
FUTURE OF FREEDOM

VOLUME 32 | NUMBER 2

FEBRUARY 2021

Our greatest battles are those with our own minds.

— Jameson Frank

FUTURE OF FREEDOM

★★★

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

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, contains all the articles and videos we have published since our inception in 1989.

The Foundation neither solicits nor accepts government grants. Our operations are funded primarily by donations from our supporters, which are invited in any amount.

★★★

© Copyright 2021. *The Future of Freedom Foundation. All rights reserved.
Please send reprint requests to The Foundation.*

The Future of Freedom Foundation

11350 Random Hills Road

Suite 800

Fairfax, VA 22030

...

www.fff.org · fff@fff.org

...

703-934-6101

<i>Salvador Allende and the JFK Assassination, Part 2</i>	2
Jacob G. Hornberger	
<i>200th Anniversary of a Great American Demolition of Tyranny</i>	11
James Bovard	
<i>Marijuana Wins</i>	17
Laurence M. Vance	
<i>Moritz J. Bonn: A Classical Liberal Voice in a Collectivist World</i>	26
Richard M. Ebeling	
<i>On the Wrong Track</i>	37
Lance Lamberton	

Salvador Allende and the JFK Assassination, Part 2

by Jacob G. Hornberger



John Kennedy came into the presidency as pretty much a standard Cold Warrior. Like most Americans in 1961, he believed that there was an international communist conspiracy to take over the world, a conspiracy that was based in Moscow.

America, it was believed, was in a life-or-death struggle for survival as a free nation. The communists were hell-bent, the Cold War mindset held, on conquering and subjugating the entire world, especially the United States.

That, in fact, was the reason why the U.S. government was converted into a national-security state after World War II. Being totalitarian, the communist regimes wielded omnipotent power to win the Cold

War. It was believed that the U.S. government, whose powers were limited by the Constitution and the Bill of Rights would be at a severe disadvantage in the war against communism. For example, since the communists could employ such extraordinary powers as torture and assassination, it was thought that the U.S. government had to wield the same powers if it was to have a chance at winning the war.

It is impossible to overstate the significance, depth, and extent of the Cold War mentality. For some 45 years, American life revolved around the Cold War and the supposed communist threat. The biggest fear was the prospect of nuclear war between the Soviet Union and the United States.

Ironically, the Soviet Union had been America's partner and ally in World War II. Equally ironic was that the Soviet Union and "godless communism" had been the enemy of Adolf Hitler and Nazi Germany. Almost immediately after the war ended, U.S. officials declared that their former partner and ally, the Soviet Union, was now the new official enemy of the United States, one that needed to be stopped everywhere. In other words, after the war Hitler's enemy became America's enemy.

Reflecting the growing power and influence of the military establishment, U.S. officials began constructing the Pentagon even before U.S. involvement in World War II. After the war was over, the continued existence of the Pentagon reflected America's move toward a permanent, ever-growing, all-powerful military establishment.

In 1947, the CIA was called into existence. Its purpose was to serve solely as an intelligence-gathering organization. Someone, however, slipped some nebulous language into the law that gave the CIA the excuse to wield omnipotent dark-side powers, such as assassination.

In 1952, the NSA was established. Over time, it would establish a vast and permanent secret system surveilling both Americans and people around the world.

Needless to say, the Cold War generated ever-increasing budgets for the national-security establishment, i.e., the Pentagon, the CIA, and the NSA. As fear of a communist takeover of the United States grew, year after year, military-intelligence spending grew as well.

Hardly anyone questioned or challenged what was occurring. Most people were convinced that the Cold War and the ever-growing power of the national-security es-

tablishment were necessary, if unfortunate, evils.

Dangers

In 1961, some 15 years after the end of World War II, Dwight Eisenhower made note of this phenomenon in what could be described as the most unusual Farewell Address in history. The address came in the form of a warning to the American people. Eisenhower said that this new governmental structure, which he called the "military-industrial complex," posed a grave threat to America's democratic process and to the liberties of the American people.

**Eisenhower said the
"military-industrial complex"
posed a grave threat.**

Mind you, he wasn't challenging the existence of the national-security establishment. He made that clear. Like other U.S. officials, he believed that the communist threat had left the United States with no choice but to adopt a national-security-state type of governmental structure. He simply wanted Americans to be aware of the dangers that it posed to the country.

The danger that a national-security state poses to people's liber-

ties and democratic processes, as the Chilean people discovered, obviously includes assassination of a democratically elected president and a military takeover of the government. Why would national-security-state officials do such a thing? They would do it to protect the nation from a president whose policies they deemed posed a grave danger to national security.

The Pinochet regime, with the active participation of the CIA, would lead South America in establishing Operation Condor.

Keep in mind that in any national-security state, the military and intelligence forces quickly become the most powerful segment of the government. In a war between governmental branches, they have the troops, tanks, planes, and weaponry with which to defeat the other three branches through force.

What Eisenhower was talking about was what was demonstrated on September 11, 1973, when the national-security branch of the Chilean government went on the attack against the executive branch of the government. Employing overwhelming power, the Chilean military and intelligence forces were able to easily win the war, at

which point the legislative and judicial branches of the government quickly deferred to the supremacy and rule of the national-security branch of the government.

The Chilean people ended up with a brutal military dictatorship headed by Gen. Augusto Pinochet, whose goal was to restore “capitalism” and “freedom” to the Chilean people. In the process, the military regime rounded up some 50,000 innocent people and tortured, raped, “disappeared,” or executed most of them, with the full support of the Pentagon and the CIA, which considered the victims to be nothing more than communists or socialists. Later, the Pinochet regime, with the active participation of the CIA, would lead South America in establishing Operation Condor, a top secret international kidnapping, torture, and assassination program that victimized more thousands of innocent people.

We do not know how Kennedy reacted to Eisenhower’s warning, but as his term in office proceeded it became clear that he perceived the same threat that Eisenhower had warned about. Kennedy read the novel *Seven Days in May*, which posits an attempt by high U.S. military officials to oust a president from office on grounds of national

security. To issue the same type of warning that Eisenhower had issued, Kennedy induced friends in Hollywood to make the novel into a movie. He even gave permission to the movie-makers to use the White House to make it. The movie, which had the same title as the novel, starred Kirk Douglas, Burt Lancaster, and Ava Gardner.

U.S. officials viewed Allende as a grave threat to the national security of the United States and to the national security of Chile.

A friend once asked Kennedy if there was a real possibility that the military-intelligence establishment would ever oust a president from power. He responded that if a president made several mistakes in judgment in the war on communism, the national-security establishment could well conclude that it needed to take control in order to save the nation.

That's in fact the argument that U.S. officials were making to the Chilean military-intelligence establishment — that they needed to act to save Chile by ousting Allende from office and taking control over the government. If the Chilean national-security establishment failed to do that, the argument went, the

nation would inevitably fall to the Soviet Union and Red China, which, in turn, U.S. officials were convinced, would pose a grave threat to the national security of the United States.

Regime change

U.S. officials viewed Allende as a grave threat to the national security of the United States and to the national security of Chile. Why had they reached that conclusion? Allende was a self-described socialist who believed that the government had a moral duty to help the poor, especially by seizing money and other property from the wealthy and redistributing it to the needy. If socialism were to succeed through democratic means, the communists would be closer to achieving their goal of worldwide control.

Also, Allende had no interest in engaging in America's Cold War against the Soviet Union, Red China, and other communist nations. Indeed, his policy was to establish friendly and peaceful relations with the communist world, including Cuba, which had turned communist some 20 years prior to Allende's election. Allende even invited Cuban communist leader Fidel Castro to visit Chile, an invitation that he readily accepted.

It was not the first time that the U.S. national-security establishment had viewed a democratically elected foreign president as a threat to U.S. national security. In 1954, some ten years before the Kennedy assassination, the CIA had initiated a military coup against the democratically elected president of Guatemala, Jacobo Arbenz. The reason? U.S. officials concluded that Arbenz posed a grave threat to the national security of the United States because he, like Allende, was a self-labeled socialist, one who wished to have normal, friendly relations with the Soviet Union and the rest of the communist world. Moreover, like Allende, Arbenz was nationalizing businesses, including American-owned ones in Guatemala, and pledging to give the money to the poor.

One year prior to the coup in Guatemala — 1953 — the CIA initiated a coup in Iran that ousted the democratically elected prime minister of the country, Mohammed Mossadegh, from power and replaced him with the shah, who became one of the most brutal dictators in the world, with the full support of the U.S. national-security establishment. Like Arbenz and Allende, Mossadegh had displayed socialist tendencies, as when he nationalized British oil interests in

Iran. Moreover, he failed to demonstrate any interest in joining America in its Cold War against the communist world, which immediately meant, in the eyes of the U.S. national-security establishment, that he posed a grave threat to U.S. national security.

Kennedy sympathized with the Civil Rights movement in the United States.

While Kennedy came into office as pretty much a standard Cold Warrior, he was viewed with suspicion by the national-security establishment. First, he sympathized with movements in Third World countries to win independence from colonial regimes, including those of Great Britain, France, and Germany. U.S. officials viewed such movements as communist-directed and, therefore, a grave threat to U.S. national security. Second, Kennedy sympathized with the Civil Rights movement in the United States, while the U.S. national-security establishment viewed the movement as a communist front. That was why, for example, the FBI, which had become a de facto member of the national-security branch, viewed Martin Luther King Jr. as a threat to national security.

A bad relationship

Kennedy's relationship with the military and the CIA grew increasingly bad during his term in office. Upon taking office, the CIA presented him with a plan to have Cuban exiles invade Cuba and, with the assistance of anti-communist locals, oust Castro from power. The CIA told Kennedy that the mission would succeed without U.S. air support. It was a lie. The CIA was convinced that once the mission was in danger of failing, Kennedy would have no choice but to provide the needed air support. When the time came and the mission was failing, Kennedy refused to accede to the CIA's request for air support, and the mission went down to humiliating defeat.

While he publicly took responsibility for the debacle, Kennedy was livid over having been played by the CIA. He fired the much revered CIA director, Allen Dulles, and his deputy director, Richard Bissell. He put his brother Bobby in charge of monitoring the CIA. Kennedy is also believed by many to have said that he was going to tear the CIA into a thousand pieces and scatter them to the winds.

By the same token, the CIA was livid with Kennedy. It spread the word that the failure of the invasion

was his responsibility: for failing to provide the needed air cover, he was said to be a coward in the face of the communist threat and a traitor to America and freedom.

While he publicly took responsibility for the debacle, Kennedy was livid over having been played by the CIA.

After the Bay of Pigs disaster, the Joint Chiefs of Staff presented Kennedy with a plan called Operation Northwoods, which called for terrorist attacks and plane hijackings carried out by CIA operatives posing as Cuban communist agents. The plan called for Kennedy to use the false-flag operation as a justification for launching a full-scale military attack on Cuba. Kennedy rejected Operation Northwoods, much to the anger and chagrin of the Pentagon.

The Joint Chiefs also presented the president with a plan to launch a surprise first-strike all-out nuclear attack on the Soviet Union. The idea was that war with the Soviets was just a matter of time anyway. Therefore, why not attack now with a surprise nuclear attack, which would destroy much of the Soviet Union but leave much of the United States free of devastation, especially

since the United States had vast nuclear superiority? Kennedy walked out of that meeting, remarking to an aide, “And we call ourselves the human race.”

Then came the Cuban Missile Crisis in 1962. Castro knew that the Pentagon and the CIA had not given up hope for a military invasion of Cuba. He also knew that there was no way his military could defeat the U.S. military. Therefore, he invited the Soviet Union to install nuclear weapons on the island, not to attack and invade the United States, but simply to deter U.S. officials from invading or, failing that, to defend against such an invasion.

After the Cuban Missile Crisis, Kennedy achieved a “personal breakthrough.”

One can only imagine the deep anger within the Joint Chiefs of Staff (JCS) over the installation of Soviet nuclear missiles in Cuba. If Kennedy had provided the air support at the Bay of Pigs or if he had approved Operation Northwoods, the crisis would presumably never have arisen.

Over the fierce opposition of the military and the CIA, Kennedy struck a deal with the Soviets in which he promised that there

would be no invasion of Cuba. One member of the JCS called it the worst defeat in U.S. history. Kennedy had effectively agreed that Cuba’s communist regime would be a permanent and grave threat to U.S. national security.

Ending the Cold War

After the Cuban Missile Crisis, Kennedy achieved a “personal breakthrough,” one that enabled him to recognize that the Cold War was just a great big racket that was not only making the world unsafe but also was enriching the coffers of the U.S. national-security state.

In June 1963, he delivered his now-famous Peace Speech, in which he declared an end to the Cold War. There was no reason, Kennedy said, that the United States and the Soviet Union and the rest of the communist world couldn’t live in friendly and peaceful coexistence. He then proceeded to negotiate a nuclear-test-ban treaty with the Soviets. He ordered a partial withdrawal of U.S. forces from Vietnam and told aides that he would pull them all out once he won the 1964 election. He also began personally negotiating with Soviet Premier Nikita Khrushchev, who had achieved the same breakthrough as Kennedy. At the very

time Kennedy was assassinated, he had an emissary having lunch with Fidel Castro to explore the possibility of a rapprochement.

Kennedy was moving America in a direction opposite to that chosen by the Pentagon, the CIA, and the NSA. In the eyes of the national-security establishment, he was leading America down the road to defeat — the road to a communist victory and the subjugation of the United States to communism.

After all, what Kennedy was doing was no different from what Mossadegh and Arbenz had done and what Allende would do several years later. As a Democrat, he was leading America further in a socialist direction, through such welfare-state proposals as Medicare and Medicaid, but also reaching out to the communists in a spirit of friendship and peace.

Compounding the matter was Kennedy's open support of Martin Luther King Jr. and the Civil Rights movement, which the FBI and the national-security establishment were convinced were the spearhead of a communist takeover of the United States.

When U.S. national-security state officials exhorted the Chilean national-security establishment several years later of its duty

to oust Allende from power, they were essentially saying that it was the duty of the national-security establishment to protect the nation, even from a democratically elected president whose policies posed a grave threat to national security.

Moreover, U.S. national-security-state officials were essentially saying that nothing — not even the Constitution or fundamental moral values — could be permitted to serve as an obstacle to protecting national security from a president whose policies were leading the country to a communist takeover. That mindset was demonstrated perfectly when the CIA conspired to violently kidnap and assassinate a totally innocent man — Gen. Rene Schneider, the commander of the Chilean armed forces, who stood in the way of a U.S.-instigated illegal and unconstitutional coup in Chile.

The Chilean people ultimately came to grips with what the U.S. and Chilean national-security establishments did to their country, investigated it, and brought some of the Chilean malefactors to justice.

Over the years, Americans have come to accept that their national-security establishment effects regime-change operations in foreign countries, even using assassination,

on grounds of national security. Unfortunately, however, there are still too many Americans who have yet to come to grips with what the Pentagon and the CIA did to their country on November 22, 1963. The result has been an increasingly powerful national-security establishment as well as a highly dysfunctional society, one in which all too many people insist on living what can be called the “life of the lie” when it comes to their national-security state and its evil activities.

That is why the Kennedy assassination is just as relevant today as it was back in 1963.

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

NEXT MONTH:
“The Lies of the
National-Security State”
by Jacob G. Hornberger

If it be admitted that a man, possessing absolute power, may misuse that power by wronging his adversaries, why should a majority not be liable to the same reproach? Men are not apt to change their characters by agglomeration; nor does their patience in the presence of obstacles increase with the consciousness of their strength. And for these reasons I can never willingly invest any number of my fellow creatures with that unlimited authority which I should refuse any one of them.

— Alexis de Tocqueville

200th Anniversary of a Great American Demolition of Tyranny

by James Bovard



This is the 200th anniversary of the publication of one of the best American books on trade policy by one of the most thoughtful and least appreciated political analysts of the Founding Fathers era.

I ran into John Taylor of Caroline when I was roaming the shelves of the Library of Congress in 1987. A few weeks earlier, I had written a piece that the *Wall Street Journal* headlined, “U.S. Fair Trade Laws Are Anything But,” in which I pounded the Commerce Department for almost always finding imports guilty of selling at “less than fair value” on the basis of nonsense pulled out of their bureaucratic ears. I scoffed that U.S. “trade laws perpetually inflate domestic prices

in order to protect consumers against the one-in-a-million possibility that a foreign company could corner the market — and raise prices.” Bruce Smart, the undersecretary of commerce for international trade, sent an angry response to the *Journal*: “Mr. Bovard displays an alarming ignorance of our trade laws.” I sought to allay officialdom’s alarms by becoming better informed.

I slipped into the Library of Congress alcoves, found the shelves with publications on trade policy from America’s first decades, and fetched out an armload of musty petitions to Congress from the early 1800s. Citizen committees from Boston to Virginia denounced rising tariffs as a betrayal of the Constitution, denying that the federal government had any right to forcibly sacrifice some groups for others’ profit. I also found *Tyranny Unmasked*, a not-quite-tattered 1822 book. The author, John Taylor (1753–1824), had been an Army officer under George Washington during the Revolutionary War and later served in the U.S. Senate, representing Virginia. I photocopied the entire book and devoured it page by page. (*Tyranny Unmasked* was reprinted by the Liberty Fund in 1992.)

Taylor's book beautifully showed how politicians could not strangle trade without also destroying freedom. It was a revelation to see how protectionists had used the same arguments in the early 1800s that they propagated in the 1980s. Taylor provided some of the most insightful quotes for my 1991 book, *The Fair Trade Fraud* (St. Martin's Press). In exchanges between individuals — in contract law — the test of fairness is the voluntary consent of each party to the bargain — “the free will which constitutes fair exchanges,” as Taylor wrote. But when politicians call for “fair trade” with foreigners, they routinely use a concept of fairness that is diametrically opposed to the words' normal usage. When politicians speak of unfair trade, they do not mean that buyers and sellers do not voluntarily agree, but that U.S. government officials disapprove of the bargains American citizens choose to make.

John Taylor

Tyranny Unmasked was an angry retort to an 1821 report by the congressional Committee on Manufactures, which asserted that “commerce is exporting, not importing” and “the excess of exports over imports is the rate of profit.” This same gem of logic popped up

in President Donald Trump's ragings against imports, thereby proving that some fallacies are eternal.

Taylor recognized how tariffs corrupted the entire political system.

Taylor skewered protectionists with piercing sarcasm: “How could it happen that exchanges of property with foreigners should ruin us, but that transfers of property [by means of tariffs] to capitalists should do us no harm?” Taylor recognized how tariffs corrupted the entire political system: “Laws for creating exclusive privileges and monopolies corrupt governments, interests, and individuals; and substitute patronage, adulation and favor, for industry, as the road to wealth.” Taylor appealed to the values of 1776 to seek to block the skullduggery of his time: “We fought in the revolutionary war against exclusive privileges and oppressive monopolies.” And Taylor also had the record on his side: “In the history of the world, there is no instance of a political economy bot-tomed upon exclusive privileges, having made any compensation for the deprivation it inflicts.”

Tyranny Unmasked rebutted the statist delusions that were bubbling

up in the District of Columbia even before the birth of Ronald Reagan. Taylor scoffed at the notion of any natural or inherent harmony of interests between rulers and the ruled: “Governments able to do so, uniformly sacrifice the national interest to their own.” Taylor derided the congressional report for asserting “that an overflowing treasury indicates national prosperity.” Taylor points out that “this is the chorus of all the songs uttered by those who receive such overflowings.” Perhaps he saw how tariffs and other business subsidies would turn Washington into a swamp of lobbyists and shameless hustlers. Taylor jibed, “What painter has drawn Liberty as a mogul almost suffocated with money and jewels; or with an overflowing Treasury in her lap, and scattering money and exclusive privileges with her hands?”

Fallacies of protectionism

Protectionists in the early 1800s were calling for higher tariffs as retaliation against European barriers against American imports. Taylor noted, “All monopolies and exclusive privileges [for protecting domestic manufacturers] have succeeded by using the same argument. It is invariably condensed in the single word ‘reciprocity’.... It would

be exactly the case of a pacific war, in which the nations should make laws that neither should attack the other, but that each should shed at home a reciprocal portion of its own blood.”

Protectionists in the early 1800s were calling for higher tariffs.

Taylor heartily flogged that recipe for prosperity:

We have long been engaged in what is called a war of reciprocity. Blow begets blow, and wound follows wound, and commerce is gasping in the battle.... We have not gained a single victory in a twenty years’ war of restrictions against restriction, and the harder we strike the enemy, the more severely the blow recoils upon ourselves.

Taylor recognized that the best way to fight foreign unfair trade practices is to maximize American productivity. He declared, “The most efficacious mode of defeating foreign restrictions to which we can resort, would be to establish a really free commerce, which would enlist the merchants of all nations to evade and counteract them.”

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

In 1832, Congress upped the tariff still higher. South Carolina declared the new tariff unconstitutional and thereby null, sparking a national crisis. In early 1861, after seven southern states seceded (in part to preserve the odious institution of slavery), congressional Republicans rushed to enact a prohibitive tariff bill even before Lincoln took office. A *New York Times* editorial on February 14, 1861, warned that boosting the tariffs as high as 216 percent could drive the border states out of the Union: "One of the strongest arguments the [seceded states] could address to [border states] would be furnished by a highly protective tariff on the part of our Government, toward which they cherish the deepest aversion." The *Times* condemned the bill as a

"disastrous measure" that "alienates extensive sections of the country we seek to retain" and will "deal a deadly blow ... at the measures now in progress to heal our political differences." But Republicans were determined to effectively blockade American ports to foreign goods, and more states seceded after the onerous tariff law was passed.

The great expansion

The insights in Taylor's *Tyranny Unmasked* extend far beyond political economy. Taylor loathed tariffs because he recognized them as a vast expansion of government power and political prerogatives. "Tyranny in form is the first step towards tyranny in substance," he warned. And he wisely noted, "In defining a tyrant, it is not necessary to prove that he is a cannibal." Instead, "Ambition and avarice are the passions which produce civilized tyranny."

Taylor recognized tariffs as a vast expansion of government power and political prerogatives.

Taylor recognized how the rising rhetoric of democracy could result in vastly swelling the size of the federal government. His axiom, "Self-government is flattered to de-

stroy self-government” should have been carved above the entrance to the White House. Taylor also im-paled another political fraud that became far more common in the following century: “Freedom is not constituted solely of having a government of our own. Under this idea most nations would be free.”

Taylor was also far ahead of his time in his derision for how American politics had defaulted in a two-party system where rascals took turns plundering the public:

Nations are always enslaved by the ingenuity of creating a blind confidence with party prejudices. A reigning party never censures itself, and the people have been tutored to vote under two senseless standards, gaudily painted over with the two words “Federalist and Republican,” repeated, and repeated, without having any meaning, or conveying any information. One party passed the alien and sedition laws; the other, the bank and lottery laws; and both, many other laws, theoretically unconstitutional, and practically oppressive; but neither has overturned unconstitutional precedents, though they have

often charged each other with creating them.

Taylor’s moral reasoning on entitlements was far superior to what has prevailed in America since the New Deal: “Though legislatures have no moral or constitutional right to give one man’s property to another; yet that by combining the property of all men under the appellation ‘public,’ they acquire both a moral and constitutional right to give the property of all men, to one man.” He warned that “a free government cannot subsist in union with extravagance, heavy taxation, exclusive privileges, or with any established process by which a great amount of property is annually transferred to unproductive employments.”

Taylor was appalled at how the Supreme Court in the early 1800s expanded sovereign immunity.

Taylor was especially appalled at how the Supreme Court in the early 1800s expanded sovereign immunity like a toxic legal cloud. He warned in *Tyranny Unmasked*, “There are no rights where there are no remedies, or where the remedies depend upon the will of the aggressor.” Taylor recognized that “sover-

eignty” was just a Pandora’s box that could unleash endless oppression. He observed that the Constitution “wisely rejected this indefinite word [sovereignty] as a traitor of civil rights, and endeavored to kill it dead by specifications and restrictions of power, that it might never again be used in political disquisitions.”

Taylor was contemptuous of Washington long before it was cool. In his 1820 book, *The Constitution Construed*, he warned, “The claim of governments to be considered as the apostles of knowledge, is precisely the same with their claim to religious apostolick power, and experience has sufficiently proved, that both powers beget oppression.” Rather than recognizing this fundamental truth, legions of pundits and intellectuals have bought into the notion that we are ruled by “the best and the brightest.” As one critic recently commented, Washington is full of people who think they are the smartest person in the room. Regardless of how often the federal government ravages America or the world, Washingtonians continue strutting as saviors.

Taylor’s disillusionment resonates in words that Americans can

bitterly appreciate today. He declared that the United States had been “entrusted” with a “commission to overturn political idolatry” that had vexed humanity throughout recorded history. He saw the fate of Americans as answering once and for all “whether human nature is able to maintain a fair, free, mild, and cheap government.” But his countrymen were “surrendering their [liberty] to political frauds.” In the 200 years since the publication of *Tyranny Unmasked*, the names of some of the political frauds have changed but the surrendering continues.

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

NEXT MONTH:
**“Congress Is
Still Unfit to Govern”**
by James Bovard

Marijuana Wins

by Laurence M. Vance



Who *really* won the 2020 election? Was it Donald J. Trump or Joseph R. Biden? This is a question that will be argued for years to come. And because it is a highly partisan political question, it may never result in a satisfactory answer. There was one clear winner in the 2020 election, though, and it wasn't Trump or Biden. This winner has won several times before, including a big win in the 2016 and 2018 elections. The one clear winner was marijuana.

Ballot measures

There were ballot measures relating to marijuana that people in five states had the opportunity to vote on, on election day. Voters in two states (Mississippi and South Dakota) had to decide whether their states would allow the legalization of marijuana for medical

use; voters in four states (Arizona, Montana, New Jersey, and South Dakota) had to decide whether their states would allow the legalization of recreational marijuana. (South Dakotans had the opportunity to vote on both ballot measures at the same time.)

There are two ways that state elections differ from federal elections. In federal elections, Americans vote only for the president/vice president, two senators (but not normally at the same time), and one member of the U.S. House of Representatives. Americans have never had the opportunity to vote for cabinet officials, federal judges, or national referendums. But on the state (and local) level, Americans have the opportunity to vote for governors, lieutenant governors, senators, representatives, judges, supreme court justices, secretaries, attorneys general, comptrollers, and commissioners, as well as ballot measures — initiatives, referendums, legislative questions, bond issues, and constitutional amendments.

According to Ballotpedia, “Voters in 32 states decided 120 statewide ballot measures on November 3, 2020.” There were 129 statewide ballot measures that were certified for the 2020 ballot in 34 states. Eight measures were decided before the

November election and one, in Louisiana, on December 5. Of the 120 measures on the ballot, “40 were citizen-initiated measures, while state legislatures referred 75 measures to the ballot. One measure was automatically referred to the ballot in Iowa.” Of the 40 citizen-initiated measures, “37 were ballot initiatives — which propose new laws — and three were veto referendums — which challenge laws recently passed by state legislatures.” The total number of 129, which is down from 167 in 2018 and 162 in 2016, is the lowest number of statewide measures since at least 1980. In addition to marijuana, the subjects of these ballot questions concerned taxes, rent control, gambling, firearms, paid medical and family leave, the minimum wage, abortion, interest rates, the cash-bail system, and election policies such as suffrage, election dates, redistricting, term limits, and campaign financing.

Illegal and legal weed

The Marihuana Tax Act of 1937 effectively prohibited marijuana on the federal level. Although it was repealed in 1969, Congress enacted the Controlled Substances Act in 1970 and Richard Nixon officially declared a war on drugs in 1971.

The federal government considers the growing, distributing, buying, selling, possessing, or using of marijuana to be a criminal offense, punishable by fines and imprisonment. Marijuana is classified as a Schedule I controlled substance under the Controlled Substances Act (21 U.S.C. 801). As a Schedule I drug, marijuana is said to have “a high potential for abuse,” “no currently accepted medical use in treatment in the United States,” and “a lack of accepted safety for use of the drug under medical supervision.” Other Schedule I drugs include heroin, LSD, and ecstasy. Schedule I drugs may never be prescribed by a physician.

In the Supreme Court case *Gonzales v. Raich* (2005), the High Court ruled, by a vote of 6-3, that the Controlled Substances Act did not exceed Congress’s power under the Commerce Clause as applied to the intrastate cultivation and possession of marijuana for medical use. Therefore, the federal government has the authority to prohibit marijuana possession and use for any and all purposes. A bill (H.R.3884) to decriminalize marijuana that “removes marijuana from the list of scheduled substances under the Controlled Substances Act and eliminates criminal penal-

ties for an individual who manufactures, distributes, or possesses marijuana” languished in the U.S. House of Representatives for a year and a half before it finally passed at the end of 2019. The Marijuana Opportunity Reinvestment and Expungement (MORE) Act of 2019 would also have imposed “a 5 percent tax on cannabis products” and established “a process to expunge convictions and conduct sentencing review hearings related to federal cannabis offenses.” It was never voted on in the Senate.

Marijuana prohibition in the states actually preceded that of the federal government. It began with California, Indiana, Maine, and Wyoming in 1913, eventually spreading to all of the states. Nevertheless, before the 2020 election, thirty-three states had legalized the medical use of marijuana, eleven states had legalized the recreational use of marijuana, and the full or partial decriminalization of the possession of small amounts of marijuana had occurred in eighteen states and many local jurisdictions.

In 1996, California became the first state to legalize medical marijuana. Alaska, Oregon, and Washington followed in 1998; Maine in 1999; Colorado, Hawaii, and Nevada in 2000; Montana and Ver-

mont in 2004; Rhode Island in 2006; New Mexico in 2007; Michigan in 2008; Arizona and New Jersey in 2010; Delaware in 2011; Connecticut and Massachusetts in 2012; Illinois, Maine, and New Hampshire in 2013; Maryland, Minnesota, and New York in 2014; Arkansas, Florida, North Dakota, Ohio, and Pennsylvania in 2016; West Virginia in 2017; Missouri, Oklahoma, and Utah in 2018. Medical marijuana has also been legal in the District of Columbia since 2010, and the U.S. territories of Guam since 2014, Puerto Rico since 2015, and the U.S. Virgin Islands since 2019.

Marijuana prohibition in the states actually preceded that of the federal government.

Colorado and Washington became the first two states to legalize recreational marijuana in 2012. They were followed by Alaska and Oregon in 2014; California, Nevada, Maine, and Massachusetts in November 2016; Michigan in 2018; Vermont in 2018; and Illinois in 2019. Recreational marijuana has also been legal in the District of Columbia since 2014, and the U.S. territories of the Northern Mariana Islands since 2018 and Guam since 2019.

Decriminalization of marijuana began in Oregon in 1973. And it is in Oregon that the most radical ballot measure was recently approved by voters.

Marijuana ballot measures

Although legalization efforts usually come to fruition through ballot measures, Connecticut, Delaware, Hawaii, New Jersey, New Mexico, Rhode Island, and Vermont legalized medical marijuana through the legislative process. Illinois and Vermont did the same when they legalized the recreational use of marijuana. In 2020, bills were introduced in the Tennessee legislature to legalize medical marijuana in New Hampshire to legalize recreational marijuana. The advent of the COVID-19 pandemic stymied legislative efforts in states such as Connecticut, New Mexico, New York, and Rhode Island to legalize recreational marijuana. When asked when New York would legalize recreational marijuana, Gov. Andrew Cuomo replied, “Soon, because now we need the money. I’ve tried to get it done the last couple years. There are a lot of reasons to get it done, but one of the benefits is it also brings in revenue, and all states — but especially this state — we need revenue and we’re going to

be searching the cupboards for revenue. And I think that is going to put marijuana over the top.”

According to Ballotpedia, in the 2020 election, there were six ballot measures in five states that related to marijuana.

In the 2020 election, there were six ballot measures in five states that related to marijuana.

Arizona Proposition 207 sought to “legalize the possession and use of marijuana for persons who are at least 21 years old, enact a tax on marijuana sales, and require the state Department of Health and Human Services to develop rules to regulate marijuana businesses.” It would permit individual persons to grow no more than six marijuana plants in their residences and subject marijuana sales to a 16 percent tax. Although Arizona voters defeated a similar measure in 2016, Proposition 207 passed by a margin of 60.03 to 39.97 percent.

There were two competing initiatives in Mississippi to legalize medical marijuana. Voters first chose between “either measure” or “neither measure.” Regardless of their answer, they then chose between the two initiatives. Voting for Initiative 65 meant approving “the

medical marijuana amendment as provided by Initiative 65,” which would “allow medical marijuana treatment for more than 20 specified qualifying conditions, allow individuals to possess up to 2.5 ounces of marijuana at one time, and tax marijuana sales at the current state sales tax rate of 7 percent.” Voting for Alternative 65A meant approving the legislature’s watered-down amendment, which would restrict “smoking marijuana to terminally ill patients”; require “pharmaceutical-grade marijuana products and treatment oversight by licensed physicians, nurses, and pharmacists”; and leave “tax rates, possession limits, and certain other details to be set by the legislature.” “Either measure” garnered 68.52 percent of the vote. Initiative 65 was the choice of voters by a margin of 73.7 percent to 26.3 percent.

Voters in Montana likewise had two marijuana measures to vote on. CI-118 sought to amend “the Montana Constitution to allow for the legislature or a citizen initiative to establish a minimum legal age for the possession, use, and purchase of marijuana, similar to the regulation of alcohol in the state constitution.” It passed by a margin of 57.84 percent to 42.16 percent. I-190 sought to legalize “the possession and use

of marijuana for adults over the age of 21,” impose “a 20% tax on marijuana sales,” require “the Department of Revenue to develop rules to regulate marijuana businesses,” and allow “for the resentencing or expungement of marijuana-related crimes.” It passed by a margin of 56.9 percent to 43.10 percent.

South Dakota voters had a chance to decide on both medical and recreational marijuana.

New Jersey Public Question 1 sought to “legalize the possession and use of marijuana for persons age 21 and older and legalize the cultivation, processing, and sale of retail marijuana.” It would apply the state sales tax to marijuana sales and prohibit additional state sales taxes on it, but allow local governments to tax it an additional 2 percent. Question 1 is the first marijuana legalization measure that a state legislature ever referred to voters. It passed overwhelmingly by a margin of 67.08 percent to 32.92 percent.

South Dakota voters had a chance to decide on both medical and recreational marijuana. Initiated Measure 26 sought to establish “a medical marijuana program in South Dakota for individuals with a

debilitating medical condition.” It passed by a margin of 69.92 percent to 30.08 percent. Constitutional Amendment A sought to “legalize the recreational use of marijuana and require the South Dakota State Legislature to pass laws providing for the use of medical marijuana and the sale of hemp by April 1, 2022.” It passed by a margin of 54.18 percent to 45.82 percent.

There are thirty-five states where the medical use of marijuana is legal.

This means that now there are thirty-five states where the medical use of marijuana is legal and fifteen states where the recreational use of marijuana is legal (both are legal in the District of Columbia). Only fifteen more states to go, mainly in the Deep South, before medical marijuana is legal nationwide. There are already plans under way for 2022 ballot initiatives to legalize the medical use of marijuana in Arkansas, Mississippi, Nebraska, and North Dakota and the recreational use of marijuana in Florida and Oklahoma.

There were also ballot measures in Oregon that related to drugs besides marijuana. Oregon Measure 110, the Drug Decriminalization

and Addiction Treatment Initiative, was on the ballot as an initiated state statute. It would decriminalize the noncommercial possession of a controlled substance by reclassifying possession as no more than a Class E violation with a maximum fine of \$100 (instead of a Class A misdemeanor punishable by one year in prison and a \$6,250 fine) and establish a drug-addiction treatment and recovery program funded in part by the state’s marijuana tax revenue and state prison savings.

The measure, which was approved by a vote of 58.51 percent to 41.49 percent, does not legalize drugs. Police will still be issuing tickets, and the sale or manufacture of drugs will remain felony offenses. Oregon Measure 109, the Psilocybin Mushroom Services Program Initiative, would authorize the Oregon Health Authority (OHA) to create a program to permit licensed service providers to administer psilocybin-producing mushroom and fungi products to persons 21 years old or older even though the federal government classifies psilocybin as a Schedule I controlled substance. It passed by a vote of 55.68 percent to 44.32 percent. A similar measure in California failed to garner enough signatures to be placed on the ballot.

Conclusion

On the federal level, the marijuana issue is a no-brainer. The Constitution nowhere gives the national government the authority to prohibit, restrict, or regulate the buying, selling, growing, or use of marijuana for medical or recreational use. Wrote James Madison in Federalist No. 45, “The powers delegated by the proposed Constitution to the Federal Government, are few and defined. Those which are to remain in the State Governments are numerous and indefinite.” That is why when the Progressives wanted the national government to ban alcohol, they first had to get the Constitution amended. It is ridiculous that Congress has to pass legislation such as the MORE Act to decriminalize marijuana on the national level. The federal war on marijuana (and every other drug) is actually a war on the Constitution and the American system of government. It should be opposed by Americans of any political party no matter how they feel personally about drug use.

But even if the federal government followed its own Constitution and fired the drug czar, abolished the Drug Enforcement Administration (DEA), tore up its National Drug Control Strategy, and re-

pealed all of its marijuana laws, there would still be state government prohibitions on marijuana use to deal with. Although medical marijuana has been legalized in thirty-five states, there are still thirty-five states where growing, buying, selling, or using marijuana — sometimes even in small amounts — will result in fines and imprisonment. Because marijuana (medical or recreational) is rarely legalized through the legislative process, it is essential that ballot measures continue to be utilized.

The federal war on marijuana (and every other drug) is actually a war on the Constitution and the American system of government.

Now, we know that no ballot measure to date has instituted marijuana freedom. None of them is perfect, and none of them is based on individual liberty, private property, or the libertarian nonaggression principle. If marijuana were truly legalized, then no adult would have to wait until he is 21 to use it, it would not be limited to just medical use, its medical use would not be limited to just serious or specified medical conditions, no business owner would have to get a license to sell it, no user would have

to get an identification card to purchase it, no cultivation or possession limits would be established, and no one would have to get a prescription from a licensed physician in order to purchase it. Even though alcohol is heavily taxed and regulated, at the very least, marijuana should be treated just like alcohol. Then we can work toward real marijuana freedom at the same time we work toward real alcohol freedom. Ballot measures, flawed as they have been in the past, and flawed as they may be in the future, are an important and necessary step in the direction of liberty. It should be remembered that drug freedom will never be obtained without first achieving marijuana freedom. And until that happens, we should remember that some freedom is better than no freedom and more freedom is better than less freedom.

Recent national polls that show that majorities of Democrats, Republicans, and independents support legalizing the medical use of marijuana and decriminalizing the recreational use of marijuana are encouraging. Red-state conservatives are the holdouts, mainly in the Deep South. But the defection of Florida in 2016 and Mississippi in 2020 is a harbinger of what is to come. In South Dakota, the Repub-

lican governor, Kristi Noem, appeared in television ads opposing both of her state's marijuana ballot measures, but to no avail.

Marijuana is a personal-freedom, private-property, and individual-responsibility issue.

Rarely brought up in all of the recent debates in the states over marijuana legalization is the real reason that marijuana should be legal for medical or recreational use. Marijuana use is a personal-freedom, private-property, and individual-responsibility issue. It is none of any government's business whether anyone decides to grow, buy, sell, or use marijuana on his property or with permission on the property of someone else. It is not the role of government to monitor, regulate, or control what people choose to inhale, inject, or ingest. Will people abuse marijuana if it is legalized? Of course they will. Just as people harm their bodies right now with alcohol, tobacco, and gluttony. But marijuana abuse and addiction should not be a criminal-justice or a public-health issue; it should be an individual health-and-freedom issue. And people should be fully responsible for their actions while under the influence of marijuana.

Government prohibition of marijuana is something that could be ended immediately. It doesn't need a gradual phase-out over five or ten years or even five or ten days. And not only would ending marijuana prohibition not cost the government one penny, it would actually save money that is currently being wasted by law enforcement on enforcing marijuana laws. According to the most recently available FBI Uniform Crime Report, as reported by The National Organization for the Reform of Marijuana Laws (NORML), "Police made 663,367 arrests for marijuana-related violations in 2018. That total is more than 21 percent higher than the total number of persons arrested for the commission of violent crimes (521,103). Of those arrested for marijuana crimes, some 90 percent (608,776) were arrested for marijuana possession offenses only. Police across America make a marijuana-related arrest every 48 seconds." The drug war is the main

cause of the militarization of the police and the corruption of law enforcement.

State legislatures shouldn't wait for ballot measures during the next election to legalize marijuana. There is nothing stopping them from ending their state's war on marijuana during their next legislative sessions.

Laurence M. Vance is a columnist and policy advisor for The Future of Freedom Foundation, an associated scholar of the Ludwig von Mises Institute, and a columnist, blogger, and book reviewer at LewRockwell.com. Send him email: lmvance@laurencemvance.com. Visit his website at: www.vancepublications.com.

NEXT MONTH:
"The Conflict of the Ages"
by Laurence M. Vance

Mortiz J. Bonn: A Classical Liberal Voice in a Collectivist World

by *Richard M. Ebeling*



Ninety years ago, the United States and most of the rest of the Western industrial world was in the throes of the Great Depression. Usually demarcated as having begun with the U.S. stock market crash of October 1929, the Depression is most often dated as having reached bottom at the end of 1932 and the early part of 1933.

Unemployment, as measured by the government, reached more than 25 percent of the American labor force; Gross National Product declined by 54 percent. Wholesale prices in the U.S. declined between 1929 and 1933 by 23 percent, while farm prices, alone, went down by 52 percent over the same period. It is not surprising that, given the falls in

prices, that the aggregate money supply had contracted by 30 percent during the Great Depression, and more than 8,000 banks closed their doors.

The Great Depression was unique in anyone's living memory in terms of its severity and duration. While not to the same extent as in the United States, similar decreases in output and rising unemployment, accompanied by declining prices, were experienced in many of the leading European economies, with Germany being next in severity after America.

Coming only a little more than ten years after the disaster and destruction of the First World War, which ended in 1918 after four years of deadly conflict, the leading questions of the day in the 1930s were why and how did this economic collapse come about, and, equally if not more important, what needed to be done to escape from the maelstrom of massive harm to hundreds of millions of ordinary people?

Collectivist dreams of central planning triumphant

Collectivists of many stripes were sure that their day had come. The communist government in Soviet Russia was hailing the end of capitalism and the dawn of socialist

revolutions everywhere for humanity's salvation through a "dictatorship of the proletariat" and central planning. The fascist government in Italy insisted that the Depression showed the bankruptcy of classical liberalism and laissez faire, with the need for the nationalist "totalitarian" state — Mussolini had coined the term — that imposed its own form of corporatist central planning on society for the good of the people as a whole.

The fascist government in Italy insisted that this showed the bankruptcy of classical liberalism and laissez faire.

In January 1933, Adolf Hitler and his National Socialist (Nazi) Party came to power in Germany, determined to use concentrated, dictatorial power to restore the German people in all their "racial purity" to great power status, with its all being made possible through government spending on grandiose public works, (at first) clandestine military rearmament, and the Nazis' own version of central planning by subordinating all of German business to the will and commands of the National Socialist leadership. If Stalin had ordered a Soviet five-year central-planning system be-

ginning in 1928, after 1936 the Nazis imposed their own four-year central-planning system on the German people.

It was widely presumed by many that "capitalism" was the cause of the world's economic disorder and human misery. Governments everywhere were, if not centrally planning as in Soviet Russia, fascist Italy, and Nazi Germany, then imposing regulations and restrictions, prohibitions and protections, deficit spending, and "jobs" programs. Franklin Roosevelt's New Deal agenda implemented versions of all of them at one time and to one degree or another, including the fascist variation on the central-planning theme.

Political intervention as the base for the Great Depression's severity

Few were the voices who spoke out against this political and ideological trend. Those who did saw the dilemma that the Western world was in to be due, precisely, to the abandonment of a truly liberal, free-market order. The Great Depression and its magnitude were caused by the forms and degrees to which governments intervened and preempted the normal operation and rebalancing of competitive markets that could have and would

have restored economic coordination and “full employment” in a relatively short period of time.

Democratized plunder and privilege had become the order of the day.

One such classical liberal, free-market-oriented voice, now almost forgotten, yet highly respected and fairly well known at the time, was the German economist Moritz J. Bonn. For instance, just ninety years ago, on April 29, 1931, he delivered the annual Richard Cobden Memorial Lecture in London, England, entitled “The World Crisis and the Teaching of the Manchester School.” He pointed out that the 19th-century ideal of a limited government devoted to securing the personal liberty and economic freedom of each citizen had been replaced in Western democracies by the idea of increasingly unlimited government under which “majorities of all sorts have learned long ago to use their control over Governments as a handy means of dividing the national dividend for their own sectional purposes.”

Democratized plunder and privilege had become the order of the day. In such a setting, each special-interest group attempts to use

political means to restrict competition at home through regulations and limit foreign rivals through tariffs or import quotas. Taxing had become a method for redistributing income and wealth to those able to sway government policies in their direction at the expense of those in voting minority status in the electoral process. That meant that markets were prevented from coordinating supply and demand, and government interventions created imbalances, distortions, and wage and price rigidities that left those countries in persistent economic disarray.

Government interventions made normal economic recovery impossible.

As Bonn summarized it,

The free play of economic forces has been replaced everywhere, at least in part, by private monopoly or by government monopoly, by tariffs and by all sorts of price control, from wage fixing by arbitration boards, to valorization by farm boards.... There is intervention now on a big scale, based on forecasting and bent on planning, and there is a crisis much bigger than any crisis the world has seen so far....

The prevalence of manipulation has made the passing of the crisis far more difficult than did the state of affairs which corresponded to the principles of the [free-trade] Manchester School. In those days a crisis cured itself in the long run by the fall of prices, being from one commodity to the other, including labor as well as capital....

The chances of getting over the crisis in this way today are very remote. For in the present situation of the world, half of its institutions are manipulated whilst the other half are supposed to be free. The prices subject to the play of free competition, have fallen all over the world.... Other prices have remained fairly rigid. They are maintained by economic and political coercion, by combines of labor and capital, supported by tariffs and other manipulatory legislation.... If selected prices and sheltered wages can be maintained whilst all other prices are declining, a new satisfactory level cannot be attained.... The conflict between the free play of economic forces and the manipulation of

Governments and monopolies is the main cause of the long continuation of the crisis.

Moritz went on to argue in an article that he wrote later in 1931 for *The Bankers Magazine* entitled "Some Causes and Some Problems of the Present Crisis" that those who proposed monetary expansion and government budget deficits as the "cure" for the Great Depression failed to fully appreciate that only a real rebalancing of markets, through appropriate relative price and wage and production adjustments, could bring sustainable full employment. All monetary inflation would do was threaten a new series of distortions, because the inescapable deleterious effects from any monetary expansion is that they affect different prices and wages in different ways at different times that throw the pattern of relative prices and the uses of labor and capital in misdirected and unsustainable directions, which becomes visible once an inflation comes to an end.

Moritz J. Bonn, the wandering scholar

Moritz Julius Bonn was born in Frankfurt, Germany, in June 1873. He earned his PhD in economics from the University of Munich in

1892; before completing his degree, he spent a term at the University of Vienna studying with Carl Menger, the founder of the Austrian school of economics, and another term at the University of Freiberg as a student under the famous sociologist and historian Max Weber. He traveled widely in Europe and the United States both before and after the First World War, and in 1930 published *The American Adventure*, offering an insightful analysis of American culture and society in the 1920s.

Appointed the rector of a Berlin university in 1931, he was removed from that position by the Nazis in early 1933.

Appointed the rector of a Berlin university in 1931, he was removed from that position by the Nazis in early 1933, because he was both Jewish and an influential classical liberal. His dismissal caused an uproar in the British and American press because of his public reputation as an expert on European and U.S. economic policy and political affairs. Fortunately, he was offered a teaching position at the London School of Economics, which he held until 1938, when he moved to the United States. He held various

visiting professorships at American universities until he returned to England in 1948, where he lived until his death in 1965.

His autobiography, *Wandering Scholar* (1949), which, among many other insights and interpretations of the places he traveled to over the decades, contains his recollections of how disastrous was the great German hyperinflation that finally led to virtual economic ruin for the entire country in 1923. In it, also, are shown the various statist trends of the late nineteenth and early twentieth centuries that led to the political and economic catastrophes of the First World War and the interwar period of the 1920s and 1930s that culminated in the Second World War.

The cultural value of capitalist profit-making

Throughout this period Bonn was often a great debunker of myths and fallacies about the supposed evils of capitalism. For instance, in 1931, he wrote in a German newspaper “Capitalism and Literature.” Critics of the market economy charged capitalism for the poor taste and topics of mass publications, whether books or magazines. In the pursuit of profits, businessmen foster the worst in people

through increasing sales by pushing cheap detective stories and low-class sensationalism.

He reminded his readers that since the beginning of time, people have wanted their everyday amusements and playful ways. Profits are made by giving people what they want. Bonn asked, "Is capitalist mass production guilty of bad taste or is it bad taste that makes the mass production of bad books possible?" Through mass production at increasingly lower costs, books and magazines reflecting a wide diversity of likes and desires are made available to people that previously had not been the case.

Bonn was often a great debunker of myths and fallacies about the supposed evils of capitalism.

Critics of capitalism forget that many books of a more serious and specialized scholarly type would never have been possible and available in relatively inexpensive editions for those interested in reading them, if not for the market economy. And many of the most popular authors of the time could never have had wide readerships if not for private-enterprise publishing. As Bonn puts it, "If a Bavarian chambermaid is able to give a friend a

cheap copy of [John] Galsworthy's [*Forsyte Saga*] for Christmas" is that not better than when such a thing was impossible, before capitalist publishing?

Bonn also responded to those who accused capitalism of making everything standardized and monotonously the same, just to produce things cheaply in large numbers to earn mass profits. Contrary to this misguided criticism, said Bonn,

Capitalism, in so far as it is real capitalism, is eager for novelty. In an economically planned and thoroughly organized communal life, no Ford automobile would have been invented, not because socialism could not have made an invention but because it would not have wanted to. Bolshevism will be able to cast aspersions on the capitalist world only so long as it can borrow capitalist ideas.... Its bureaucracy, once it has triumphed, would never tolerate the unauthorized development of the inventions of genius....

A world in which every individual has the same absolutely standardized private

bathroom is a more individualistic world than one in which there are no private bathrooms at all, but only a great socialist tank. Is it more farsighted to destroy the private bathrooms because not everyone yet enjoys one?

Anti-market cartels and the medieval imposed just price

Another myth that Bonn attempted to challenge was the notion that the problems of monopoly and price fixing by coalitions of large enterprises in the form of cartels were part of a free-market system. In his article “Medieval Economic Theory in Modern Business Life” (1929), he argued that what had arisen out of the wartime circumstances was a belief that every market price should cover its costs of production plus a fair and reasonable margin of profit; that had been part of the policy implemented by belligerent governments in the form of price controls, especially in Imperial Germany during the First World War, to entice manufacturers to produce the goods and services needed for the military as well as for the civilian population on the home front.

This mindset was reinforced, Bonn explained, by the experience

of the great German hyperinflation of the early 1920s. What seemed as a profit-earning price when some finished consumer good was brought to market and sold often was shown to be a loss when the inflation-driven costs of the factors of production had the result that those earned profits were not enough to repeat the manufacturing process, since input prices were found to be increasing more than the just-earned output price from previous production. As Bonn put it, “Notwithstanding huge paper profits, trade as a whole and the banks as well lost most of their capital.”

Businessmen and bureaucrats came to see as the rational ideal stable or rising prices through government protections.

What German businessmen and bureaucrats came to see as the rational ideal was stable or rising prices through government regulations, subsidies, protections, and supports that guaranteed profit margins. Free markets could not be trusted to ensure an earned net return over production expenses. “So the comfortable creed of falling prices being beneficial to mankind was replaced by the belief that rising prices by giving a [government]

stimulus to production, are the true engines of social progress.... The conception at the bottom of this theory of stabilization of prices ... is closely related to the medieval view of maintaining a given social order and a fixed individual income.... This can only be justified," argued Bonn, "on the medieval theory of the 'just price'; that the price paid by the consumer must compensate the producer for his actual outlay and the cost of his customary standard of living, to which he is entitled."

**The profit and loss system
were essential for economic
betterment and market
coordination.**

And since such "just price" profit-margin guarantees cannot be certain on an open and free market, less-productive and more-inefficient producers turned to those in political power to ensure them of that which they could not always gain in the competitive arena. Hence, the long-established rationale for government-mandated and -supported cartels in Germany, which had already begun in the late nineteenth century. The profit-and-loss system was essential for economic betterment and market coordination, said Bonn:

I am inclined to think that as a method of industrial progress the weeding out of backward concerns by competition, leading to substantial writing down of overcapitalized plants, is a more efficient method than ... cartelized industries.... I am convinced that real economic progress in a capitalist world is impossible without ever-recurring writing off, and I see in the [government-supported] cartels a well-thought-out system of maintaining inflated capital values.

**Liberal free trade brought prosperity
and peace.**

Moritz Bonn was also fiercely opposed to political and economic nationalism. He railed against the imposition of trade barriers and other forms of restrictions on the free movement of goods, capital, and people. With the coming of the Great Depression, all the major countries of the world attempted to protect their domestic markets from foreign competition. That intensified nationalistic resentments, angers, and government-policy plots to undermine the protectionist trade walls of other nations while safeguarding their own.

In “International Economic Interdependence” (1934), Bonn reminded his readers that the older pre–World War I system of relatively open freedom of trade not only increased material and cultural well-being for all participants but helped maintain a world of peace. Said Bonn,

Whenever the spirit of liberalism has prevailed in the economic sphere, international cooperation worked fairly well notwithstanding political nationalistic frictions.... Wherever international economic exchange was operated in its [liberal] spirit, international economic interdependence made for peace in the political field and for the reduction of friction in the economic field.... International interdependence of this sort was real cooperation. It raised the standard of living in all the countries concerned. It drew them together economically, and in doing so, made political friction far less likely.

European imperialism and the rebirth of political paternalism

At the same time, he was no apologist for the global empires of

countries such as Great Britain or France. Imperialism required a dangerous contradiction between the ideas and policies of the Western imperial powers at home and those followed abroad. Great Britain and France hailed themselves as nations grounded in the principles of personal freedom, self-government, and parliamentary democracy. It was presumed that every person should be considered to have an inherent right to his individual liberty and to freely determine and participate in the political system under which he lived.

But in conquering vast areas of the Earth and imposing without the consent of the subjugated peoples the political authority of those ruling over them in a faraway imperial capital, they were denying the very justification of their own domestic systems of government. Bonn explained this in a published series of lectures, *The Crisis of European Democracy* (1925):

But from a political point of view the populations of the colonial territories inhabited by colored peoples were subject races, whose consent to the rule of their white masters had never been asked for. They did not participate in the

shaping of any policy affecting their fates.

Thus, a curious antithesis arose: As parliamentary institutions based on the principles of government conference were spreading slowly all over Europe, government by force was gaining ground afresh in all the territories newly acquired.... The authority for using force emanated in many cases from the same bodies — the parliamentary governments of the world — whose own existence was based on the denial of force, as a method of government.

What was a central part of the rationale for these subject colonial peoples to be governed without their consent? That they had not developed the cultural and political prerequisites for self-rule, and needed to be tutored in those matters by their imperial masters before they could be fully free citizens. But Bonn said that this reawakened ideology of political paternalism by imperial force easily could be brought home to the imperial country's own population:

If the colored races were fit subjects for an autocratic,

though, benevolent, form of government, because they had not yet developed the capacity of governing themselves, it might be assumed without much questioning that there were large masses of people at home whose economic and intellectual status had not given them much chance to prove their fitness for self-government.... The acquisition and the developing of colonies thus gave a new strength to the old established theories of government by force.

Political paternalism by imperial force easily could be brought home.

This was a theme that he developed further in his later book, *The Crumbling of Empire* (1938). The practice and mindset of empire, he argued, served as part of the entrée into the twentieth century's rationales for dictatorship in some European countries and welfare states in others. Say to a man that he does not know his own true interests or lacks the intelligence to fully make his own decisions, and it is not a far step in politics to conclude that peaceful persuasion needs to be replaced with paternalism by force.

Moritz J. Bonn was one of those classical-liberal voices of the twentieth century who understood how and why the world had turned away from its earlier roots in a philosophy, a politics, and an economics of freedom. He, like others from those middle decades of the last century, still has something of value to say and share with us. We should not allow them to be completely forgotten.

Richard M. Ebeling is the BB&T Distinguished Professor of Ethics and Free Enterprise Leadership at The

Citadel. He was professor of Economics at Northwood University and at Hillsdale College and president of The Foundation for Economic Education, and served as vice president of academic affairs for FFE.

NEXT MONTH:
“Frank Knight and the Place
of Principles in Economics
and Politics”
by Richard M. Ebeling

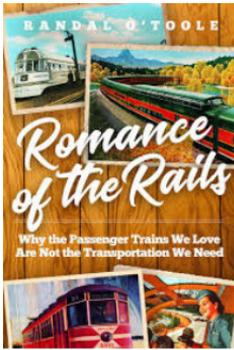
The great thing to remember is that the mind of man cannot be enlightened permanently by merely teaching him to reject some particular set of superstitions. There is an infinite supply of other superstitions always at hand; and the mind that desires such things — that is, the mind that has not trained itself to the hard discipline of reasonableness and honesty, will, as soon as its devils are cast out, proceed to fill itself with their relations.

— Gilbert Murray

On the Wrong Track

by Lance Lamberton

Romance of the Rails. Why the Passenger Trains We Love Are Not the Transportation We Need by Randal O'Toole (Cato Institute, 2018); 376 pages.



If ever there was an example of how government intervention in the marketplace creates unintended consequences and makes a situation it was intended to solve infinitely worse by virtue of being involved in it in the first place, then rail transportation should be its poster child. Randal O'Toole's *Romance of the Rails* makes a compelling, lucid, and incontrovertible case that government support and involvement in passenger rail — on all levels — has actually become an expensive impediment to the

achievement of providing cheaper, cleaner, faster and safer transportation.

In doing so, O'Toole lays the groundwork by reviewing the history of transportation from the beginning of the industrial revolution and how transportation technology advanced to meet the transportation needs of both people and goods as America and Europe transitioned from pre-industrial to industrial economies. In America, the steam engine was the catalyst for transforming a rural agricultural society whose population was concentrated closely around navigable waterways, to one which could expand into every nook and cranny of the continent. And while this technology was critical to meeting the needs of the ever-expanding economies of the Industrial Revolution in the nineteenth century, at least as it concerns the movement of people, rail transportation has become obsolete in the twentieth and twenty-first centuries, as it has been supplanted by buses, cars, planes, and interstate highways. As to the latter, it too has enjoyed generous taxpayer support, but has still provided a much more efficient return on expenditure, and is largely maintained by user fees in the form of taxes assessed at the pump.

What government has done with rail is an almost luddite obsession with it, where it has provided massive and literally obscene amounts of subsidies to perpetuate a technology that is ineffective and counterproductive in meeting today's requirements for moving people from point A to B. That is because rail transit subsidies divert resources away from transportation modes that really do a good job in meeting those needs.

Over the past few decades public transit has declined because cities have become nanocentric.

In example after example, O'Toole documents how rail subsidies impede the development of more-efficient technologies. That is because the cost of building, operating, and maintaining a public rail system is many times greater than just about every other mode of transportation. In San Francisco and Atlanta cost overruns in building their rail systems forced reductions in bus service, resulting in a net reduction in transit ridership — by two-thirds in Atlanta from 1985 to 2015. And this scenario is played out in cities all over America. So here we are, spending billions to expand rail transit throughout

the country, resulting in a transit system that fewer people use.

Why rail?

Yet despite this sorry record of failure, there has been over the past four decades a dramatic increase in the number of cities building new rail transit. The drivers here are many. Most nefarious of all is the federal government, which has given incentives to local governments to build them by providing matching grants. As O'Toole points out, when it comes to local politicians, there is little concern over the cost versus the benefit, because for them “the cost is the benefit — especially when the federal government is paying a large share of it — because it means more money to hand out to contractors and suppliers.”

Another driver is the popular belief that rail transit systems will take people out of their cars, so that those who choose to continue to drive, which is almost all of us, will enjoy less-congested roads. Yet the facts do not support that belief. Over the past few decades public transit has declined because cities have become nanocentric, meaning that the traditional monocentric model — where nearly all of the jobs were in a central city and all of the residential areas were outside

the city center — has become a thing of the 19th-century past. With jobs and residential areas now widely dispersed, the personal automobile, buses, and ride-sharing services such as Uber and Lyft are better equipped to meet today's transportation requirements.

One of the biggest impediments of fixed-rail mass transit is its lack of flexibility and its inability to adapt to a changing landscape. In contrast, the ability of the free market to adapt to these changes in an efficient and cost-effective way is truly amazing. In Atlanta, where I live, seemingly overnight I saw the profusion of scooters where one uses an app to activate them, the user gets charged on the basis of the distance traveled, and the user leaves the scooter at his destination, making it available for the next user to do the same. At night the company providing the scooter service gathers them up, recharges them, and makes them ready for use the next day.

That is but one example of the stark contrast between how the market responds to a need and how government seeks to perpetuate an obsolete technology. Technology replacement also holds great promise to further enhancing our transportation options, further driving

down costs and improving mobility with enhanced safety. The autonomous self-driving car comes immediately to mind. Managed lanes, where a commuter can pay automatically and electronically to travel on a limited-access road with guaranteed trip times has proven to be a great success in Atlanta and elsewhere.

Amtrak is the most cost-ineffective mode of city-to-city transportation available today.

While O'Toole covers a lot of ground with respect to rail mass transit, Amtrak and the phenomena of high-speed rail, both in the United States and internationally, have not escaped his examination. He clearly spells out, with tons of data to support it, that these projects are financial black holes, where the costs are way out of line with the alleged benefits. Indeed Amtrak, when you factor in the massive taxpayer subsidy that goes with its operation, is the most cost-ineffective mode of city-to-city transportation available today. Not only is air travel much cheaper and faster, but Megabuses operating in the Northeast corridor, cost but a small fraction of what Amtrak charges for the same destination points and does it at a

profit! Once again, the free market at work, driving down costs, expanding consumer choices and options.

O'Toole is unequivocal and his advocacy for the immediate abolition of all subsidies to rail, and for the cessation of, and opposition to, the expansion of any and all government-owned and -operated rail transit systems. While there are some cities such as New York where the existence of rail transit may be essential, even there he suggests a transition to private ownership, where a different set of incentives would come into play that would enhance safety and reliability.

Normally when I review a book, I have some caveat or area where I take some exception to what is presented. But not so with this book. It is as perfect a book on this subject as I can imagine and provides a fascinating and engrossing history of a subject that is integral to all our lives. OK. Maybe I have one caveat. When you read about the abhorrent, extravagant, profligate waste of your tax money, it should make

you very angry. And maybe that will motivate you to take a closer look at what the tax man is doing in your community to subsidize rail, and to do something about it to get spending in this area on the right track.

In the Atlanta area, taxpayer advocates have been successful in thwarting rail transit expansion plans, and recently voted one down in Gwinnett County, Georgia. Armed with the information provided in *Romance of the Rails*, maybe you can make a difference in your community. I encourage you to do so.

Lance Lamberton is a Georgia-based taxpayer-activist who founded the Cobb Taxpayers Association, which advocates for taxpayers on issues related to transportation, among others. In an earlier life, he served as the deputy director of the White House Office of Policy Information under President Ronald Reagan.

SUPPORTING THE FUTURE OF FREEDOM FOUNDATION

Our work advancing freedom depends on the financial support we receive from people who share our commitment to the moral, philosophical, and economic principles of a free society. Since The Future of Freedom Foundation is a 501(c)(3) educational foundation, donations are tax-deductible.

.....

Donations can be made on our website

— www.fff.org/support —

or by calling us at 703-934-6101.

.....

Here are ways that you can support our work:

1. A donation, with check or credit card.
 2. A donation in any amount you choose by means of a recurring monthly charge to your credit card.
 3. A donation of stock, the full market value of the stock being tax-deductible.
 4. Naming The Future of Freedom Foundation as a beneficiary in your will or living trust, charitable gift annuity or trust, or life-insurance policy.
-

Over the years, planned giving has played an important role in sustaining our operations.

*Thank you for your support of our work
and your commitment to a free society!*



THE FUTURE
of
FREEDOM FOUNDATION

11350 Random Hills Road
Suite 800
Fairfax, VA 22030

★★★

www.fff.org

fff@fff.org

703-934-6101