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# FUTURE OF FREEDOM

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*No nation was ever ruined by trade.*

— Benjamin Franklin

# FUTURE OF FREEDOM

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The Future of Freedom Foundation is a nonprofit educational foundation whose mission is to advance liberty and the libertarian philosophy by providing an uncompromising moral, philosophical, and economic case for individual liberty, free markets, private property, and limited government.

Believing in the power of ideas on liberty to shift the course of society toward freedom, our methodology is based on sharing sound principles of liberty with others.

- Our monthly journal, *Future of Freedom*, contains timeless and uncompromising essays on liberty. The price is \$25 for a one-year print subscription, \$15 for the email version.
- Our FFF Daily, which is free for the asking, provides hard-hitting commentary on current events.
- Our Libertarian Angle weekly Internet video show provides viewers with libertarian perspectives on the burning issues of the day.
- Our website, [fff.org](http://fff.org), contains all the articles and videos we have published since our inception in 1989.

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# Adhering to Principle to Achieve Liberty, Part 2

by Jacob G. Hornberger



In 1990, the first year of The Future of Freedom Foundation's existence, I wrote an article entitled "Letting Go of Socialism" ([www.fff.org/explore-freedom/article/letting-socialism](http://www.fff.org/explore-freedom/article/letting-socialism)) in which I criticized the idea of school vouchers. I pointed out that vouchers were simply another socialist program in which government forcibly takes money from one group of people and gives it to another group of people, in order to fund their children's education in private schools.

Milton Friedman read my article and addressed it in a speech entitled "Say No to Intolerance," which was later reprinted in *Liberty* magazine. It can be read here: [www.hoover.org/research/friedman-](http://www.hoover.org/research/friedman-)

freedom. In his speech, Friedman criticized the principled, uncompromising approach to liberty taken by people such as Ludwig von Mises, Ayn Rand, ... and me!

Needless to say, given that Mises and Rand are intellectual heroes of mine and have played a big role in my development as a libertarian, it was quite an honor to be included with them in Friedman's critique. It was also a big honor for me when Friedman told the audience that FFF "is doing good work and is making an impact."

Friedman acknowledged the central point in my article — that with its compulsory-attendance laws, school taxes, and government teachers, textbooks, and curriculum, public schooling is the model of a socialist institution. He agreed that a free society necessarily entails a separation of school and state.

He maintained, however, that the way to achieve educational liberty was through the use of school vouchers. Vouchers, he said, were a transitional device from the status quo to the end of state involvement in education.

That is where Friedman went wrong. Vouchers were always going to do the exact opposite from what Friedman maintained. Vouchers were always going to embed the

state even more deeply in education.

Consider, for example, a private school. Before accepting vouchers, its operations are semi-independent of state control. The only control the state would have, would be with respect to the renewal of its license every few years. Once the voucher program goes into effect, however, the school is suddenly hit with a big influx of students with vouchers. The school expands its operations owing to the sudden increase in demand. It borrows \$5 million to finance construction of new classrooms, the hiring of new teachers and administrators, and the purchase of additional textbooks.

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**If libertarians want a system of educational liberty, then the best thing to do is to make the case for educational liberty.**

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What are the chances that that particular school is going to become an advocate of educational liberty, which would necessarily bring an end to the voucher program? No chance at all. After all, the school has a \$5 million loan hanging over its head. It's not about to begin advocating a system in which it could lose its new influx of

voucher-funded customers. Friedman's point that vouchers would lead to a system of no-vouchers was always contrary to logic and reason. Moreover, by receiving vouchers, the private school now comes under more control by the state.

Friedman missed the most important point: that if libertarians want a system of educational liberty, then the best thing to do is to make the case for educational liberty. Instead of using a socialist program — vouchers, which take money from Peter and give it to Paul — as a way to achieve educational liberty, libertarians should just keep standing fast and making the case to people for why the state should not be involved in education at all.

Is that more difficult than making the case for vouchers? Of course it is. Advocating vouchers keeps the state's educational system intact, which makes people more comfortable in accepting the voucher proposal. Separating school and state gets rid of public schooling entirely, which is obviously a much more difficult sell for people.

Now, to Friedman's credit, he did maintain that educational liberty was the goal. He was simply mistaken in believing that vouchers were the means to achieve that goal. But it wasn't long before voucher

proponents figured out that getting people to accept vouchers was more difficult if they disclosed that vouchers would lead to their desired goal of dismantling the public-schooling system. So voucher proponents just stopped disclosing that vouchers were intended to serve as a transition device that would lead to the demise of public schooling. In fact, the situation got even worse than that, to the point that today voucher proponents tell people that vouchers are a way to improve the public-school system through “choice” and “competition.”

Thus, as with Social Security and Medicare, libertarian proponents of vouchers have effectively given up any hope of achieving a society with educational liberty. They have decided to devote their lives to being reformers of the welfare state, advocating “libertarian-oriented public-policy prescriptions” as a way to make life on the serfdom plantation more palatable.

### “Moving in the right direction”

During the 29-year history of The Future of Freedom Foundation, I have periodically received comments from people suggesting that FFF soften its approach in order to gain more acceptance, credi-

bility, and support. Their point has been that if we took more-moderate positions, people would be less threatened by radical change and more apt to embrace and support us. Moreover, they have argued, what matters is that we move in the right direction.

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**There is no reason to believe that reform proposals will necessarily make life better.**

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I have always rejected those suggestions. For one thing, there is no reason to believe that reform proposals will necessarily make life better for the serfs on the welfare-state plantation. They might, but then again they might not. History has shown that when a socialist system is reformed, the result is often a bigger crisis. As we have seen with vouchers and state control over education, the result can be worse with the adoption of the reform.

Over the years, some people have also said to me that our principled positions are “utopian.” Why advocate something that cannot be achieved, they have asked. Why not be more practical and advocate something that is achievable, such as reduction in income taxes, a school-voucher program, or mandatory retirement accounts in lieu

of Social Security, or even support the election or appointment of “libertarian-leaning” conservatives to electoral positions, regulatory commissions, or central-planning agencies?

But they are wrong. As I have repeatedly emphasized ever since FFF’s inception, there was once a small society in history that was based on the principle of limited government and in which there was no Social Security, Medicare, Medicaid, income taxes, public schooling, immigration controls, gun control, welfare, farm subsidies, foreign aid, CIA, NSA, Pentagon, military-industrial complex, foreign wars, assassinations, torture, indefinite detention, or secret surveillance and in which there was little regulation and few trade restrictions.

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**There was once a small society in history that was based on the principle of limited government.**

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Interesting enough, when I have pointed out to people that that small society was the United States of America, there have been libertarian reformers who have gone on the attack against me. They have said that by pointing out those particular attributes of 19th-century America, I am extolling a period of time as a

libertarian paradise when, in fact, there were slavery, tariffs, government-business partnerships, the Sherman Antitrust Act, denial of women’s right to vote, and violations of libertarian principles.

My libertarian reform critics have always missed the point. I have never maintained that the 19th century was a perfectly libertarian society. In fact, I have always tried to be careful to point out that it wasn’t. My only point has been to show that it is possible to achieve a society that doesn’t have Social Security, Medicare, Medicaid, income taxation, and all the other things listed above. At the risk of belaboring the obvious, if people in history have in fact achieved such a society, it can’t be considered utopian or impossible to achieve by a subsequent society.

I suspect that the real reason that libertarian reformers have gone on the attack against me whenever I point this out is that they don’t want people to realize that there has been a society that achieved those things. If people figure out that libertarian principles are, in fact, achievable, then how do the libertarian reformers justify public-policy prescriptions that are nothing more than schemes to maintain and reform the welfare-

state status quo, notwithstanding their couching their arguments in such “free-enterprise” terms as “choice,” “competition,” or “libertarian-oriented.”

### Immigration

Permit me to provide another example: immigration. The libertarian position on immigration is open borders. That’s because when a person crosses a political border, he is not violating anyone’s rights. For example, every day countless Marylanders cross the Potomac River to enter Virginia, where I live. We don’t know how many do so because the government doesn’t keep count. They might be coming to “steal jobs,” buy and sell things, including drugs, or even to murder, rape, and steal. Regardless, simply by crossing the Potomac they have violated no one’s rights.

There are conservative-oriented libertarians who, for whatever reason, honestly favor a system of immigration controls. They have come into the libertarian movement from the conservative movement and have simply been unable to let go of this particular conservative baggage. Fair enough. Sometimes understanding libertarian principles and their application is a progressive process.

But there are other libertarians who know full well that open immigration is, in fact, the libertarian position. Yet, those libertarians, who know better, have deliberately surrendered their libertarian principles by accepting America’s system of immigration controls. They have settled for making the case for showing that more immigration is good and, therefore, that the government should let in more immigrants.

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People have to hear why freedom necessarily entails a society in which infringements on freedom are abolished.

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Why would libertarians do that? For the same reason that libertarian reformers have thrown in the towel on Social Security, Medicare, regulation, and public schooling. It’s too difficult to get people to accept them. They want to be credible. They want to be respected. They want to be liked. And so they have settled for becoming reformers of the welfare-warfare state way of life rather than advocates of liberty.

Are they right? Is the achievement of liberty really impossible?

No, they are wrong, and the genuinely free society is achievable. Is it easy to achieve? Of course not! If freedom were easy to achieve,

most societies in history would have achieved it. It is an extremely difficult task. But being difficult is not the same thing as being impossible. And after all, if there was one group in history who got close to achieving it, it is entirely possible for another group in society to achieve what they accomplished and surpass it.

What does that take? An adherence to principle! In order to garner a sufficient number of people to reach the critical mass that brings a monumental shift in society toward freedom, it is necessary for people to hear the principled case for freedom. They have to hear why freedom necessarily entails a society in which infringements on freedom are dismantled, abolished, or repealed. They need to hear why a society in which there is no Social Security, Medicare, Medicaid, farm subsidies, foreign aid, income taxation, public schooling, drug laws, immigration controls, assassinations, foreign wars, or national-security state is a free society, a

moral society, and a just society. If all that people hear is the case for reform, then it becomes a virtual certainty that they will never consider the case for freedom.

All over the world, people are mired in statist darkness. But there is one light that is shining through that darkness. That light is libertarianism. If that light is extinguished, then the hope for freedom disappears. By continuing to adhere to libertarian principle, the light becomes ever brighter, enabling libertarians to lead the world to the highest reaches of freedom ever seen by mankind.

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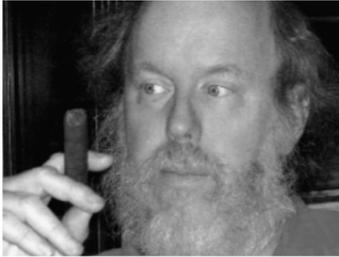
*Jacob Hornberger is founder and president of The Future of Freedom Foundation.*

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**NEXT MONTH:**  
**“The Case for Open  
Immigration”**  
*by Jacob G. Hornberger*

## 2002 Landmarks on the Road to “1984” Orwellian Hell

by James Bovard



In the post-9/11 world, Americans have become accustomed to far more government intrusions. Two of the largest leaps towards “1984” began in 2002. Though neither the Justice Department’s Operation TIPS nor the Pentagon’s Total Information Awareness program was brought to completion, parcels and precedents from each program have profoundly influenced subsequent federal policies.

In July 2002, the Justice Department unveiled plans for Operation TIPS — the Terrorism Information and Prevention System. According to the Justice Department website, TIPS would be “a nationwide program giving millions of American truckers, letter carriers, train conductors, ship captains, utility em-

ployees, and others a formal way to report suspicious terrorist activity.” TIPsters would be people who, “in the daily course of their work, are in a unique position to serve as extra eyes and ears for law enforcement.” The feds aimed to recruit people in jobs that “make them uniquely well positioned to understand the ordinary course of business in the area they serve, and to identify things that are out of the ordinary.” Homeland Security director Tom Ridge said that observers in certain occupations “might pick up a break in the certain rhythm or pattern of a community.” The feds planned to enlist as many as 10 million people to watch other people’s “rhythms.”

The Justice Department provided no definition of “suspicious behavior” to guide *vigilantes*. As the public began to focus on the program’s sweep, opposition surfaced; even the U.S. Postal Service briefly balked at participating in the program. Director Ridge insisted that TIPS “is not a government intrusion.” He declared, “The last thing we want is Americans spying on Americans. That’s just not what the president is all about, and not what the TIPS program is all about.” Apparently, as long as the Bush administration did not announce plans to compel people to testify about the

peccadilloes of their neighbors and customers, TIPS was a certified freedom-friendly program.

When Attorney General John Ashcroft was cross-examined by Sen. Patrick Leahy (D-Vt.) on TIPS at a Judiciary Committee hearing on July 25, he insisted that “the TIPS program is something requested by industry to allow them to talk about anomalies that they encounter.” But, when George W. Bush first announced the program, he portrayed it as an administration initiative. Did thousands of Teamsters Union members petition 1600 Pennsylvania Avenue over “anomalies”? Senator Leahy asked whether reports to the TIPS hotline would become part of a federal database with millions of unsubstantiated allegations against American citizens. Ashcroft told Leahy, “I have recommended that there would be none, and I’ve been given assurance that the TIPS program would not maintain a database.” But Ashcroft could not reveal which federal official had given him the assurance.

The ACLU’s Laura Murphy observed, “This is a program where people’s activities, statements, posters in their windows or on their walls, nationality, and religious practices will be reported by untrained individuals without any relationship to criminal activity.” San Diego law

professor Marjorie Cohn observed, “Operation TIPS ... will encourage neighbors to snitch on neighbors and won’t distinguish between real and fabricated tips. Anyone with a grudge or vendetta against another can provide false information to the government, which will then enter the national database.”

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**The Justice Department continued refusing to disclose who would have access to the TIPS reports.**

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On August 9, the Justice Department announced it was fine-tuning TIPS, abandoning any “plan to ask thousands of mail carriers, utility workers, and others with access to private homes to report suspected terrorist activity,” the *Washington Post* reported. People who had enlisted to be TIPSters received an email notice from Uncle Sam that “only those who work in the trucking, maritime, shipping, and mass transit industries will be eligible to participate in this information referral service.” But the Justice Department continued refusing to disclose to the Senate Judiciary Committee who would have access to the TIPS reports.

After the proposal created a fierce backlash across the political board, Congress passed an amend-

ment blocking its creation. House Majority Leader Richard Arney (R-Tex.) attached an amendment to homeland security legislation that declared, “Any and all activities of the federal government to implement the proposed component program of the Citizen Corps known as Operation TIPS are hereby prohibited.” But the Bush administration and later the Obama administration pursued the same information roundup with federally funded fusion centers that encouraged people to file “suspicious activity reports” for a wide array of innocuous behavior — reports that are dumped into secret federal databases that can vex innocent citizens in perpetuity.

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### Poindexter committed the new Pentagon office to achieving Total Information Awareness (TIA).

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Operation TIPS illustrated how the momentum of intrusion spurred government to propose programs that it never would have attempted before 9/11. If Bush had proposed in August 2001 to recruit 10 million Americans to report any of their neighbors they suspected of acting unusual or being potential troublemakers, the public might

have concluded the president had gone berserk.

### Total Information Awareness: 300 million dossiers

The USA PATRIOT Act created a new Information Office in the Pentagon’s Defense Advanced Research Projects Agency (DARPA). In January 2002, the White House chose retired admiral John Poindexter to head the new office. White House spokesman Ari Fleischer explained, “Admiral Poindexter is somebody who this administration thinks is an outstanding American, an outstanding citizen, who has done a very good job in what he has done for our country, serving the military.” Cynics kvetched about Poindexter’s five felony convictions for false testimony to Congress and destruction of evidence during the investigation of the Iran-Contra arms-for-hostages exchange. Poindexter’s convictions were overturned by a federal appeals court, which cited the immunity Congress granted his testimony.

Poindexter committed the new Pentagon office to achieving Total Information Awareness (TIA). TIA’s mission is “to detect, classify and identify foreign terrorists — and decipher their plans — and thereby enable the U.S. to take

timely action to successfully preempt and defeat terrorist acts,” according to DARPA. According to Undersecretary of Defense Pete Aldridge, TIA would seek to discover “connections between transactions — such as passports; visas; work permits; driver’s licenses; credit cards; airline tickets; rental cars; gun purchases; chemical purchases — and events — such as arrests or suspicious activities and so forth.” Aldridge agreed that every phone call a person made or received could be entered into the database. With “voice recognition” software, the actual text of the call could also go onto a permanent record.

TIA would also strive to achieve “Human Identification at a Distance” (HumanID), including “Face Recognition,” “Iris Recognition,” and “Gait Recognition.” The Pentagon issued a request for proposals to develop an “odor recognition” surveillance system that would help the feds identify people by their sweat or urine — potentially creating a wealth of new job opportunities for deviants.

TIA’s goal was to stockpile as much information as possible about everyone on Earth — thereby allowing government to protect everyone from everything. *New York Times* columnist William Safire

captured the sweep of the new surveillance system: “Every purchase you make with a credit card, every magazine subscription you buy and medical prescription you fill, every Web site you visit and e-mail you send or receive, every academic grade you receive, every bank deposit you make, every trip you book, and every event you attend — all these transactions and communications will go into what the Defense Department describes as ‘a virtual, centralized grand database.’” Columnist Ted Rall noted that the feds would even scan “veterinary records. The TIA believes that knowing if and when Fluffy got spayed — and whether your son stopped torturing Fluffy after you put him on Ritalin — will help the military stop terrorists before they strike.”

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**TIA is also striving to achieve  
“Human Identification at a  
Distance” (HumanID).**

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Phil Kent, president of the Southeastern Legal Foundation, an Atlanta-based public-interest law firm, warned that TIA was “the most sweeping threat to civil liberties since the Japanese-American internment.” The ACLU’s Jay Stanley labeled TIA “the mother of all

privacy invasions. It would amount to a picture of your life so complete, it's equivalent to somebody following you around all day with a video camera.” A coalition of civil-liberties groups protested to Senate leaders, “There are no systems of oversight or accountability contemplated in the TIA project. DARPA itself has resisted lawful requests for information about the Program pursuant to the Freedom of Information Act.”

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**Dyer publicly announced that Americans are obliged to sacrifice some privacy in the name of security.**

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Bush administration officials were outraged by such criticisms. Defense Secretary Donald Rumsfeld declared, “The hype and alarm approach is a disservice to the public.... I would recommend people take a nice deep breath. Nothing terrible is going to happen.” Poin-dexter promised that TIA would be designed so as to “preserve rights and protect people's privacy while helping to make us all safer.” (Poin-dexter was not under oath at the time of his statement.) The TIA was defended on the basis that “nobody has been searched” until the feds decide to have him arrested on the

basis of data the feds snared. Undersecretary Aldridge declared, “It is absurd to think that DARPA is somehow trying to become another police agency. DARPA's purpose is to demonstrate the feasibility of this technology. If it proves useful, TIA will then be turned over to the intelligence, counterintelligence, and law-enforcement communities as a tool to help them in their battle against domestic terrorism.” In January 2003, Sen. Charles Grassley (R-Iowa) learned that the FBI was working on a memorandum of understanding with the Pentagon “for possible experimentation” with TIA. Assistant Defense Secretary for Homeland Security Paul McHale confirmed, in March 2003 testimony to Congress, that the Pentagon would turn TIA over to law-enforcement agencies once the system was ready to roll.

DARPA responded to the surge of criticism by removing the Information Awareness Office logo from the website. The logo showed a giant green eye atop a pyramid, covering half the globe with a peculiar yellow haze, accompanied by the motto “Scientia est Potentia” (Knowledge is Power).

Shortly after DARPA completed a key research benchmark for TIA, Lt. Col. Doug Dyer, a DARPA pro-

gram manager, publicly announced in April 2003 that Americans are obliged to sacrifice some privacy in the name of security: “When you consider the potential effect of a terrorist attack against the privacy of an entire population, there has to be some trade-off.” But nothing in the U.S. Constitution entitles the Defense Department to decide how much privacy or liberty American citizens deserve.

In September 2003, Congress passed an amendment abolishing the Pentagon’s Information Office and ending TIA funding. But by that point, DARPA had already awarded 26 contracts for dozens of private research projects to develop components for TIA. Salon.com reported, “According to people with knowledge of the program, TIA has now advanced to the point where it’s much more than a mere ‘research project.’ There is a working prototype of the system, and federal agencies outside the Defense Department have expressed interest in it.” The U.S. Customs and Border Patrol is already using facial recognition systems at 20 airports and the Transportation Security Administration is expected to quickly follow suit.

Two weeks after the 9/11 attacks, Deputy Assistant Attorney

General John Yoo sent a secret memo to the White House declaring that the Constitution’s prohibition on unreasonable searches was null and void: “If the government’s heightened interest in self-defense justifies the use of deadly force, then it also certainly would justify warrantless searches.” That memo helped set federal policy until it was publicly revealed after Barack Obama took office in 2009. Unfortunately, that anti-Constitution, anti-privacy mindset unleashed many federal intrusions that continue to this day, from the TSA to the National Security Agency to the FBI and Department of Homeland Security.

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**NEXT MONTH:**  
**“The Shame of Government  
Transparency”**  
*by James Bovard*

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## Why Republicans Are Powerless against Socialism

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by *Laurence M. Vance*



If we are to believe the Republicans, they are all that is holding back the forces of socialism from taking over the United States and replacing a free and capitalist society with an authoritarian and socialist society.

Nothing could be further from the truth.

After suffering the humiliating loss of the House of Representatives in the 2018 midterm election, and having to deal increasingly with the fallout from the govern-by-Twitter pronouncements of Democratic bogeyman, Donald Trump, Republicans needed a bogeyman of their own to feign horror over in order to help them convince moderate and independent voters (and on-the-fence Republicans) that they should

be afraid of the policies pushed by Democrats and vote Republican in the 2020 election. That bogeyman is socialism. As Republicans gear up for the 2020 campaign, they are pressing their case that a vote for Democrats is a vote for the policies of socialism.

Republicans don't have an easy road ahead of them. A Gallup poll taken last year found that 37 percent of Americans feel positive about socialism, including 16 percent of those who lean Republican. Young people are especially likely to view socialism positively, with about half of Americans under 30 (51 percent) responding that they had a positive view of socialism. That accords with other polls that reveal that an increasing number of Americans support progressive ideas such as government-mandated paid maternity leave, tuition-free college, government funding for child care, increasing the minimum wage, and Medicare for All. Popular political figures such as Sen. Bernie Sanders (I-Vt.) and Rep. Alexandria Ocasio-Cortez (D-N.Y.), as well as an increasing number of progressives, embrace the label "democratic socialist." Even so, Senate Majority Leader Mitch McConnell (R-Ky.) has told reporters that the path to Republican success in the 2020

election is “running to be the fire-wall that saves the country from socialism.”

Back in April, Rep. Chris Stewart (R-Utah) received approval from the U.S. House of Representatives for the creation of the Anti-Socialism Caucus. According to a press release that was posted on the congressman’s official website, “The purpose of the caucus is to inform lawmakers and the public on the dangers of socialism and to serve as a bulwark to stop the advancement of socialist policies and legislation.” According to Representative Stewart,

Socialism is a folly. Not only is it doomed to fail wherever it rears its head, it leaves a wake of destruction in lives and freedoms lost.

So much time has passed from the fall of the Iron Curtain that many have internalized — or never experienced — socialism’s ultimate price. If we fail to recall those dangerous times, the primitive appeal of socialism will advance and infect our institutions.

Our adversaries have one thing in common: they want to destroy freedom, democracy and the rule of law, for the life-affirming principles which

define our liberal democracy represent an existential threat to their existence.

The Anti-Socialism Caucus will play a part in how we will defeat socialism once again.

“This caucus will defend individual liberty & free markets and highlight the dark history of socialism,” tweeted Stewart upon receiving approval from the House for the formation of the caucus.

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**“The purpose of the caucus is to inform lawmakers and the public on the dangers of socialism.”**

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At the annual Conservative Political Action Conference (CPAC) held earlier this year outside Washington, D.C., White House economic advisor Larry Kudlow, Rep. Mark Meadows (R-N.C.), former White House deputy assistant Sebastian Gorka, head of the Republican National Committee Ronna McDaniel, and Vice President Mike Pence all played the socialism card.

According to the Associated Press and *Business Insider*, Kudlow implored conference attendees to “join us to keep America great and join us to put socialism on trial and

then convict it.” Meadows, chair of the House Freedom Caucus, warned Republicans that Democrats are “embracing socialism.” Gorka asked and answered a question: “What is America’s biggest problem? Not socialism in Russia, but in America!” McDaniel told the conference that the GOP would look to “go out and educate” voters about socialism. Pence said in his speech that the choice in the next election is “between freedom and socialism, between personal responsibility and government dependence.” “The moment America becomes a socialist country is the moment America ceases to be America,” said Pence to the friendly crowd.

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**The term “socialism” is increasingly bandied about by pundits and presidential candidates.**

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A Trump campaign official who spoke on the condition of anonymity said the campaign was exploring ways to use the “socialism” message to drive a wedge between Democratic voters and independents. It was a surprise that Trump did not mention socialism in his speech to the crowd of conservative activists. But of course, he has mentioned it

numerous other times. Just before the 2018 election in which Democrats regained control of the House, he predicted,

If Democrats win control of Congress this November, we will come dangerously closer to socialism in America. Government-run health care is just the beginning. Democrats are also pushing massive government control of education, private-sector businesses, and other major sectors of the U.S. economy.

In his State of the Union Address in February, the president again warned of the dangers of socialism:

Here, in the United States, we are alarmed by new calls to adopt socialism in our country. America was founded on liberty and independence — not government coercion, domination, and control. We are born free, and we will stay free. Tonight, we renew our resolve that America will never be a socialist country.

## Socialism in theory

The term “socialism” is increasingly bandied about by pundits and presidential candidates, resulting in much confusion. What is socialism? Although Republicans are increasingly trying to demonize Democrats with the label, they rarely stop to define the term in its specific historical sense or in its more general modern sense. Akin to that is their insistence that they believe in free markets and that the United States is a capitalist country that must be saved from socialism.

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**“Socialist systems feature severely limited private property rights and government ownership of the means of production.”**

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In its essence, socialism is the government ownership and control of the means of production, distribution, and exchange. That is why socialist parties, once in power, seek to nationalize major industries. Under socialism, government central planning, not markets, determines what should be produced, by whom, and in what quantities — at least in theory.

The Austrian economist Ludwig von Mises, in his 1944 book *Bureaucracy*, contrasted capitalism and socialism:

The main issue in present-day political struggles is whether society should be organized on the basis of private ownership of the means of production (capitalism, the market system) or on the basis of public control of the means of production (socialism, communism, planned economy). Capitalism means free enterprise, sovereignty of the consumers in economic matters, and sovereignty of the voters in political matters. Socialism means full government control of every sphere of the individual’s life and the unrestricted supremacy of the government in its capacity as central board of production management.

More recently, economist Walter Williams succinctly explained the difference between the capitalist and socialist systems: “The key features of a free-market system are private property rights and private ownership of the means of production. By contrast, socialist systems feature severely limited private property rights and government ownership or control of the means of production.”

But as Mises’s disciple and Nobel laureate economist Friedrich

Hayek made clear in the preface to the 1976 edition of his classic work *The Road to Serfdom* (1944), the meaning of socialism evolved in the second half of the twentieth century from meaning “unambiguously the nationalization of the means of production and the central economic planning which this made possible and necessary” to mean “chiefly the extensive redistribution of incomes through taxation and the institutions of the welfare state.” Modern-day socialists and their fellow travelers aren’t calling for the nationalization of industry or the abolition of private property. They want a mixture of government ownership, government control by regulation, and government redistributive programs to ensure social justice and economic equality.

### Socialism in practice

In spite of Republican rhetoric, and contrary to what most Americans think, the United States, like every democratic country, has — in the words of economist Thomas DiLorenzo — “islands of socialism in a sea of capitalism.”

*Socialized education.* Public education is one of the most blatant forms of socialism in the United States. Every state government has a provision in its constitution for the

operation of K–12 schools, colleges, and universities in the state. K–12 schools are funded by local property taxes as well as the federal and state governments. Public universities are funded directly by state governments and indirectly by federal Pell grants, other federal educational grants, and federal student loans. Teachers are employed by local school boards (in the case of K–12 schools) or state governments (in the case of colleges and universities). Textbooks are selected, and curricula are designed, by government entities.

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Every state, as well as the federal government, has a department of education. The states have mandatory-attendance laws and standardized-testing requirements. Government agencies mandate teacher-education requirements and certify teachers. The federal government has math and science initiatives, special-education mandates, bilingual-education mandates, research grants for colleges and universities, the Elementary and Secondary Education Act, the Higher Education Act, the

Education for All Handicapped Children Act, Common Core, Title IX anti-discrimination mandates, the No Child Left Behind Act, and school breakfast and lunch programs. The accrediting agencies of colleges and universities are government agencies.

*Socialized medicine.* Americans who criticize the socialized medicine that exists in Canada and European countries forget that we have several forms of socialized medicine in the United States. Medicare is government-funded health care for Americans 65 years old and older and for those who are permanently disabled, or have end-stage renal disease or ALS (Lou Gehrig's disease). It covers more than 55 million Americans, most of whom become eligible for Medicare when they reach age 65, regardless of their income or health status. Medicaid is government-funded health care for poor Americans of any age and people with certain disabilities. It is the primary source of health-insurance coverage for low-income populations and nursing-home long-term care, and covers about 70 million Americans. Medicaid is jointly financed by the federal and state governments, but designed and administered by state governments within federal guidelines. The Children's

Health Insurance Program (CHIP) is a partnership between federal and state governments that provides federally funded health insurance to children in families with incomes too high to qualify for Medicaid.

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**We have several forms of  
socialized medicine in the  
United States.**

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Government insurance exchanges help millions of Americans purchase health insurance subsidized by the federal government. The federal government has a National Institutes of Health (NIH), federal laboratories, a Food and Drug Administration (FDA), a Department of Health and Human Services (HHS), HIV/AIDS prevention initiatives, vaccination programs, and nutrition guidelines.

*Social Security.* This is the largest socialist program in the United States. There are actually two parts to Social Security (OASDI). The Old-Age and Survivors Insurance (OASI) program provides monthly benefits to retired workers, families of retired workers, and survivors of deceased workers. The Disability Insurance (DI) program provides monthly benefits to disabled workers and families of disabled workers. More than 60 million Ameri-

cans receive some sort of Social Security benefit. The government pays the benefits, determines the benefits, sets the retirement age, decides on cost-of-living adjustments, and makes the rules for eligibility.

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**Many Americans think that they are entitled to receive Social Security benefits.**

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Despite the name of the program, many Americans think that they are entitled to receive Social Security benefits because they earned them by contributing to the system over the course of their working life. But there is no contractual right to receive Social Security benefits. Congress can reduce benefits at any time, increase Social Security taxes at any time without increasing benefits, and raise or eliminate the wage base upon which Social Security taxes are figured at any time without increasing benefits. The federal government can even pay Social Security benefits in perpetuity regardless of the amount of Social Security taxes that are collected.

*Socialized charity.* There are in the United States about 80 means-tested welfare programs that offer benefits on the basis of the beneficiary's income or assets. U.S. welfare

programs provide cash, food, housing subsidies, utility subsidies, and social services to poor, disabled, and lower-income Americans.

The most egregious of the means-tested welfare programs is the Temporary Assistance to Needy Families (TANF) program. It pays cash directly to welfare recipients to spend as they please. States receive block grants from the federal government to design and operate TANF programs. In an average month, approximately 3.5 million Americans receive TANF benefits. The majority of poor families with children receive some form of cash assistance from the government.

The Supplemental Security Income (SSI) program gives cash assistance to people who are disabled, aged, or both and who have low income and few assets. More than 5 million low-income households in the United States receive federal rental assistance through the Section 8 Housing Choice Voucher program. Most recipients of federal housing assistance pay 30 percent of their adjusted income toward rent, with the government paying the rest up to a certain amount.

The Supplemental Nutrition Assistance Program (SNAP [formerly known and still referred to as food stamps]) is administered by the

Food and Nutrition Service (FNS) of the U.S. Department of Agriculture, but operated by the states. Recipients of food-stamp benefits receive a deposit on an EBT card each month that can be used only for prepackaged food items. About 13 percent of the population are on food stamps.

Other means-tested welfare programs include the Low Income Home Energy Assistance Program (LIHEAP); the Children's Health Insurance Program (CHIP); Women, Infants, and Children (WIC); Head Start; Healthy Start; the National School Lunch Program (NSLP); the School Breakfast Program (SBP); the Special Milk Program (SMP); the Elderly Nutrition Program; the Commodity Supplemental Food Program (CSFP), and subsidized low-income phone service. Some welfare programs aren't means-tested at all, such as Unemployment Compensation, which is overseen by the U.S. Department of Labor and administered by the states. It provides benefits to those who become unemployed who meet certain eligibility requirements.

*Socialized services.* Governments at all levels in the United States provide services that could be provided by the free market. The most infamous example is the U.S.

Postal Service (USPS). And to make matters worse, by law, only the Post Office is allowed to deliver regular mail. The federal government's National Railroad Passenger Corporation (Amtrak) costs taxpayers more than a billion dollars a year in subsidies. The federal government's Transportation Security Administration (TSA) provides security at airports and forbids airlines to provide their own security.

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**Governments at all levels  
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Government "public works" projects are not only socialism on a grand scale, they are also the epitome of the term "boondoggle." In many states, counties, and cities in the United States, it is the government that collects the garbage; operates mass transit; supplies electricity, water, and natural gas; operates fire departments; owns the airports; operates health clinics; provides ambulance services; operates hospitals; inspects restaurants; operates the liquor stores; and picks up stray and dead animals. Other things that are done by private businesses are also done by government-run enterprises.

According to the Organisation for Economic Co-operation and Development (OECD), “In 2017, U.S. government spending for national, state and local budgets was 38 percent of GDP.” Almost two-thirds of the federal budget goes for transfer payments and subsidies.

### The Republicans

Will the Republicans save us from socialism? To think so is to dream the impossible dream. Republicans are powerless against the onslaught of socialism, and for two reasons. One, they support the same socialist policies as the Democrats. And two, they did nothing to roll back socialism when they had the chance.

Republicans support the three biggest socialist programs in the United States: Social Security, Medicare, and Medicaid. Just read what it says in the Republican Party platform:

As the party of America’s future, we accept the responsibility to preserve and modernize a system of retirement security forged in an old industrial era beyond the memory of most Americans. Current retirees and those close to retirement can be assured of

their benefits. Of the many reforms being proposed, all options should be considered to preserve Social Security.

We intend to save Medicare by modernizing it, empowering its participants, and putting it on a secure financial footing. We will preserve the promise of Medicaid as well by making that program, designed for 1965 medicine, a vehicle for good health in an entirely new era.

Even worse, Republicans sometimes create new socialist programs of their own accord. In 1997, the Republican-controlled Congress created the State Children’s Health Insurance Program (SCHIP, now just called CHIP), a partnership between federal and state governments that provides federally funded health insurance to children in families with incomes too high to qualify for Medicaid. The program has been reauthorized with Republican support ever since then.

After many years of Democratic control of both houses of Congress, Republicans captured the Senate during the presidency of the Republican Ronald Reagan and held on to control of it for six years. They did absolutely nothing to stop the

onslaught of socialism. In fact, they raised the Social Security and Medicare tax rates to bolster those socialist programs. If only we had control of the House, said the Republicans. During the last six years of the presidency of the Democrat Bill Clinton, Republicans had a majority in both houses of Congress. They did absolutely nothing to stop the onslaught of socialism. In fact, they increased the refundable Earned Income Tax Credit (EITC) every year to redistribute even more of the incomes of American taxpayers. If only we had a Republican president, said the Republicans. When the Republicans finally got their Republican president in George W. Bush they had a perfect opportunity to abolish the federal government's socialist programs and restore the United States to a free and capitalist society. The Republicans controlled both houses of Congress for more than four years during the Bush presidency. They had not had absolute control of the government since the first two years of Republican Dwight Eisenhower's presidency. Again, they did absolutely nothing to stop the onslaught of socialism. In fact, they expanded Medicare, created the TSA, and tremendously increased the budget of the Depart-

ment of Education. The Republicans had another chance to roll back socialism when they controlled both houses of Congress during the first two years of Trump's presidency. But again, they did absolutely nothing to stop the onslaught of socialism. In fact, they could not even come together to repeal Obamacare, even though they had railed against it since the day the Democrats passed it in 2010.

The conclusion is inescapable: Republicans are powerless against socialism because — as shown by their words and deeds — they are socialists themselves.

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**NEXT MONTH:**  
**“The Specter of Communism  
Is Haunting Illinois”  
by Laurence M. Vance**

# Ludwig von Mises's *Human Action*: Marking 70 Years of Continuing Relevance

by Richard M. Ebeling



September 2019 marks 70 years since the appearance of Ludwig von Mises's *Human Action: A Treatise on Economics*, one of the truly great “classics” of modern economics. Too often a “classic” means a famous book considered to have made important contributions to some field of study and that is reverentially referred to but is unfortunately rarely ever read anymore.

In economics, Adam Smith's *Wealth of Nations* is a typical example of such a work. Every economist and a good number of people in the general public have heard of the “invisible hand” and the notion that self-interest furthers the public interest through the incentive mecha-

nism of free-market competition; but in fact few economists nowadays have actually read more than a handful of snippets and brief passages from Smith's profound treatise. Among the general public, the number of people who even know the snippets dwindles to almost nothing.

## A still-read and still-relevant classic

However, Ludwig von Mises's *Human Action* uniquely stands out as a classic in the literature of economics. Not only among “Austrian” economists but also for a growing number of other people, Mises's brilliant treatise continues to be read and taken seriously as a cornerstone for understanding the nature of the free society and the workings of the market economy.

It has taken on even more relevance and significance in these first decades of the 21st century because of the economic crisis of 2008-2009, the full effects from which the American economy has still not fully recovered, and in the wake of a dangerous revival of a call for a “democratic socialism” that demands the implementation of various forms and degrees of government central planning. They have made the economic reasoning and public-policy analysis that runs

through most of *Human Action* as timely today as when its first edition appeared in bookstores on September 14, 1949.

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**All that happens in the social world begins in the thinking and actions of individual human beings.**

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A few days after its publication, the famous free-market journalist Henry Hazlitt reviewed *Human Action* in his column in *Newsweek* magazine. He emphasized its importance by telling his readers,

[The] book is destined to become a landmark in the progress of economics.... *Human Action* is, in short, the most uncompromising and the most rigorously reasoned statement of the case for capitalism that has yet appeared.... It should become the leading text of everyone who believes in freedom, in individualism, and the ability of a free-market economy not only to outdistance any government-planned system in the production of goods and services for the masses, but to promote and safeguard, as no collectivist tyranny can ever

do, those intellectual, cultural, and moral values upon which all civilization ultimately rests.

### Keys to human progress

If the field of sociology did not have such a controversial history and so many conflicting notions about what its subject matter and approach are supposed to be about, it would not be misplaced to say that in *Human Action*, Mises demonstrated himself to be not only one of the greatest economists of the last century, but one of its leading sociologists as well.

In the most appropriate meaning of the term, Mises formulated a “science of society” in the tradition of Scottish philosophers such as Adam Smith. All that happens in the social world begins in the thinking and actions of individual human beings. They are the starting point for understanding society: man, as a purposefully acting being, gives assigned meanings to the world around him, selects desired ends, decides upon possibly useful means to their attainment, and undertakes courses of action through time in attempts to bring his desired plans to fruition.

Humans rose above animal existence through their developed capacity to reason, conceptualize,

imagine possible futures, and conceive of ways of bringing them into reality. But on his own, man's mental and physical powers are too limited for achieving much above bare subsistence. The profound key to the betterment of the human condition, Mises insisted, was man's discovery of the benefits that could come from a division of labor through which men could specialize in their tasks and mutually gain through cooperative association that slowly but surely improved the standards of living, the quality of life, and the cultural elements that mark off "civilization."

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**It took thousands of years for people to stumble upon the superiority of market-based cooperation.**

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But how shall human beings collaborate — through plundering conquest or peaceful trade? It took thousands of years for people to stumble upon the superiority of market-based cooperation over politically based power and privilege. As production and trade become ever more complex owing to the extension of the system of division of labor, there had to arise a method by which the participants in the emerging relationships of supply

and demand could know how and what to do.

### Economic calculation

A central theme through much of the *Human Action* is Mises's insistence on the essential importance of economic calculation. In the early decades of the 20th century, socialists of almost all stripes were certain that the institutions of the market economy could be done away with — either through peaceful means or violent revolution — and replaced with direct government ownership or control of the means of production with no loss in economic productivity or efficiency.

Mises's landmark contribution 100 years ago in 1920 was to demonstrate that only with market-based prices expressed through a medium of exchange could rational decision-making be undertaken for the use and application of the myriad means of production to ensure the effective satisfaction of the multitudes of competing consumer demands in society.

"Monetary calculation is the guiding star of action under the system of division of labor," Mises declared in *Human Action*. "It is the compass of the man embarking on production." The significance of the competitive process, as Mises had

expressed it in his earlier volume *Liberalism* (1927), is that it facilitates “the intellectual division of labor that consists in the cooperation of all entrepreneurs, landowners, and workers as producers and consumers in the formation of market prices. But without it, rationality, i.e., the possibility of economic calculation, is unthinkable.”

Such rationality in the use of means to satisfy ends is impossible in a comprehensive system of socialist central planning. How, Mises asked, will the socialist planners know the best uses for which the factors of production under their central control should be applied without such market-generated money prices? Without private ownership of the means of production, there would be nothing (legally) to buy and sell. Without the ability to buy and sell, there would be no bids and offers, and therefore no haggling over terms of trade among competing buyers and sellers. Without the haggling of market competition there would, of course, be no agreed-upon terms of exchange. Without agreed-upon terms of exchange, there are no actual market prices. And without such market prices, how will the central planners know the opportunity costs and therefore the most

highly valued uses for which those resources could or should be applied to satisfy the consumer demands of “the people”?

With the abolition of private property, and therefore market exchange and prices, the central planners would lack the necessary institutional and informational tools to determine what to produce and how, in order to minimize waste and inefficiency.

Therefore, Mises declared in 1931,

From the standpoint of both politics and history, this proof [of the impossibility of socialist planning] is certainly the most important discovery by economic theory.... It alone will enable future historians to understand how it came about that the victory of the socialist movement did not lead to the creation of the socialist order of society.

### Government intervention and monetary manipulation

At the same time, Mises demonstrated the inherent inconsistencies in any system of piecemeal political intervention in the market economy. Price controls and production

restrictions on entrepreneurial decision-making bring about distortions and imbalances in the relationships of supply and demand, as well as constraints on the most efficient use of resources in the service of consumers. The political intervenor is left with the choice of either introducing new controls and regulations in an attempt to compensate for the distortions and imbalances the prior interventions have caused or repealing the interventionist controls and regulations already in place and allowing the market once again to be free and competitive. The path of one set of piecemeal interventions followed by another entails a logic in the growth of government that eventually results in the entire economy's coming under state management. Hence, interventionism consistently applied could lead to socialism on an incremental basis through an unintended back door.

The most pernicious form of government intervention, in Mises's view, was political control and manipulation of the monetary system. Contrary to both the Marxists and the Keynesians, Mises did not consider the fluctuations experienced over the business cycle to be an inherent and inescapable part of the free-market economy. Waves of inflations and depressions were the

product of political intervention in money and banking. And that included the Great Depression of the 1930s, Mises argued.

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**Interventionism consistently applied could lead to socialism.**

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Under various political and ideological pressures, governments had monopolized control over the monetary system. They used the ability to create money out of thin air through the printing press or on the ledger books of the banks to finance government deficits and to artificially lower interest rates to stimulate unsustainable investment booms. Such monetary expansions always tended to distort market prices resulting in misdirections of resources, including labor, and malinvestments of capital. The inflationary upswing that is caused by an artificial expansion of money and bank credit sets the stage for an eventual economic downturn. By distorting the rate of interest — the market price for borrowing and lending — the monetary authority throws savings and investment out of balance, with the need for an inevitable correction.

The “depression” or “recession” phase of the business cycle occurs when the monetary authority either slows down or stops any further in-

creases in the money supply. The imbalances and distortions become visible, with some investment projects having to be written down or written off as losses, with reallocations of labor and other resources to alternative, more profitable employments, and sometimes significant adjustments and declines in wages and prices to bring supply and demand back into proper order.

### The errors of Keynesianism

The Keynesian revolution of the 1930s, which then dominated economic-policy discussions for decades following the Second World War, was based on a fundamental misconception of how the market economy worked. What Keynes called “aggregate demand failures” (to explain the reason for high and prolonged unemployment) distracted attention from the real source of less-than-full employment: the failure of producers and workers on the supply side of the market to price their products and labor services at levels that potential demanders would be willing to pay. Unemployment and idle resources were a pricing problem, not a demand-management problem. Mises considered Keynesian economics basically to be nothing more than a rationale for special-

interest groups, such as trade unions, who didn’t want to adapt to the reality of supply and demand, and of what the market viewed as their real worth.

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**The free-market economy is the only system of social cooperation that provides wide latitude for freedom and personal choice.**

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Thus Mises’s conclusion from his analysis of socialism and interventionism, including monetary manipulation, was that there is no alternative to a thoroughgoing, unhampered, free-market economy — and one that included a market-based monetary system such as the gold standard. Both socialism and interventionism are, respectively, unworkable and unstable substitutes for open, competitive capitalism.

The classical liberal defends private property and the free-market economy, Mises insisted, precisely because it is the only system of social cooperation that provides wide latitude for freedom and personal choice to all members of society, while generating the institutional means for coordinating the actions of billions of people in the most economically rational manner.

The apparent triumph of capitalism over collectivism, following

the demise of the Soviet bloc in the 1990s, has, unfortunately, turned out to be mostly an illusion. Governments in the Western world did not reduce their size or intrusiveness in the economic affairs of their citizens. The interventionist-welfare state has remained alive and well, and continued to grow along with the government debts to pay for the entire redistributive largess.

### Central banking and free banking

But the heart of the interventionist system is government control of the monetary system — indeed, it has remained an untouched element of monetary central planning through the institution of central banking.

Fortunately, over the last forty years, Mises's analysis and defense of gold-backed, private competitive banking in place of government-monopoly central banking has finally begun to win over a growing number of Austrian and other advocates. (See my ebook *Monetary Central Planning and the State*.)

Monetary manipulation by central banks inserts one of the most disruptive distortions into the process of economic calculation. Interest rates — which are meant to inform market participants about the availability of savings relative to the

demands for investment expenditures, and which facilitate the coordination of resource use over periods of time relative to the demands of income earners for consumption in the present versus the future — send out misinformation to both producers and consumers under the pressure of monetary expansion.

### The financial crisis and its interventionist aftermath

In the wake of Federal Reserve monetary mischief during the early years of the 21st century, imbalances and distortions were once again generated by monetary policies that resulted in the financial and economic crisis of 2008-2009.

There soon occurred the return of the “ghost of Keynes past.” In the face of the inescapable need for the rebalancing and re-coordination of misdirected resources and malinvested capital for a full return to normal and sustainable, market-based growth, government spending and budget deficits to “stimulate” the economy out of a recession were once again insisted upon.

The focus remained on “aggregate” output and employment, which always hides from view the underlying microeconomic relations that are at the core of the market process.

How can the multitudes of market participants discern where and to what extent market errors have been made under the pressure of past monetary and interest-rate manipulations if the price system is not permitted to perform its job of telling the truth about the reality of supply and demand? That is, the degree to which resources were misallocated and wrongly priced during the preceding boom. Or the extent to which men, material, and savings-backed financial funds need to realign themselves to restore a properly understood full-employment market-driven economy.

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**Interest rates send out misinformation to both producers and consumers under the pressure of monetary expansion.**

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The recovery period was drawn out for almost ten years, longer than most other periods of post-boom readjustments since the end of the Second World War. How could people know what to do and where to do it in the social system of division of labor, when the crucial tool of economic calculation was undermined by government bailouts, subsidies, price floors, capital-market interventions, and continuing monetary manipulation

and near-zero interest-rate policies that threatened new misdirections of capital and labor, with the risk of another boom-bust cycle to come?

In the immediate aftermath of the 2008-2009 downturn, the argument was constantly made that many banks were too big to fail, that depositors needed to have their various bank accounts protected and guaranteed, and that the repercussions of allowing the financial markets to adjust on their own to the post-boom reality would have been too harsh. In fact, Mises had responded to such arguments in his 1928 monograph, *Monetary Stabilization and Cyclical Policy*, even before the Great Depression began, by warning of what today is understood as “moral hazard,” that is, the danger of reinforcing the repetition of bad decisions by the government’s bailing out mistakes made in the market:

In any event, the practice of intervening for the benefit of banks, rendered insolvent by the crisis, and of the customers of these banks, resulted in suspending the market forces that otherwise would have served to prevent a return of the expansion, in the form of a new boom, and the crisis which in-

evitably follows. If the banks emerge from the crisis unscathed, or only slightly weakened, what remains to restrain them from embarking once more on an attempt to reduce artificially the interest rate on loans and expand circulation credit? If the crisis were ruthlessly permitted to run its course, bringing about the destruction of enterprises which were unable to meet their obligations, then all entrepreneurs — not only banks but also other businessmen — would exhibit more caution in granting and using credit in the future. Instead, public opinion approves of giving assistance in the crisis. Then, no sooner is the worst over, than the banks are spurred on to a new expansion of circulation credit.

### Mises's warning

Just as there was a huge shift toward more and bigger government in the years leading up to the publication of *Human Action*, so today we are seeing an expansion of governmental presence and domination of social life, especially in health care, education, and the energy sector — as well as the financial and capital markets.

But where will all the money come from to fund this new gargantuan largess for expanded political paternalism? In the Austria of the interwar period of the 1920s and 1930s, Mises had witnessed and explained the consequences from unrestrained government spending that finally resulted in the “eating of the seed corn” — capital consumption. Mises warned of this danger, too, in the pages of *Human Action*, and the fact that there must be a point at which the interventionist welfare state will have exhausted “the reserve fund” of accumulated wealth, after which the consumption of capital becomes the only basis upon which to continue to feed the fiscal demands of the redistributive state. Those currently in political power in Washington seem hell-bent on bringing that about in the decades ahead.

### The enduring value and importance of *Human Action*

A “predecessor” of *Human Action* had appeared in German in 1940. Shortly after it appeared, Friedrich A. Hayek reviewed it, emphasizing its astonishingly unique qualities:

There appears to be a width of view and an intellectual spa-

sciousness about the whole book that are much more like that of an eighteenth-century philosopher than that of a modern specialist. And yet, or perhaps because of this, one feels throughout much nearer reality, and is constantly recalled from the discussion of the technicalities to the consideration of the great problems of our time.... It ranges from the most general philosophical problems raised by all scientific study of human action to the major problems of economic policy of our time.... [The] result is a really imposing unified system of a liberal social philosophy. It is here also, more than elsewhere, that the author's astounding knowledge of history as well as of the contemporary world helps most to illustrate his argument.

The years since the original appearance of *Human Action* in 1949 have done nothing to diminish the validity of Hayek's interpretation. Indeed, the social, political, and economic conditions of our world today give Ludwig von Mises's treatise

a refreshing relevance matched by few other works written over the last century.

That is what has resulted in its being read by more and more people today, rather than simply being one of those many "classics" collecting dust on a shelf. If enough people discover and rediscover the timeless truths in the pages of *Human Action*, the ideas of Ludwig von Mises may well assist us in stemming the growing tide toward an even larger leviathan state that dangerously looms in front of us.

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**NEXT MONTH:**  
**"Free Market Liberalism versus  
Corrupted 'Capitalism' or  
La-La Socialism"**  
*by Richard M. Ebeling*

# Insane and Ill-Advised: Trump's Future War with Iran, Part 1

by Daniel A. Sjursen



It's an inconvenient truth: the president of the United States has no coherent foreign policy. Period. At times Donald Trump talks sensibly about pulling out of quagmires in Syria and Afghanistan, while simultaneously ratcheting up threats against America's favorite (at least since 1979) punching bag — Iran. He's also loaded up his administration with the most hawkish of Iranophobes: National Security Adviser John Bolton and Secretary of State Mike Pompeo. Those two have never seen a problem they couldn't blame on Iran or a solution that didn't include regime change. Furthermore, there's nothing that Israel's about-to-be-indicted, corrupt Prime Minister Benjamin Ne-

tanyahu would like more than to drum up a U.S. war with Iran. American blood (and money) for Israeli interests — now that's "King Bibi's" style. Still, before jumping into this next absurd policy adventure, perhaps it's appropriate to review the troubled history between the United States and Iran, deflate some myths about the supposedly monstrous Islamic Republic, and consider just how bloody and destabilizing such a war would be.

The Islamic Republic of Iran's theocratic government is, obviously, not the preferred system of the United States, but it is *their* sovereign system. More important, Iran does not pose a strategic or existential threat to the Homeland. Furthermore, the United States would do well not to overestimate the military threat of Iran; alienate the growing, youthful, pro-Western populace within the country; or rush into an ill-advised, hasty, and potentially costly, attempt at forced regime change.

*Nuance* is the key to understanding Iran. In truth it is neither as autocratic nor Islamist Universalist as its detractors claim, nor as benevolent as its protectors insist. Iran's military is neither the aggressive behemoth that Washington alarmists fear, nor is it a weak push-

over ripe for regime change. Iran's geography, population, and inherent popular nationalism present an immediate challenge to regime-change fantasies. Moreover, the clerical establishment atop the Islamic Republic is far from stable or certain to last indefinitely. Protests during the "Green Revolution," and, more recently, in 2017, illustrate that quite clearly.

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**War or U.S.-imposed regime change in Iran is ill-advised, impractical, and risky.**

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In his more lucid moments, Trump has shown real foreign-policy leadership as well as skepticism regarding increased military invention in both his recent outreach to nuclear North Korea and comments indicating a desire to militarily de-escalate in Syria. There is, therefore, still (just a little) reason for optimism that this administration will eschew ill-advised military action and instead focus on a twin policy of de-escalation, and, where possible, engagement with Iran.

The decision to withdraw from the Iran nuclear deal (JCPOA) was absolute folly and probably undertaken by Trump only because of his insecure obsession with undoing everything associated with his pre-

decessor, Barack Obama. Still, this withdrawal does *not* necessarily presage war. Other diplomatic options remain on the table to ensure that Iran — unlike North Korea — does *not* go nuclear.

Thus, I will argue that the realistic bottom line on Iran policy is as follows:

- Iran has not posed and does *not pose* any sort of existential challenge to the United States. The Islamic State is far from the convenient bogeyman of neoconservative/neoliberal imaginations.

- War or U.S.-imposed regime change in Iran is ill-advised, impractical, and risky — to be avoided at all costs.

- Trump's decision to withdraw from the JCPOA (the Obama nuclear deal) does not have to augur imminent war. Attempts should be made to negotiate a new, more comprehensive deal, and — short of that — to implement other levers of diplomacy to de-escalate tensions.

- Russia and Iran are cooperating in Syria and have certain overlapping interests. However, they are not natural allies and have a long history of discord. The United States should avoid any overtly hostile activity that further binds those two adversaries in a long-term alliance.

- Iran's military has significant weaknesses and should not be overestimated. America's partners in the region (Israel and the GCC countries) possess more than enough military capacity to deal with local threats. The U.S. military is *unnecessary* in the region and only raises tensions.

- Nevertheless, Iran's large population, difficult terrain, and significant asymmetric military capabilities, when combined with America's many commitments around the world, make military action in Iran a risky endeavor best avoided. More bluntly: a regime-change ground invasion would be as foolish and militarily disastrous as Vietnam and Iraq.

- Iran is neither fully democratic nor fully autocratic. Its youthful, disgruntled population is surprisingly amenable to the West. The United States should take no action to alienate this segment of the population — which has the potential to alter the political calculus of a future Iran.

### A troubled history: A true look at U.S.-Iran relations

Iran, unlike many of its neighbors in the Gulf region, enjoys very secure geography. Mountain ranges hem its strategic core, and its bor-

ders have been stable for centuries. Its geographic security has meant that Iran has been conquered only a handful of times in its thousands of years of history. Those who have conquered it have been absorbed by another of its strengths: its distinct Persian culture, which once exerted a strong influence on elites from Turkey to India.

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**The U.S. military is unnecessary in the region and only raises tensions.**

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In the twentieth century, Iran experienced waves of nationalism and resistance to outside influence that were independent of any particular regime. Charges of subservience to foreign powers have provoked crisis after crisis in Iranian politics, going back to a movement against concessions to Britain on tobacco sales in 1890. That movement highlighted another important trend in modern Iranian politics: the power of the clergy as an independent political force. Its later aftershocks would also see the emergence of movements to constrain Iran's monarchs with a constitution.

The discovery of oil in Iran at the beginning of the twentieth century increased Iran's geopolitical

importance, but also increased resentment of foreign power within Iran. Nationalists were appalled by the great wealth flowing from Iran to Britain by means of the Anglo-Iranian Oil Company — the ancestor of today's British Petroleum. That resentment led to Prime Minister Mohammad Mossadegh's nationalization of the oil industry, which, coupled with growing political instability under Mossadegh and fears of Soviet influence, led to a U.S.-backed coup against him in 1953. The coup restored the faded power of Iran's monarch, Shah Mohammad Reza Pahlavi. Older Iranians have never forgiven the United States for this overthrow of a democratically elected leader.

The shah's rule saw massive changes in Iranian society, driven in part by rising oil prices and in part by his efforts to impose social and economic reforms. A number of those reforms targeted the clergy's power and attempted to secularize the public sphere; protests against the reforms elevated a young cleric, Ruhollah Khomeini, to prominence — and forced him into exile. More than a decade later, in the mid 1970s, Iran's rapid growth slowed, creating a period of chaos and political violence. The shah's diverse opposition coalesced

around Khomeini, who ultimately succeeded in toppling him. In the chaos after the shah's fall, Khomeini's followers marginalized secular and leftist forces. In addition, his supporters occupied the U.S. embassy and took its staff hostage, an action that led to the collapse of a more moderate Iranian government, helped cement Khomeini's power, and set the foundation for decades of hostile relations with the United States.

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**Modern Iranians have never forgiven the United States for the overthrow of a democratically elected leader.**

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Shortly after the revolution, Saddam Hussein's Iraq invaded Iran, kicking off a devastating war that would last into 1988. The United States, fearful that Khomeini-style revolutionary Islamism would spread across the region, provided some support to Iraq, as did many Arab and European states. However, in a moment of strategic backsliding the Reagan administration also sold arms to Iran in exchange for hostages held in Lebanon in the infamous Iran-Contra affair. Shortly before the war's end, an American cruiser mistakenly shot down an Iranian airliner, killing 290.

The postwar period saw Iran struggling to recover economically, even as its foreign policy kept it from normalizing relations with the West. Between 1989 and 1992, the regime carried out a string of overseas assassinations of Iranian dissidents and terrorist actions. Those actions contributed to the U.S. decision to pursue a policy of “dual containment” — pressuring both Iraq and Iran at the same time — to block an Iranian oil deal with the American firm Conoco, and to impose new sanctions.

The late 1990s and early 2000s saw a brief window of opportunity for an opening. In Iran, reformist president Mohammad Khatami, who promised a “dialogue of civilizations” and began opening the political space, was elected. The September 11 terror attacks in the United States gave the two countries a common enemy (the Taliban, with whom Iran had nearly gone to war a few years before) and saw them work together at the Bonn Conference to build Afghanistan's new government. Iran allowed the U.S. military to enter the country to deliver aid in the wake of a massive earthquake in 2003. Iran may have even offered a “grand bargain” aimed at reconciliation in the same year, although that incident

remains disputed. Either way, the U.S. blew an opportunity for détente and engagement.

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### The Bush administration had a strong current of skepticism toward Iran.

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As a result, Khatami would ultimately be succeeded in 2005 by the hardline Mahmoud Ahmadinejad. Meanwhile, the controversy over Iran's nuclear program was building, driven by the public exposure of an undeclared enrichment facility at Natanz in 2002 and the failure of an EU-led negotiation effort to freeze the Iranian nuclear program. Those two trend lines converged in 2006 and 2007, with the adoption of Security Council sanctions against Iran.

The Bush administration had a strong current of skepticism toward Iran. Iran's inclusion in Bush's 2002 “Axis of Evil” speech shocked many in Iran and undermined those who had pursued a reduction in tensions. The presence of U.S. forces on Iran's eastern and western borders increased Iranian fear. U.S.-Iranian tensions grew rapidly in Iraq in 2006 and 2007, as Iran supplied Shia militias with advanced bombs designed to target the U.S.-led coalition's armored vehicles, and U.S. forces raided the Iranian consulate in Erbil.

During the first term of the Obama administration, the United States and international community began applying growing pressure on Iran over its nuclear program. Intensified sanctions combined with the Ahmadinejad government's severe economic malpractice to produce deep disruptions, culminating in 40 percent inflation. Mass unrest following the 2009 presidential election — labeled the “Green Revolution” — saw brutal repression and the house arrest (which continues to today) of major political figures. Talk of an American or Israeli airstrike on the Iranian nuclear program became common, and each side participated in a wave of bombings and cyberattacks, including Iranian attacks on Israeli diplomats and apparently Israeli-backed assassinations of Iranian nuclear scientists.

The beginning of direct U.S.-Iranian talks in Oman in early 2013 paved the way for a new round of negotiations. Together with the subsequent election of Hassan Rouhani, a relative moderate, the war talk and violence died down. Following two years of negotiations with the United States, Europeans, Russia, and China, Iran inked the Joint Comprehensive Plan of Action (JCPOA). Under this arrange-

ment, all Iranian pathways to sufficient fissile material for a nuclear weapon were blocked for approximately fifteen years, in addition to a major increase in inspections, some permanent restrictions, and some temporary measures to slow Iran's nuclear research and acquisition of military hardware, including missile technology. However, in 2018, Donald Trump — as he'd earlier threatened — announced U.S. withdrawal from the JCPOA. However, all other parties to the deal remain in the agreement as written. The United States was now acting like an international pariah.

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To better understand Iranian foreign policy, it is important to recognize that the history Iranians remember of their relations with America is very different from the history Americans remember. Americans' memory centers on the hostage crisis; terrorist actions such as the bombings of the U.S. embassy in Beirut (April 1983, 63 dead), U.S. and French peacekeepers' barracks in Beirut (October 1983, 305 dead), and Iranian overseas terror attacks in the 1980s and 1990s; and

Iran's supply of advanced weapons to Shia militias as they targeted American servicemen in Iraq during the war there.

Younger Iranians' memory, on the other hand, centers less on the coup against Mossadegh and more on the Iran-Iraq War — on the international community's failure to condemn Saddam Hussein's invasion of Iran, its support for Saddam even as he used chemical weapons against Iranian troops, Iraqi actions (including the gassing of Halabja and the missile attack on the frigate USS *Stark*) for which the U.S. blamed both sides, and the U.S. downing of the Iranian airliner. Nearly all of Iran's neighbors and most of the great powers supported Saddam in one way or another. That led to a strong Iranian sense of isolation, including distrust of the international community, of international institutions, and especially of the United States

The Iran-Iraq War was a formative experience for most of Iran's current leaders, whether they participated in it directly, were engaged in overseeing it, or conducted Iran's foreign relations during it. The dif-

ferent readings of history, in which each side sees itself as the victim, contribute to deep mistrust between the two sides, making major improvements in relations difficult and unlikely. Contemporary disagreements over Iran's support for the Assad regime in Syria and America's withdrawal from the JCPOA also divide in a binary manner between U.S. and Iranian perceptions of each event.

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