. It is absolutely essential for any assessment of the morality, justness, and consequences of World War II.

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The fundamental theory of liberty upon which all governments in this Union repose excludes any general power of the State to standardize its children by forcing them to accept instruction from public teachers only. The child is not the mere creature of the State....

— James McReynolds
U.S. Supreme Court Justice

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