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Nothing is so firmly believed as what is least known.

— *Michel Eyquem de Montaigne*

FUTURE OF FREEDOM

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The Lies and Hypocrisy of the Civil War

by *Jacob G. Hornberger*



More than 150 years after the Civil War, the nation is engulfed in controversy over statues of people who fought for the Confederacy. Many people want the statues taken down. The statues, they say, depict men who were slaveowners, slavery proponents, and traitors. Those who want the statues to stay in place are said to be racists. The feelings run so deep on both sides of the controversy that one would think that the Civil War ended just yesterday.

As a libertarian, I question why government should erect statues in the first place, to anyone. That's simply not a legitimate role of government. Moreover, why should people be taxed to fund a statue of

someone whose beliefs or behavior they dislike or oppose?

Private entities, of course, should be free to erect any statues they want, so long as they aren't subsidized by the state and the statues are on privately owned property. In fact, in 2003 a group spent hundreds of thousands of dollars to establish the Confederate Memorial Park in Lookout Point, Maryland, which features a statue and battle flags that celebrate the Confederacy. It is privately funded and people are free to boycott it or even protest it. It is an example of how things operate in a private-property system.

The statue controversy exposes lies and hypocrisy that characterize the popular depiction of the Civil War.

The most popular lie is the one that says that Abraham Lincoln waged the war to free the slaves. That's just a plain lie. Ending slavery was the result at the end of the war but it was clearly not Lincoln's goal at the beginning of the war.

Lincoln had one reason and one reason alone for initiating war against the Confederacy: to keep the nation intact by suppressing the South's secession. That was it. That was Lincoln's sole aim. Prior to the war, he had made it clear that slavery was legal under the U.S. Consti-

tution. Thus, he believed, the only way to end it legally would have been by constitutional amendment.

Indeed, further proof of Lincoln's aim is seen in his Emancipation Proclamation, which freed slaves only in certain areas. If he were waging the war to end slavery, wouldn't he have proclaimed the freedom of all slaves, not just some of them?

If Lincoln were waging the war to end slavery, wouldn't he have proclaimed the freedom of all slaves?

Let's assume that there was no slavery in the South and that the South had seceded for some other reason, say, tariffs, or simply because Southerners had decided that they no longer wanted to associate with the North. Even without slavery, there is no doubt that Lincoln would have initiated the war to prevent the South from seceding.

What if the Confederate States seceded today and declared their independence? Does anyone doubt that federal forces would be sent into the South again to suppress the secession? Obviously, their aim would not be to end slavery but to keep the nation intact, the same aim that Lincoln had when he ordered federal forces to invade the South.

So why the lie? Why not teach American children the truth — that the Civil War was waged to prevent secession and that ending slavery was simply a byproduct of the war?

I suggest that the reason for the lie is that proponents of the Civil War know that suppressing secession might not be considered by many to be a noble cause for a war that killed and maimed hundreds of thousands of people and destroyed half the country, not to mention that it damaged the freedom and democratic processes of the country.

Not so with ending slavery. That's something noble. That's something that many people would say was worth the tremendous sacrifices in life, limb, freedom, and prosperity.

Thus, the lie comes into existence: The Civil War was waged to end slavery, it is said, which is a noble cause, one worth sacrificing the lives of hundreds of thousands of people and the destruction of half the country.

Treason?

Why do some proponents of the Civil War consider the suppression of secession to be less than a noble cause?

With secession, people are simply saying, "We don't want to be as-

sociated with you anymore. We wish to separate our states from this country and establish our own country.”

With the suppression of secession, people are essentially responding, “Tough luck. We don’t care whether you want to continue associating with us or not. We are going to initiate force against you to prevent you from going your way. We will force you to remain associated with us. We will kill and destroy you until you change your mind.”

It is fairly obvious that that position doesn’t have the nobility that ending slavery does. That’s undoubtedly why the lie began.

In fact, I believe that Lincoln himself began realizing that as the war progressed and the death and destruction mounted exponentially. When he provoked the incident at Fort Sumter, I think he figured that the war would be quickly brought to a conclusion and that the seceding states would be quickly defeated.

Lincoln’s mindset was much like the Washington, D.C., crowd of socialites and sightseers that gathered in Virginia to watch the first Battle of Bull Run at the inception of the war. They viewed the battle as sort of a big sports event, one that would

be over rather quickly, with the federal team winning. Once it was clear that the Confederate forces were prevailing in the battle, the D.C. socialites and sightseers ran for their lives back to D.C. in fear that they would be captured or killed.

Why do some proponents of the Civil War consider the suppression of secession to be less than a noble cause?

That’s essentially what many supporters of the Civil War have done. They have fled from the truth and convinced themselves that the Civil War was initiated principally to end slavery and only secondarily to suppress secession.

During the statue controversy, people have accused the secessionists of being traitors. They say that it was treason for Jefferson Davis, Robert E. Lee, Stonewall Jackson, Jeb Stuart, and others to secede from the Union.

But isn’t treason a legal concept? If the Constitution permitted secession, which many people believed, then how could it be treasonous to secede? Indeed, at the end of the war, federal officials took Davis into custody and threatened to prosecute him for treason. Deciding that

discretion was the better part of valor, however, they dropped their prosecution. One reason might have been that they didn't want to risk a Supreme Court ruling on the matter.

There is an important point about secession that needs to be made, one that exposes the hypocrisy of those who condemn the South for seceding. That point is: The United States itself was founded on secession. And most of the people who condemn the South for seceding nonetheless celebrate America's secession from Great Britain in 1776.

We call it the American Revolution, but that's really a misnomer. It wasn't a revolution at all. A revolution is an attempt by rebels to oust the existing regime and take control of the central government. That's not what the American colonists in 1776 were doing. They had no interest in taking control over the British government. They simply wanted to secede from it.

Keep in mind that the people who signed the Declaration of Independence were not Americans. They were British subjects, just as people in the Confederacy were American citizens. The British colonies were part of Great Britain, much as Puerto Rico, Guam, and

the Virgin Islands are part of the United States today.

So the men who signed the Declaration were simply saying, "We don't want to be part of your country anymore. We don't want to associate with you. We wish to establish our own country." They didn't want to take over the British government. They simply wanted to secede from Great Britain and establish their own country, just as Southerners wanted to do nearly 90 years later.

If the Constitution permitted secession, which many people believed, then how could it be treasonous to secede?

Today, some Americans celebrate George Washington, Thomas Jefferson, James Madison, and Patrick Henry as patriots for seceding from their country while, at the same time, condemning Jefferson Davis, Robert E. Lee, and Stonewall Jackson as traitors for seceding from theirs.

Of course, often it's a question of who wins and who loses that determines whether a secessionist is a patriot or a traitor. Great Britain certainly did not consider its rebelling British colonists to be patriots. On the contrary, it considered them

to be traitors and criminals, the same way that many Americans today view Davis, Lee, Jackson, and other Southerners who lost their war for secession.

Sovereign states

People claim that Southerners were fighting to preserve slavery and, therefore, cannot under any circumstances be considered patriots.

They miss two important points, however. One is that the secessionists in 1776 intended to preserve slavery in their new country and, nonetheless, they are still considered to be patriots.

Our ancestors viewed the nation as a collection of sovereign and independent entities (i.e., states).

The other point is related: It's possible to fight for two principles, one noble and the other ignoble. Lee provides a good example. When the war broke out, Lincoln offered him command over all Union forces. Lee turned down the offer and returned to Virginia, where he assumed command over the Confederacy's Army of Northern Virginia. At the time, his wife was also a slaveowner.

Critics today call Lee a traitor. They say that he betrayed his country by taking up arms against it (just as some people considered George Washington, who was also a slaveowner, to be a traitor for taking up arms against his country).

The problem is that such critics are looking at the situation from the standpoint of a 21st-century American, one who has been indoctrinated into viewing the federal government and the nation in a way that is entirely different from how 18th-century and 19th-century Americans viewed them.

Today's Americans are taught to view the United States as one nation, consisting of states that are inferior and subordinate to the federal government.

That was not the mindset of our ancestors. They viewed the nation as a collection of sovereign and independent entities (i.e., states) that had simply confederated together to facilitate matters of common interest.

In the process, however, the states understood that they were not surrendering their separate, independent, and sovereign status. That was manifested in the type of political structure that they established. The charter by which they came together was called, appropri-

ately, the Articles of Confederation. That's because they came together simply as a confederation and without losing the independence and sovereignty of each state. Under the Articles the federal government was given very few powers. It wasn't even given the power to tax.

Under the Articles the federal government was given very few powers.

Most people considered their home state to be their real country. That's where their loyalties lay. That's where their allegiance was — not to the United States but rather to Virginia or South Carolina. People didn't see themselves as citizens of the United States. They saw themselves as citizens of their respective states.

That mindset was reflected by the way Americans prior to the Civil War referred grammatically to the United States. When doing so, they would use the plural form: "The United States are moving in a different direction." Sometime after the Civil War and continuing through today, the country is referred to in the singular: "The United States is moving in a different direction."

It was with that mindset that Lee turned down Lincoln's request

to command the Union forces. In his mind, to do so would constitute treason because it would entail waging war against his own country, which was Virginia. And that was the mindset of most Southerners. In their minds, they were fighting for their country against an illegal invader, notwithstanding the fact that their system was based on slavery. That is, they would have had the mindset with respect to patriotism even if there had been no slavery in the South.

Proponents of the Civil War ignore some other important points.

If the war was actually about slavery rather than secession, U.S. forces could have invaded the Confederacy, freed the slaves, and returned home, leaving the Confederacy as an independent nation. After all, doesn't the U.S. government justify some of its foreign interventions in that way today? After the infamous WMDs failed to be immediately found in Iraq, U.S. officials said that they were actually invading and occupying Iraq to free the Iraqi people from Saddam Hussein's tyranny. In the process, they didn't absorb Iraq into the United States.

They could have done the same thing to the Confederacy — invade, free the slaves, and return home without forcibly re-absorbing the

Confederacy. The reason they didn't is clear: the war was about secession, not slavery.

Moreover, there was another way to bring an end to slavery without all the massive death and destruction that Lincoln's war entailed. The North could have acceded to the secession and then declared itself to be a sanctuary for runaway slaves.

The North could have acceded to the secession and then declared itself to be a sanctuary for runaway slaves.

What about the Fugitive Slave Act, which required Northern states to return slaves to their owners? It would have been gone. Remember: with secession, there would now be two separate and independent countries — the United States of America and the Confederate States of America. There would be nothing the Confederacy could do to force the North to return runaway slaves.

That would have undoubtedly broken the back of the slave system in the South. After all, slavery was a dying institution anyway, not only in a moral sense but also in an efficiency sense. Operations based on slavery could not compete against

enterprises based on consensual, paid employees. It was just a matter of time before the entire system collapsed. A sanctuary system in the North would have accelerated its demise.

War crimes

Finally, in the matter of statues and the honoring and glorification of Union leaders, it's important to keep in mind the grave war crimes ordered by Lincoln, and committed by Philip Sheridan and William T. Sherman, especially in Virginia's Shenandoah Valley and in Sherman's March to the Sea.

Traditional rules of warfare precluded the waging of war against civilians, a principle that had been taught to Sheridan and Sherman at West Point. Yet, that is precisely what those two men and the troops under their command did. They intentionally targeted women, children, seniors, and other noncombatants by burning their homes, their crops, and their towns and villages, with the intent of killing them by starvation or exposure to the elements. The idea was that it would bring the war to an earlier conclusion, especially by demoralizing Confederate soldiers who would be losing their wives, children, siblings, and parents.

It's a rather straight line from what was done in the South to the atomic bombings at Hiroshima and Nagasaki, the U.S. carpet bombing of North Korean towns and villages, the bombing of civilian targets in North Vietnam, the killing of civilians at My Lai and countless other villages in South Vietnam, and the several missile and drone attacks on wedding parties in Afghanistan. Every one of those war crimes is based on the notion that it's okay as long as it saves American lives by ending the war sooner, especially by demoralizing the enemy. They all stretch back to the war crimes that Sheridan and Sherman committed in the South.

I would be remiss if I failed to mention the extreme dictatorial actions committed by Lincoln. His arrest of the Maryland legislature. His jailing of critical journalists. His suspension of habeas corpus. His embrace of conscription. His enactment of the Legal Tender Laws. They were all illegal under our form of constitutional government. They are also characteristic of some of the most brutal dictatorships in history.

Indeed, let's not forget that while Lincoln opposed slavery prior to being elected president, he was also a white separatist, believing at best that blacks and whites should be kept separate and that blacks should be forcibly deported to Africa.

Lincoln ended up winning and slavery was ended, which was the one good thing that came out of the war. But it's not necessary to honor war criminals and white separatists simply because they won, especially when ending slavery wasn't the reason they initiated the Civil War. Indeed, does winning mean that lies and hypocrisy have to be a major legacy of the Civil War?

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

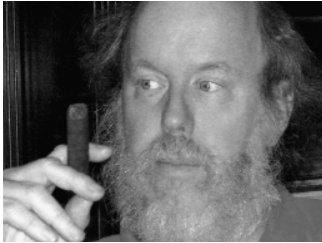
NEXT MONTH:
**"Pinochet's Chicago
Boys versus Freedom"**
by Jacob G. Hornberger

We can all no doubt remember having found ourselves suddenly under the influence of an idea, the source of which we cannot possibly identify. "It came to us afterward," as we say; that is, we are aware of it only after it has shot up full-grown in our minds, leaving us quite ignorant of how and when and by what agency it was planted there and left to germinate.... For some time it is inert; then it begins to fret and fester until presently it invades the man's conscious mind and, as one might say, corrupts it. Meanwhile, he has quite forgotten how he came by the idea in the first instance, and even perhaps thinks he has invented it; and in those circumstances, the most interesting thing of all is that you never know what the pressure of that idea will make him do.

— Albert Jay Nock

Red-Green Delusions on Soviet-Bloc History

by James Bovard



The *New York Times* is running a series of “Red Century” articles extolling some of the virtues of communism on the 100th anniversary of the Russian Revolution. Last August, the *Times* showcased a Yale University lecturer rhapsodizing about the Soviets’ environmental record in a piece headlined, “Lenin’s Eco-Warriors.” The piece hailed Lenin as “a long-time enthusiast for hiking and camping” who “agreed that protecting nature had ‘urgent value.’” The article extolled the nature preserves that the Soviet regime created early in its reign.

The Soviets long enjoyed good PR in the West for environmental policy. This had nothing to do with

the actual facts on the ground; instead, communism was presumed benevolent because capitalist regimes presumably cared for nothing but profits. According to Marxist theory, environmental problems could not occur in socialist countries because man and nature were inherently in harmony. But that was one of the biggest pro-communist delusions fostered by the Western media.

When I roamed in Hungary, Czechoslovakia, Romania, and East Germany in 1987, I saw environmental ravages that made northern New Jersey look almost bucolic. After World War II, the Soviet Union imposed a “forced industrialization” policy on Eastern Europe — overhauling the economies and directing almost all resources to heavy industrial production. Since most of those countries lack both raw materials and domestic energy supplies, the heavy industrial model was grossly inappropriate and led them to pursue development in an area where they had no comparative advantage over other countries.

In Leipzig, once one of the prettiest cities in East Germany, the windward sides of monuments and buildings look as if they were scorched in a fire, thanks to nearby factories. At the Thomas Church,

the right side of a statue of the Virgin Mary's face showed a beautiful, tranquil smile — perhaps as beautiful as when the church was constructed 200 years ago. But, the left side of her face appeared to have been dipped in acid — it was gnarled, hideously disfigured, with the eye and ear looking as if they had been pounded with a heavy shovel. The monuments and buildings of Leipzig looked as if they had been struck by a plague.

In Molbis, a town downwind of Leipzig, the air was so dirty with the emissions of chemical plants that drivers sometimes had to turn on their headlights during the day. Neighbors could not see each other's houses, and visitors often vomited after a night of breathing the air. In nearby Bitterfeld, the capital of East Germany's chemical industry, signs proclaimed, "Chemistry brings prosperity, beauty, and bread." But nice slogans could not compensate Bitterfeld's citizens for a chronic bronchitis rate five times higher than elsewhere in East Germany. Bitterfeld had become a synonym for poison and filth. It was a common saying, "Who was once in Bitterfeld thinks it is beautiful everywhere."

In Prague, mothers were advised not to give their babies tap

water — even after boiling it. In northern Bohemia, the most heavily industrialized area of Czechoslovakia, life expectancy was nearly 10 years shorter than elsewhere in the country. Rates for skin disease, stomach cancer, and mental illness were twice as high as in the rest of the country. Sixty percent of teenagers suffered from respiratory diseases, serious skin diseases, or digestive ailments. Northern Bohemia had become a land of permanent near-zero visibility. The government considered a mass evacuation of northern Bohemia in 1986 but refrained, in part to avoid causing a panic reaction. Elsewhere in Czechoslovakia, 75 percent of the residents of the town of Jelšava abandoned their homes because of omnipresent magnesium dust.

**In Molbis the air was so dirty
that drivers sometimes had to
turn on their headlights
during the day.**

Factories were killing trees en masse throughout the Eastern Bloc. The Erzgebirge mountains along the Czech-East German border were rapidly becoming a huge tree cemetery — the world's best showcase of the effects of acid rain. Half way up a mountain, the trees sud-

denly seemed frail — then another hundred feet, and they seemed blighted — and then another hundred feet, and they were dying en masse — and then, close to the top, there was nothing left — only hundreds of stumps remaining from once healthy trees. At the top of some mountains, not a single tree survived — just barren landscape with a few remaining stumps. The Czech government concluded that trees no longer grew above an elevation of 3,000 feet.

**East German veterinarians
advised that sheep should no
longer be eaten — only used for
wool production.**

Poland was also suffering horrendously from pollution. In Kraków, the Polish National Lawyers Association reports that cancer, heart disease, and artery problems are two to eight times higher than in the rest of Poland, and the infant mortality rate is more than three times the national average. Poland also faced a catastrophic water shortage. Only 1 percent of the country's water was clean enough to drink, and almost half the water was so polluted that it was unfit for any use. Temporary water shortages affected 120 cities and 10,000 smaller towns.

Socialism also ravaged farmland. Socialist governments tended to view chemical fertilizers as a panacea. Czechoslovakia used more than twice as much fertilizer per acre as any other industrial country. The profusion of fertilization profoundly affected the quality and safety of the food. Other agricultural policies created widespread off-site damage. East German crop-sprayer pilots were required to meet Planned Targets for pesticide application. As a result, they often flew even during high wind, which meant that chemicals and poisons were blown everywhere. East German veterinarians advised that sheep should no longer be eaten — only used for wool production.

Praying for wind

Though East Germany, Poland, and Czechoslovakia were suffering the most, other Eastern-Bloc countries also ravaged their environments. In Romania, Prof. Virgil Ianovici, chairman of the National Council for Environmental Protection, admitted in 1982 that some industrial cities had lead concentrations in the air 40 times the acceptable limit. Romanian institutes of public health noted that “there is almost no industrial area in Romania where pollution does not have

negative effects on public health, leading to lead poisoning, pulmonary disorders, anemia, tumors, rickets, and — typical for Eastern Europe — pervasive chronic bronchitis.

Communist governments preferred impressive steel-production statistics over healthy citizens.

After 1980, the Soviet Union sharply reduced oil deliveries to its allies, and Eastern Europe scrambled to find domestic energy sources. East Germany, Poland, and Czechoslovakia increasingly turned to brown coal. It takes five tons of soft brown coal to produce the energy of one ton of black coal, and brown coal has a very high sulfur content. In East Berlin, the air was so bad that visitors felt as though they had spent the whole day standing behind a diesel bus.

Communist countries were perennially obsessed with “conspicuous production” — heavy industrial production was the most important measure of success in five-year economic plans. Communist governments preferred impressive steel-production statistics over healthy citizens. In the 1980s, Eastern European governments still saw smoke-

stacks as symbols of economic success — regardless of their increasingly sick and dying populaces. In the city of Most, Czechoslovakia, posters proclaiming the regime’s anniversary featured workers standing in front of belching smokestacks — even though pollution was devastating the lives of Most’s citizens. Polish tour posters featured pictures of historical sights — often prominently showing a smokestack in the background.

In most countries, the environmental policy consisted largely of praying for strong winds. In Czechoslovakia, factories were often exempted from pollution regulations when their output was declared to be “in the interests of the entire community.” In Hungary, more than half the factories hit with pollution fines did nothing to reduce their pollution. Pollution controls in Polish factories were frequently turned off to save energy. The Polish Academy of Sciences noted that an “anti-environment mentality’ is formed due to the economic mechanisms which handed out bonuses to those who achieved a high output at any cost.”

In Eastern Europe, government was both protector and polluter — and that conflict of interest was almost always resolved by maxi-

mizing production and shafting the environment. As a result, Eastern European economies were left up the pollution creek without a paddle.

Denial

Some Eastern-Bloc governments denied that any environmental problem existed: East Germany blamed its dying forests on storms and heavy snow. One Czech Communist Party ideologist blamed environmental problems on “non-socialist individuals still surviving in the country.” A top Polish Communist Party official bragged that his nation had the best environmental law in the world. Throughout Eastern Europe, environmental protesters were routinely denounced and harassed for “interfering with the building of socialism.” Any industrialized country unable to produce enough toilet paper for its citizens was unlikely to be concerned with “abstractions” such as clean air or unpoisoned groundwater. But no amount of government repression of ideas and people could hide the growing evidence of pervasive poison.

As I wrote in the *New York Times* on April 26, 1987 after returning from the Eastern Bloc,

Pollution could be the final nail in the coffin of East European Socialism. Unfortunately for Eastern Europe, there is no export market for brown snow and dying trees.

The *Times* headlined that piece, “Headlights at High Noon: A Silent Spring in Eastern Europe.”

Environmental protesters were routinely denounced and harassed for “interfering with the building of socialism.”

After the Iron Curtain fell, the Western media finally noticed the pervasive environmental devastation in reputed socialist paradises. But, as the recent *New York Times* accolades indicate, the damning facts on socialist environmental wreckage seem to have vanished into the Memory Hole. That was convenient for international campaigns by progressives and statists for international agreements that would give government far more control over economies, such as the Paris Agreement on climate change, which Barack Obama signed and Donald Trump renounced.

The history of environmental policy provides other reasons not to blindly trust any government. In

the United States, the Pentagon has long been the biggest polluter. As the *Mint Press News* reported last May, “Producing more hazardous waste than the five largest U.S. chemical companies combined, the U.S. Department of Defense has left its toxic legacy throughout the world in the form of depleted uranium, oil, jet fuel, pesticides, defoliants like Agent Orange and lead, among other pollutants.” The large majority of the remaining Superfund sites in the United States are military sites or factories that previously produced or currently manufacture supplies for the Pentagon. The nation’s most famous Marine Corps base, Camp Lejeune in North Carolina, recently made headlines for its toxic groundwater. American generals and politicians ignored military-related pollution the same way that Communist Par-

ty poohbahs ignored Eastern-Bloc pollution.

For the future of liberty, it is vital not to expunge Leviathan’s criminal record. And the contempt that the Soviet Bloc showed for the health and survival of its own subjects should never be forgotten.

James Bovard is a policy advisor to The Future of Freedom Foundation and is the author of a new ebook, Freedom Frauds: Hard Lessons in American Liberty, published by FFF, Public Policy Hooligan, Attention Deficit Democracy, and eight other books

NEXT MONTH:
**“Donald Trump’s
Authoritarian Opponents”**
by James Bovard

The best we can hope for concerning the people at large is that they be properly armed.

— *Alexander Hamilton*

Paycheck Plus Welfare

by *Laurence M. Vance*



Just as a rose by any other name would still smell just as sweet, so welfare by any other name still reeks of dependency, taxation, wealth redistribution, fraud, redundancy, inefficiency, and income-transfer payments. Yet, pleas to maintain the welfare state never cease. And some even want to expand it.

Like MDRC, “a nonprofit, non-partisan education and social policy research organization dedicated to learning what works to improve programs and policies that affect the poor.” The organization works “as an intermediary, bringing together public and private funders to test new policy-relevant ideas, and communicate what we learn to policymakers and practitioners — all with the goal of improving the lives

of low-income individuals, families, and children.” It is funded by “government agencies and some 70 private, family, and corporate foundations.”

According to MDRC, “In recent decades, wage inequality in the United States has increased and real wages for less-skilled workers have declined. As a result, many American workers are unable to adequately support their families through work, even working full time.” The Earned Income Tax Credit “has helped to counter this trend and has become one of the nation’s most effective antipoverty policies.” It has “helped to counteract decades of stagnating or even falling wages for the bottom part of the wage distribution, increasing employment among single mothers and raising millions of families and children out of poverty.”

But that is not enough. The tax credit “could do more.” Heretofore “most of its benefits have gone to workers with children.” “Low-income workers who do not have dependent children” have been “left out” of the tax credit’s reach. That includes “young men and women just starting out, older workers with adult children, and parents who do not have custody of their children.” All of them “have faced the same

falling wages over the past decades as workers with children, and the same tough labor market of more recent years, and all could benefit from an expanded tax credit.” That “single people working in low-wage jobs are treated differently from those with children raises questions of equity.”

Taxpayers will pay less in taxes the greater the number of exemptions and deductions that they qualify for.

Enter Paycheck Plus, a program that “provides a bonus of up to \$2,000 at tax time” to low-income workers without dependent children and “tests the effects of a much more generous” and “expanded” Earned Income Tax Credit. The program “is being evaluated using a randomized controlled trial in two major American cities: New York City and Atlanta.” Preliminary findings have been published in an MDRC report titled “Expanding the Earned Income Tax Credit for Workers without Dependent Children: Interim Findings from the Paycheck Plus Demonstration in New York City.” Since the program is based on, and seeks “to mirror the process by which filers apply” for, the Earned Income Tax Credit, it is imperative that this credit be

examined in detail. But first, it is necessary to look at tax credits in general.

Tax credits

Tax deductions and exemptions serve to reduce one’s income subject to tax.

Exemptions and deductions work the same way, but deductions are generally subject to more limitations, conditions, and exclusions. In either case, taxpayers will pay less in taxes the greater the number, and the greater the amount, of exemptions and deductions that they qualify for.

All taxpayers can generally claim personal exemption of \$4,050 for themselves and their dependents and a standard deduction of \$6,350 (\$12,700 for married filing jointly). Many taxpayers can also claim deductions for educator expenses, business expenses of performing artists, health savings account contributions, alimony paid, moving expenses, the deductible part of the self-employment tax paid, health-insurance premiums paid by the self-employed, IRA contributions, tuition and fees paid, and student-loan interest. Taxpayers who choose to itemize can claim deductions for medical and dental expenses, state and local taxes paid,

real estate taxes paid, home mortgage interest, mortgage insurance premiums, charitable contributions, casualty or theft losses, unreimbursed employee expenses, and tax preparation fees.

Unlike regular tax credits, refundable tax credits are a form of welfare, even though they are rarely viewed as such.

All applicable deductions and exemptions are subtracted from one's total income before the amount of one's taxable income is calculated. Tax deductions and exemptions are not subsidies like welfare, government spending that has to be paid for, or loopholes that need to be closed. They are always good no matter how many of them there are, what the amounts of them are, whom they benefit, why they are enacted, or how much they "clutter up" the tax code. They are always good because they allow Americans to keep more of their money in their pockets and out of the hands of Uncle Sam.

Tax credits, of which there are two types, work differently, although both types serve to reduce the amount of tax owed on one's income. A regular tax credit is a dollar-for-dollar reduction of the

amount of income tax owed. Like tax deductions and exemptions, one will pay less in taxes the greater the number, and the greater the amount, of tax credits that one qualifies for. Current tax credits include the credit for child and dependent care expenses, adopting a child, education credits, the foreign tax credit, the retirement savings contributions credit, the Child Tax Credit, the Earned Income Tax Credit, the plug-in electric vehicle credit, and residential energy credits. Tax credits may reduce the tax owed to zero, but if there is no taxable income to begin with, then no credit can be taken. Tax credits, like tax deductions and exemptions, are always a good thing because they allow Americans to keep more of their money in their pockets and out of the government's hands.

However, unlike regular tax credits, refundable tax credits are a form of welfare, even though they are rarely viewed as such. A refundable tax credit is treated as a payment from the taxpayer, such as federal income tax withheld or estimated tax payments. If the tax credit "payment" is more than the tax owed after the regular tax credits are applied, then the taxpayer becomes a tax receiver. He receives a refund of the money he never actu-

ally paid in. The money is simply taken from real taxpayers and transferred to him. Refundable tax credits are the ultimate form of welfare because they are payments made in cash like the Temporary Assistance to Needy Families (TANF) or Supplemental Security Income (SSI) programs, instead of payments made to a third party, like Medicaid, or deposited on an Electronic Benefit Card (EBC), as in SNAP (the food stamp program). Refundable tax credits include the Additional Child Tax Credit, the American Opportunity Tax Credit, and the Earned Income Tax Credit.

The Earned Income Tax Credit

The Earned Income Tax Credit (EITC) is the king of refundable tax credits. The Additional Child Tax Credit (ACTC) is worth, at the most, \$1,000 per child, and is available only to taxpayers with a qualifying child who receive less than the full amount of the \$1,000 Child Tax Credit. In that case, the amount of the ACTC is the smaller of the remaining child tax credit and 15 percent of the taxpayer's taxable earned income above \$3,000. The American Opportunity Tax Credit (AOTC) is 100 percent of the first \$2,000 plus 25 percent of the next \$2,000 in qualified tuition and re-

lated educational expenses the taxpayer pays for each eligible student. Only 40 percent (up to \$1,000 per student) of the AOTC is refundable. But the EITC can result in a payout of \$6,318 for taxpayers with three or more qualifying children.

Although the EITC is a tax credit, for many of its recipients it functions as a gigantic income-transfer payment.

The EITC is a refundable tax credit for low- to moderate-income working individuals and couples, particularly those with children. Although the EITC is a tax credit, for many of its recipients it functions as a gigantic income-transfer payment because it is fully refundable; that is, its size is neither determined by a recipient's income tax liability nor limited by a recipient's assets. The actual amount of EITC benefit depends on a recipient's income and number of children. The difference between the EITC and other forms of "income support" is that it is received in one large payment after the end of the tax year instead of in monthly payments like food stamps, Social Security, WIC, SSI, and TANF. The EITC is the third-largest social welfare program in the United States after Medicaid

and food stamps. The number of taxpayers claiming the credit increased 50 percent from 1999 to 2013, and the total amount claimed (after adjusting for inflation) increased 60 percent. One in five households filing a federal income tax return now claims the EITC.

“The EITC is a refundable tax credit. This means workers may get money back, even if they have no tax due.”

According to the IRS,

The Earned Income Tax Credit, EITC or EIC, is a benefit for working people with low to moderate income. To qualify, you must meet certain requirements and file a tax return, even if you do not owe any tax or are not required to file. EITC reduces the amount of tax you owe and may give you a refund.

To qualify for EITC you must have earned income from working for someone or from running or owning a business or farm and meet basic rules. And, you must either meet additional rules for workers without a qualifying child or

have a child that meets all the qualifying child rules for you.

The Earned Income Tax Credit (EITC) is a financial boost for people working hard to make ends meet. Millions of workers may qualify for the first time this year due to changes in their marital, parental or financial status.

The EITC is a refundable tax credit. This means workers may get money back, even if they have no tax due. Nationwide last year more than 27 million eligible individuals and families received almost \$67 billion in EITC.

The EITC was introduced for tax year 1975. It provided low-income taxpayers with a refundable credit as high as \$400. The program received wide bipartisan support in Congress and was soon expanded and made a permanent fixture on IRS tax forms. By 1990, the maximum EITC was \$953, with a partial benefit available for incomes less than \$20,264. In 1990, the system was greatly expanded with higher benefits and more money awarded if the taxpayer had two or more children. By 1993, the maximum

credit was \$1,511. It doubled the next year. Also new in 1994 was a credit for a single person with no dependents. The EITC amounts have increased every year since then. Beginning in 2009, the credit was increased for taxpayers with three or more children. From 1979 to 2010, qualified workers could receive a portion of their EITC payments in their paychecks spread throughout the year and then receive the rest after they filed their tax returns. Employers would then recover the advances by an offset against their quarterly payments to the IRS of payroll and withholding taxes. Although the Advanced Earned Income Credit (AEIC) was available to workers as long as they filed a W-5 form with their employers every year, the utilization rate among claimants never exceeded 2 percent.

Qualified workers could receive a portion of their EITC payments.

To be eligible for the EITC, one's income must be below certain limits. For tax year 2017, both earned income and adjusted gross income must each be less than

- \$15,010 (\$20,600 married filing jointly) with no qualifying children

- \$39,617 (\$45,207 married filing jointly) with one qualifying child
- \$45,007 (\$50,597 married filing jointly) with two qualifying children
- \$48,340 (\$53,930 married filing jointly) with three or more qualifying children.

For tax year 2017, the maximum EITC that one can receive is

- \$510 with no qualifying children
- \$3,400 with one qualifying child
- \$5,616 with two qualifying children
- \$6,318 with three or more qualifying children.

To receive the maximum credit, one's income must be between

- \$6,670 and \$8,340 (\$13,930 married filing jointly) with no qualifying children
- \$10,000 and \$18,340 (\$23,930 married filing jointly) with one qualifying child
- \$14,040 and \$18,340 (\$23,930 married filing jointly) with two or more qualifying children.

There are also some stipulations and restrictions regarding the EITC:

- Filing status cannot be married filing separately.
- Investment income must be \$3,450 or less for the year.
- No income received for work performed while an inmate can be used to claim the EITC.
- A claimant must be either a U.S. citizen or resident alien.
- Qualifying children must be younger than 19 (or 24 if a full-time student).
- Those with no qualifying children must be 25 to 64 years old.
- Filers must have lived in the United States for more than half the tax year.
- All filers and all children being claimed must have a valid Social Security number.

In addition to the federal EITC, twenty-six states and the District of Columbia also have an EITC program. And the EITC in those states is also refundable, except in Delaware, Maryland, Ohio, Oklahoma, and Virginia. But that's not all; EITC benefits don't affect other welfare benefits. According to the IRS,

Refunds received from the EITC or any other tax credit are not used to determine eligibility for any federal or federally funded public benefit program such as Medicaid, Supplemental Security Income (SSI), Supplemental Nutrition Assistance Program (food stamps), low-income housing or most Temporary Assistance for Needy Families (TANF) payments. Those who save their tax credit for more than 30 days should contact their state, tribal or local government benefit coordinator to find out if their benefits count as assets.

Paycheck Plus

As mentioned above, a Paycheck Plus trial program is currently under way in New York City and Atlanta. Funding for the project in New York was provided by some foundations, the New York City Mayor's Office for Economic Opportunity, and the U.S. Department of Health and Human Services. Funding for the project in Atlanta was provided by some foundations and the U.S. departments of Health and Human Services and Labor. Interim findings from the project in New York City were published in a report by MDRC.

Between September 2013 and February 2014, MDRC partnered with Food Bank for New York City (FBNYC), which runs the largest network of Volunteer Income Tax Assistance (VITA) sites in the city, to recruit a little more than 6,000 low-income, single adults without dependent children to take part in the study, all of whom had earned less than \$30,000 in the previous year. Half were selected at random to be offered a Paycheck Plus bonus for three years, starting with the 2015 tax season, based on earnings in the previous year. Participants had to apply for each bonus. About 64 percent of those who had earnings in the eligible range received bonuses in the first year (2015), while 57 percent received bonuses in the second year (2016). The average amount received was \$1,400.

The report examined Paycheck Plus's effects over the 2015 and 2016 tax seasons on income, work, earnings, tax filing, and child support payments. Paycheck Plus

- increased after-bonus income (earnings plus bonuses) in both years
- increased tax filing in both tax filing seasons
- increased the payment of child support in 2015

- increased employment in 2015 for most types of participants.

Getting hundreds of dollars in free money is always a great incentive for people to do just about anything.

The findings “are consistent with research on the federal EITC showing that an expanded credit can increase after-transfer income and encourage employment without creating work disincentives.” Later reports will examine effects after three years, in both New York City and Atlanta.

Paycheck plus welfare

It is no surprise that the Paycheck Plus program increased income, tax filing, child support payments, and employment. How could it not? Getting hundreds of dollars in free money is always a great incentive for people to do just about anything. So of course the findings “are consistent with research on the federal EITC showing that an expanded credit can increase after-transfer income and encourage employment without creating work disincentives.” But should the federal EITC program be expanded for low-income, single

adults without dependent children like those who participated in the Paycheck Plus trial program? Should the similar state programs be expanded for them? Should single people working in low-wage jobs be treated differently from those with children?

Low-income individuals and families don't need a tax credit when they generally pay no federal income tax.

The tax code has always benefited families over individuals by means of exemptions, deductions, and credits for children, adoption expenses, and child-care expenses. The EITC merely continued the practice. A 2016 Government Accountability Office report (GAO-16-475) to Congress on refundable tax credits pointed out that “Congress enacted the EITC in 1975 to offset the impact of Social Security taxes on low-income families and encourage low-income families to seek employment rather than public assistance.” A small EITC payment for a single person with no dependents was not even introduced until 1994.

The EITC program is also rife with fraud. The IRS each year issues a list of common tax schemes called

the “Dirty Dozen.” One of them relates to the EITC: “Some people falsely increase the income they report to the IRS. This scam involves inflating or including income on a tax return that was never earned, either as wages or as self-employment income, usually in order to maximize refundable credits.” The IRS has estimated an EITC improper payment rate of about 22 to 26 percent for 2016. That translates into a dollar range of \$15.5 to \$18.1 billion.

Not only should the EITC program not be expanded for low-income persons without dependent children, it should be eliminated for them and for families as well. A program that is itself welfare cannot discourage people from receiving welfare. Low-income individuals and families don't need a tax credit when they generally pay no federal income tax in the first place. The inequity in the EITC program is not that individuals don't receive the same benefits as families, but that the tax refunds that everyone in the program receives are refunds of other people's money.

The EITC is an income-transfer program masquerading as a tax credit. That is true whether it is provided on the federal, state, or local level. And it is true no matter what

it is called. Any addition to one's paycheck that is not earned, provided by a private organization, or provided by one's employer is Paycheck Plus welfare.

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NEXT MONTH:
“How to Make America
Great Again”
by *Laurence M. Vance*

The great rule of conduct for us in regard to foreign nations is, in extending our external relations, to have with them as little political connection as possible.... Europe has a set of primary interests, which to us have none or a very remote relation. Hence she must be engaged in frequent controversies, the causes of which are essentially foreign to our concerns.

— George Washington

Limited Government and a Free Society, Part 2

by Gregory Bresiger



Unfortunately, the classical-liberal tradition that Carl Schurz represented is almost gone today. The men and women who supported it were consistent opponents of the imperial presidency, no matter the party in power. (Schurz, for example, was a Republican who broke with the Republican Grant administration.) That's because the single-minded pursuit of power at the expense of historic liberties is the result of the corruption of both major parties in America today. It is a problem that has been going on for generations since presidents from Roosevelt and Truman to both Bushes. At one time or another leaders of both major parties have branded the

critics of the imperial presidency "isolationists."

George H.W. Bush and others belittled the warnings of such critics of the American Empire as senators Robert Taft, J. William Fulbright, Sam Ervin, and Rand Paul. Paul recently objected to Syrian bombings without Congress's having a say. Ervin warned of the imperial presidency in the Johnson/Nixon era in the debates over the Vietnam War.

"The movement of the United States into the forefront of the balance of power realpolitik in international matters has been accomplished at the cost of the internal balance of power painstakingly established by the Constitution," Ervin said.

Yet ultimately many presidents have continued to use dubious, extra-constitutional methods to end debate or run roughshod over the thoughtful critics who warn that presidents, both Republican and Democratic, have become imperial rulers. They increasingly use executive orders and agreements to reduce the power of Congress.

During the recent attempts of Donald Trump to close off the immigration debate through his executive orders, many on the Left seem to have forgotten that Barack Obama,

similarly faced with a hostile Congress, also issued executive orders to end bitter debates that were not yielding the legislation that he wanted. Given many historical precedents, why shouldn't Obama's successors, all of them, take the same approach when faced with a fractious Congress? And why stop at immigration reforms, when executive orders can be used to end debate on so many contentious issues? And, to take this idea to its logical conclusion, why have a Congress?

Nat Hentoff called for the impeachment of Obama because of his short-circuiting of Congress through the frequent use of executive orders.

Indeed, these weapons of tyranny — executive orders, executive agreements, and the overall expansion of presidential powers — have been used increasingly over the past century by presidents. Both left-wing and right-wing presidents have availed themselves of the institutional weapons of the imperial presidency.

For instance, in the last years of his life, civil libertarian Nat Hentoff called for the impeachment of Obama because of his short-circuiting of Congress through the fre-

quent use of executive orders. “Apparently, he [Obama] doesn't give one damn about the separation of powers. Never before in history has a president done these things,” Hentoff warned. One can imagine what he would be saying today about Trump.

The “good war” and the bad war

This tradition of presidents' ruling unilaterally, has been going on for many years. The danger is that there are fewer and fewer objections. Many Americans accept presidential war, regardless of whether they believe in it or not, as the norm — as something that can never change. But many don't even know of the debates over its legality — that there was a time when the issue sparked intense debate. The imperial presidency, like the welfare-warfare state, becomes the standard that almost everyone implicitly or explicitly accepts and, in the case of Secretary Dick Cheney and President George H.W. Bush, endorses.

Still, I believe the debate over these policies is inevitably skewered not by their legality or whether presidents are taking on the powers of emperors. Instead it is too often governed by partisan bickering or by which war an imperial president is waging and its popularity.

Example: It was easy for many Americans to overlook Franklin Roosevelt's institutional sins, his faux neutrality between 1939 and 1941, because of the victory of the United States in World War II. By contrast, at the end of the Vietnam War, almost no one wanted to overlook the constitutional sins of the administrations that had been committed during what became an unpopular and losing war without a formal congressional war declaration. The Gulf of Tonkin Resolution in the summer of 1964, authorizing the war, overwhelmingly passed Congress under shady circumstances, namely that the North Vietnamese attack on U.S. patrol boats, which was used to justify the resolution, had never occurred. The Gulf of Tonkin Resolution was later repealed. But Richard Nixon ignored the congressional revocation of the resolution. The war later ended in defeat and tragedy. Many Americans were then ready to discuss the dangers of the imperial presidency.

Unfortunately, objections to the abuse of presidential power seem focused on the outcome of a policy or a war.

Unfortunately, objections to the abuse of presidential power seem

focused on the outcome of a policy or a war, with Congress implicitly going along with illegal but seemingly victorious wars. Congress, with few exceptions, has continued to approve appropriations.

Indeed, Lyndon Johnson cynically recognized this reality. He used to tell his anti-war critics in Congress, "I don't care what kind of speeches you make as long as you don't vote against appropriations." He knew that only a handful of congressional representatives put their votes behind their anti-war opinions. Congress generally was in no mood to take back its powers, even though Americans overwhelmingly objected to Johnson's constitutional hijack in waging the Vietnam War, an unnecessary and disastrous war. (See my series "The Road to the Permanent Warfare State," *Freedom Daily*, May 2011–May 2012.) Yet the war was eventually condemned by most Americans. After more than a decade of war and possibly as much as hundreds of thousands of deaths, Congress finally stopped funding the war. It ended the unconstitutional Kennedy/Johnson/Nixon presidential war in 1975. However, a vigilant Congress, protective of its war-declaration powers, could have stopped the United States from ever joining the war in

the early 1960s. That's when a handful of anti-war critics in Congress were complaining that an illegal war was being waged.

Most Americans supported World War II after war was legally declared. Once Pearl Harbor was bombed, they stopped questioning and debating some of Roosevelt's questionable constitutional actions leading up to the war. The America First group, critics of the policies of the period leading up to Pearl Harbor, immediately disbanded. Charles Lindbergh, along with other leaders, joined the war effort, even though he was blocked in his efforts to recover his commission and all but branded a traitor by the Roosevelt administration and, later, by some historians.

For instance, in a recent book on William F. Buckley, author Heather Hendershot calls Lindbergh "a Nazi." That, unfortunately, is standard in many histories of the period of the undeclared war in America between 1939 and 1941. Nevertheless, Lindbergh still was a war hero in the Pacific, taking down numerous Japanese planes while working for a war contractor, as noted in the A. Scott Berg biography. He was also disgusted by the crimes he saw committed by both sides. He was fearful of the effects of

war on the human race, especially on indigenous peoples.

Roosevelt's actions were eventually condoned by Congress and generally sanctioned by public opinion because the war ended in victory. To some Americans, it seemed to be "the good war."

Roosevelt was looking for a way to carry out an unpopular war policy.

Yet just prior to the U.S. entry into World War II, there was a period that several historians have called a time of "undeclared war." This was a 14-month period after the outbreak of World War II in Europe and U.S. entry into the war in December 1941. Roosevelt in those 15 months faced an often-suspicious Congress that he knew would not give him a declaration of war unless there was a clear attack on the United States.

Roosevelt had the same problem as numerous presidents before and after him: He had to deal with a sometimes-hostile Congress in the period before a war when there was no overwhelming public sentiment to go to war. He was looking for a way to carry out an unpopular war policy. Roosevelt, like predecessors from Polk to Wilson, found various

ways to circumvent Congress, using and stretching his executive powers. James K. Polk, for example, in a dispute with Mexico over the Texas border, posted U.S. troops in disputed territory with the intent of provoking an incident that would lead to war. That resulted in fighting and the Mexican War, a war bitterly criticized by a young congressman from Illinois by the name of Lincoln.

That led to more criticism in Congress, including this complaint from Sen. John Calhoun of South Carolina:

“I do not see on what principle it can be shown that the President, without consulting Congress and obtaining its sanction for the procedure, has a right to send an army to take up a position where, it must be foreseen, the inevitable consequence would be war” (*War Powers: How the Imperial Presidency Hijacked the Constitution*, by Peter Irons).

Roosevelt’s problem in the run-up to World War II was that numerous members of Congress believed he was quietly pursuing a pro-British line considerably before Pearl Harbor. For example, he was deliberately sending U.S. warships into the war zone in the North Atlantic, hoping to create an incident that

would push the United States into war, as many of his critics pointed out. Hitler ordered his commanders to avoid any incidents with the U.S. Navy in international waters. He was telling them that he wasn’t ready for war with the United States, according to *Politics of Frustration: The United States in German Naval Planning, 1889–1941*, by Holger H. Herwig. Herwig notes that, in the period of the undeclared war, Hitler lacked the navy that could have carried out a successful invasion of the United States.

Roosevelt was hoping to create an incident that would push the United States into war.

But Roosevelt, pursuing a quietly bellicose policy that many of his successors would use, was trying to push the United States into war, despite his publicly saying the United States would stay out of war. “Behind the public performance,” writes Wayne S. Cole in *Roosevelt and the Isolationists, 1932–1945*, “Roosevelt was bold and innovative in building what Robert Sherwood called ‘a common-law alliance with Britain in its war against the Axis.’” Sherwood was a Roosevelt supporter who wrote a bestselling biography entitled *Roosevelt and Hopkins*.

This de facto British alliance, unapproved by Congress, extended to China, where Roosevelt quietly funded the Flying Tigers, a group of American military pilots in the American Volunteer Group (AVG), without congressional approval.

One of the leaders of AVG, Claire Chennault, said that Roosevelt created AVG with a secret executive order on April 15, 1941. However, an AVG historian questioned that. “No such document has ever surfaced,” wrote Daniel Ford in the book *Flying Tigers, Claire Chennault and His American Volunteers, 1941–1942*.

However, none was needed. Ford wrote, because “Roosevelt preferred to give a wink and a nod,

leaving it to his underlings to fill in the details.” Later there was a directive issued to Secretary of War Henry Stimson, providing money for the AVG.

Gregory Bresiger, an independent business journalist who works for the Sunday New York Post business section and Financial Advisor Magazine, is the author of the book MoneySense, a Libertarian Approach to Money Management.

NEXT MONTH:
“Limited Government and a Free Society, Part 3”
by Gregory Bresiger

Mind is the great lever of all things; human thought is the process by which human ends are ultimately answered.

— Daniel Webster

Exporting Roosevelt's New Deal through Aid, Investment, and Threat of War

by Wendy McElroy



The Marshall Plan is more than a historical event — it has become a modern myth. As such, it may be mostly true or mostly false, but it exercises a powerful hold over reality. And the perceived success of the Marshall Plan has influenced American policy since the late 1940s.

— Tyler Cowen

The European Recovery Program, known as the Marshall Plan was an American post-World War II program by which approximately \$13 billion was used to rebuild the economies of nations in Western Europe. (\$13 billion is about \$130 billion in 2016 dollars. Some historians, such as Joseph Stromberg, place

the figure as high as \$17 billion.) The Marshall Plan set a precedent.

Western European nations were offered loans with which they purchased American goods. The U.S. government was now officially encouraging “private” investment abroad. For example, “political risk insurance” was issued by the government to protect American businesses abroad against adverse political situations, such as a civil war, which could cause financial losses. One provision of the Marshall Plan granted long-term guarantees for qualified investors to convert foreign funds into U.S. dollars even during periods of so-called dollar shortages. Qualified investors tended to be state-crony corporations or state-favored individuals.

Since the late 1940s, foreign investment and the resulting corporate profits have been a driving force in establishing U.S. military bases around the globe. The state-protected investments are falsely touted as expressions of the free market and foreign trade rather than cronyism and economic imperialism.

The Marshall Plan and ensuing U.S. policy

In 1942, shortly after America’s entry into World War II, the Committee for Economic Development

(CED) was founded by Paul G. Hoffman in association with other businessmen, most of whom held positions in big corporations or government. The CED's stated goal was to assist the U.S. in shifting from a wartime economy to a peacetime one. The goal quickly changed to promoting the Marshall Plan. In his essay "The Marshall Plan Myth," free-market analyst Jeffrey A. Tucker explained that CED members included "heads of the top steel, automotive, and electric industries who had benefited from the New Deal's corporatist statism." In other words, the CED used the Marshall Plan to export New Deal economics to foreign nations in order to benefit crony corporations. State-favored corporations had profited richly from the war but all that was about to end. They wanted a way to continue their huge profits in a time of peace.

Fortunately for the CED, its interests and those of President Harry Truman aligned. The presidency was in trouble. By 1945, America was weary of war and wanted to loosen the reins of government which had tightened during World War II; Truman's popularity and power declined. In the 1946 election, the Republicans seized control of both houses of Congress on a

platform of rolling back government. In the 1948 presidential election, many were so certain that the Republican candidate, Thomas Dewey, would win that the *Chicago Tribune* prematurely printed newspapers with the front-page headline "Dewey Defeats Truman." He didn't. But the vote totals were only about 4 percent apart.

The CED used the Marshall Plan to export New Deal economics to foreign nations in order to benefit crony corporations.

Truman needed a popular cause around which the public and his party would rally. He found it in the bombastic campaign against communism both domestically and abroad. The Truman Doctrine of 1947 was a declaration of Cold War on a global scale and it had been well received. The doctrine offered U.S. military and economic support to nations that were threatened by communist troops or insurrections.

Truman found another popular cause in the Marshall Plan. First proposed by Secretary of State George C. Marshall, it was seen and sold as a moral campaign as well as a security matter; while showing compassion, it would diminish the influence of communism in Western Europe.

To the U.S. corporate state, a marriage of the Truman Doctrine and the Marshall Plan must have seemed ideal. It was said to create employment in America; tax dollars in the form of loans bought products from corporations; corporate investment overseas was protected by state privileges and a U.S. military presence.

At least two things were wrong with the package, however. It didn't work. And it damaged the true interests of America, including the free market and noninterventionism.

The Marshall Plan didn't work.

In his path-breaking essay, "Myths of the Marshall Plan," economist Tyler Cowen exploded five myths surrounding the Marshall Plan.

Myth #1: It significantly contributed to Western Europe's economic recovery.

The main economic problem was the poor policies imposed by Nazis across Europe during the war. Real growth occurred only when those policies were lifted, and it occurred regardless of the timing or extent of American aid the nation received. "In fact, those countries receiving relatively large amounts of aid per capita, such as Greece and

Austria, did not recover economically until U.S. assistance was winding down. Meanwhile, Germany, France, and Italy began their recovery before receiving Marshall Plan funds."

"Germany, France, and Italy began their recovery before receiving Marshall Plan funds."

Myth #2: The Plan encouraged free enterprise and sound economic policy.

"[Those] directing postwar U.S. foreign economic policy had strong interventionist sympathies; when faced with any problem, their instinct was to seek a governmental solution.... Furthermore, the very structure of the Marshall Plan encouraged state planning." In most cases, state regulation increased. The "West German miracle," for which the Marshall Plan is often credited, occurred only after the economic director, Ludwig Erhard, acted unilaterally and against American wishes to abolish most of the Allied economic controls.

Myth #3: The Plan boosted the American economy.

The assertion is based on the theory of underconsumption, which claims that recessions, depressions, and stagnation result

from low consumer demand relative to the amount of goods produced. Creating demand in Europe filled the alleged gap in America. The theory is often associated with Keynesianism. But “the ‘under-consumption’ theory of depression is now held in low repute and is being displaced by theories emphasizing monetary and fiscal disruptions as the cause of business downturns.”

Nations that bought cheaper oil elsewhere risked losing their aid.

Myth #4: It was not strongly influenced by U.S. special interests.

[The] Chief of Food Procurement for the U.S. Army Civilian Supply Program in Germany explained how American special interest took priority over European needs. He requested lard. America had a bumper peanut crop, however, and peanuts were sent instead. Or consider oil. The use of coal and “the building of independent oil refineries in Western Europe” were discouraged. Instead, oil was imported from the Middle East and American companies were encouraged to expand in that region. The Mideast oil was priced much higher than that shipped to America despite the longer transportation. Na-

tions that bought cheaper oil elsewhere risked losing their aid.

Myth #5: The policy was one of free trade and “open door.”

Only 55 percent of the goods imported were duty-free. “On manufactured items, the tariff ranged as high as 30 to 40 percent, and on knives with folding blades, hit 184%.” Moreover, “U.S. trade policy was dominated by restrictive, bilateral trading agreements, not ‘open door’ multilateralism.”

The Marshall Plan was the opposite of what it purported to be. It was not an act of generosity but one of economic imperialism that hindered the recovery of the nations it claimed to assist. It was state-sponsored profiteering at the expense of the American taxpayer. The Marshall Plan was the antithesis of free trade and a free market.

Taft dissents.

The free-market champion Sen. Robert A. Taft (R-Ohio) clearly saw the disadvantages and dangers of the Marshall Plan. He particularly opposed the Marshall Plan’s requirement that recipient nations abide by restrictions and mandates on how they were to conduct their affairs. That gave America a great degree of political power over the development of those nations and it

was the reason the Soviet Union and Eastern-Bloc nations refused to participate in the plan. The attempt to control other nations, Taft predicted, could easily make them more sympathetic to communism and assist its spread. It could also have an unfortunate domestic impact. The Marshall Plan might lead Americans to “slip into an attitude of imperialism and to entertain the idea that we know what is good for other people better than they know themselves. From there it is an easy step to the point where war becomes an instrument of public policy rather than the last resort to maintain our own liberty.”

In the end, however, Taft voted for the Marshall Plan. Why?

A few weeks before the vote took place, Czechoslovakia underwent a communist coup. As the Berlin blockade continued and concern increased over expected Soviet aggression, America would almost certainly heighten its military presence in Western Europe and forge deeper alliances. The fight against communist ideology must have seemed inevitable to Taft. He viewed that fight as a choice between “guns and butter”; he preferred the latter. Taft’s amendment

to the bill, which would have significantly cut aid for the first year, was defeated.

Conclusion

The Marshall Plan was a watershed moment in both foreign and domestic policy. In his article Tucker explained, “The actual legacy of the Marshall Plan was a vast expansion of government at home, the beginnings of the Cold War rhetoric that would sustain the welfare-warfare state for 40 years, a permanent global troop presence, and an entire business class on the take from Washington. It also created a belief on the part of the ruling elite in D.C. that it could trick the public into backing anything, including the idea that government and its connected interest groups should run the world at taxpayer expense.”

In the end, of course, America opted for both guns and butter, both the Truman Doctrine and the Marshall Plan.

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The Founding Fathers' "Great Rule" for U.S. Foreign Policy

by Elizabeth Cobbs



People who don't get heard have a tendency to shout. Eventually they get mad. For too long, foreign-policy experts have stuck their fingers in their ears when confronted by citizens ambivalent about playing global police officer.

Republican Donald Trump is channeling their voices through his electric bullhorn, whipping up the crowd and questioning the validity of institutions like NATO. Regardless of whether one likes the messenger, it's time to listen as we honor the nation's 240th birthday.

Trump is right when he claims that a policy that looks out for "America first" is based on a "timeless principle." When George Wash-

ington penned his famous Farewell Address of 1796, he asked his Revolutionary War comrade Alexander Hamilton to edit the speech. Hamilton crystallized the president's sentiment against foreign entanglements — then shared by most — into the "Great Rule."

"Interweaving our destiny" with others, Washington and Hamilton argued, would "entangle our peace and prosperity in the toils of European ambition, rivalry, interest, humor, or caprice." America should therefore pursue economic integration with the world, but maintain strict neutrality in its feuds.

John Quincy Adams reiterated this principle on July 4, 1821, when he reminded Congress that America "goes not abroad, in search of monsters to destroy. She is the well-wisher to the freedom and independence of all. She is the champion and vindicator only of her own."

At the start of the Cold War, President Harry Truman proposed a new great rule to replace the old. Like Washington, Truman had public opinion behind him. Following a vigorous debate, the U.S. Congress accepted Truman's contention that it was imperative "to support free peoples who are resisting attempted subjugation by armed minorities or by outside pressures."

Citizens agreed that it was the United States's job to defend the so-called Free World — alone, if necessary. Anything less was deemed un-American. Decision-makers stoked this sentiment to forestall isolationism. They encouraged Manichean thinking to “scare the hell out of the American people,” as Sen. Arthur Vandenberg put it.

Congressman Ron Paul called for closing all foreign bases.

The Truman Doctrine meant global military assistance on a scale never before seen. Since 1947, America has fought more foreign wars than any other nation. It maintains large permanent bases throughout Europe and Asia. As a former secretary of State, Hillary Clinton knows the Truman Doctrine fostered a safer world. She advocates staying the course preferred by establishment Democrats and Republicans, arguing that change will result in “chaos.”

Yet the conditions that gave rise to the doctrine no longer exist, as citizens intuit. Europe and Asia have rebuilt, territorial invasions on a continental scale have vanished, physical conflict between nations has plummeted since 1947, and the United States is no longer the sole

prosperous country in a world bankrupted by war. Meanwhile, Americans continue doing a grubby security job that leaves many feeling tired and dirty.

As a consequence, Washington's advice feels relevant again. In 2011, libertarian Congressman Ron Paul called for closing all foreign bases. Fellow politicians derided him, but many voters found his arguments arresting. They also were drawn to Bernie Sanders, who said during the primaries that America “should not be policeman of the world.”

Hyperconscious of economic insecurity since the Great Recession of 2008 and in hock for college tuition, millennials are perplexed at the 4-to-1 disparity between what America and most of its NATO partners spend on defense. Their parents, displaced in the workforce by globalization, don't understand what the United States gets out of the trade agreements that government officials deem necessary. The persistence of terrorism despite 15 years of war makes young and old alike wonder whether we should accelerate military interventionism or end it.

In 2013, for the first time since the Pew organization began polling Americans on the question five decades earlier, the majority (52

percent) said the United States should “mind its own business” and allow other countries to get along on their own. Today, Pew finds, the number has risen to 57 percent.

The public is abandoning the Cold War consensus. Americans are sick of being told they must pay for policies they don't understand by elites whose explanations make less and less sense and whose children rarely serve in the armed forces.

Persistent elitism triggers reactive populism. Voters turn to political outsiders when insiders won't listen. There are now more people registered independent (42 percent) than Democrat (29 percent) or Republican (26 percent). Britain's revolt against the European Union, opposed by responsible leaders but approved by an alienat-

ed populace, should be considered an early warning signal.

... The question going forward is how much longer the United States can carry the burden as it's currently distributed without destabilizing itself. The nation's 240th year is a time to think as boldly — and carefully — about the future as our Founders did.

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Nations are built from within; they cannot be imposed by foreign officials, however well-meaning.

— Ted Galen Carpenter

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