FUTURE OF FREEDOM

VOLUME 33 | NUMBER 12

DECEMBER 2022

The road is always better than the inn.

— Miguel de Cervantes

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.

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How We Got a National-Security Police State, Part 2

by Jacob G. Hornberger

The coin of the realm in any national-security state is fear. In order to induce people to surrender their rights and freedoms, officials have to inculcate deep fear within them. Thus, national-security officials are constantly coming up with official foreign enemies, opponents, rivals, and adversaries, as well as crises, to convince the citizenry that a national-security state is necessary to keep them safe and secure. Thus, during the conversion of the federal government to a national-security state after World War II, President Truman, who was presiding over the conversion, was told that he needed to scare the "hell" out of the American people.

The big official enemy that was used to justify the conversion to a national-security state was communism. After the defeat of the Nazi regime in World War II, U.S. officials convinced Americans that, unfortunately, they could not rest on their laurels. The reason was that America now faced an even greater danger, which was communism. U.S. officials told the American people that there was an international communist conspiracy based in Moscow — yes, the same Russia that still serves as one of America's official enemies today. That conspiracy, they maintained, also encompassed Red China. The Red menace would ultimately spread to Yugoslavia, Eastern Europe, North Korea, North Vietnam, Iran, Guatemala, Cuba, Chile, Nicaragua, and even to the United States, where officials went on a crusade to ferret out and destroy communist sympathizers here at home. There was even a movie made during the 1960s entitled, "The Russians Are Coming. The Russians Are Coming."

Americans became deathly afraid that the Reds were coming to get them. That's why they were more than willing to surrender the rights and freedoms they had had under a limited-government republic. Ironically, many of them did not notice that they were now living under the same type of governmental system that also characterized the communist regimes that were supposedly conspiring to take over the United States and the rest of the world.

The Cold War

With one exception, the Cold War against the Soviet Union, Red China, and the rest of the international communist conspiracy continued for some 45 years. The exception occurred during the presidential administration of President John F. Kennedy. In his peace speech at American University in June 1963, Kennedy effectively declared an end to the Cold War and announced that the United States would henceforth have a peaceful and friendly relationship with the Soviet Union and, implicitly, with the rest of the communist world. As I detail in my book *An Encounter with Evil: The Abraham Zapruder Story*, Kennedy took major steps in that direction, which, if continued, would almost certainly have led to the dismantling of the national-security state and the restoration of a limited-government republic.

However, Kennedy's new direction for America didn't last very long. After he was assassinated a little more than five months later, everything returned to where it had been before he took office. His successor, Lyndon Johnson, ramped up U.S. involvement in Vietnam to stop the Reds from taking over South Vietnam. The national-security establishment was assured of its continued existence and massive taxpayer-funded largess.

Kennedy's new direction for America didn't last very long.

Most everyone naturally assumed that the Cold War would go on forever, and that the national-security state would become a permanent feature of American life, along with ever-increasing budgets for the Pentagon, the CIA, the NSA, and their growing army of "defense" contractors. After all, the Soviet and Chinese regimes maintained strict gun control within their own countries and those they controlled through puppet regimes. How could people ever hope to bring an end to regimes that wielded omnipotent power, especially given that people lacked weapons with which to violently resist?

In 1989, however, the unexpected happened. Without any formal negotiations or a peace treaty, the Soviet Union unilaterally declared an end to the Cold War, much to the shock of the Pentagon, the CIA, and the NSA. Soviet troops exited East Germany and Eastern Europe and returned home to Russia. The Soviet Union was dismantled.

Suddenly, the justification for a national-security state was gone. To be sure, Red China was still in existence, but the big scary Cold War bugaboo had always been the Soviet Union and the supposed international communist conspiracy based in Moscow. Some people were surely going to start asking why Americans couldn't have their limited-government republic back. In fact, many people immediately began asking about a "peace dividend" consisting of major cutbacks in military spending.

Panicked, Pentagon and CIA officials suggested that they could continue playing a valuable role in America's governmental system. They said that they could help win the war on drugs and also help police with what they said was an unsafe world.

A new official enemy

But they knew that if they were going to remain in existence, they would need a new official enemy to take the place of their previous official enemy. Enter Saddam Hussein, the unelected dictator of Iraq. From 1990 until 2001, Saddam became the new official enemy used to strike deep fear within the hearts and minds of the American people. In fact, to make certain that Americans got the point, U.S. officials and their supporters in the mainstream press began referring to Saddam as the "new Hitler" who was bound and determined to have his army come to the United States, unleash weapons of mass destruction, take over the country, and subjugate the American people.

> Saddam would be used to strike deep fear within the hearts and minds of the American people.

At one point, Iraq got into an oil-drilling dispute with neighboring Kuwait. Iraq claimed that Kuwait was slant-drilling into Iraqi land and therefore stealing Iraq's oil. When Saddam mentioned the dispute to the U.S. ambassador to Iraq, she responded that the U.S. government was indifferent to the dispute.

But when Saddam decided to invade Kuwait to resolve the dispute, the United States was no longer indifferent. U.S. officials turned on Saddam with a vengeance and announced that this Hitler-like ruler needed to be stopped. That was when President George H. W. Bush went to the United Nations and rounded up an international force to invade Iraq and evict Iraqi forces from Kuwait.

The irony in all this was that Saddam and U.S. officials had been close friends and allies.

The irony in all this was that throughout the 1980s, Saddam and U.S. officials had been close friends, partners, and allies. In fact, through most of that decade, U.S. officials were helping Saddam in his war of aggression against Iran. Why would U.S. officials be helping the "new Hitler" kill Iranians in an unprovoked war of aggression? The reason is that the Pentagon and the CIA were angry with the Iranian people for having ousted their brutal dictator, the Shah of Iran, in a violent revolution in 1979. The CIA had installed the Shah into power in a coup in 1953, when the CIA destroyed Iran's democratic system by ousting the country's democratically elected prime minister, Mohammad Mossadegh, from power and then installing and reinforcing the brutal tyranny of the Shah. Helping Iraq kill Iranians in Saddam's war of aggression provided the Pentagon and the CIA with a modicum of revenge.

Once U.S. forces went into action against Iraq in the Persian Gulf War, they began massacring Iraqi soldiers and killing countless civilians with a bombing campaign against the country. Even though U.S. officials had portrayed Saddam as the "new Hitler," the fact was that Iraq was an impoverished Third World country. It was never any military match for the United States. The Pentagon and the CIA easily won the war, and Iraqi forces were forced to exit Kuwait.

However, in a fateful decision — one that would later bedevil his son when he became president — President Bush decided not to send U.S. forces to Baghdad to remove Saddam from power and replace him with another U.S. stooge. Instead, Saddam was left in power and made America's new official enemy, a position he would maintain for the rest of the decade and beyond, until the 9/11 attacks in 2001.

Throughout the 1990s, Saddam remained America's official enemy. "Saddam! Saddam! Saddam!" Hardly a day went by for more than 10 years in which people didn't express fear that Saddam was coming to get them and unleash weapons of mass destruction upon them.

Deadly sanctions on Iraq

For all those years, U.S. officials were bound and determined to correct the "mistake" that they felt President Bush had made in not removing Saddam from power through military force. The way they attempted to accomplish this regime change was through the use of economic sanctions — in fact, one of the most brutal systems of economic sanctions that has ever been imposed on any nation in history.

During the Gulf War, the Pentagon had ordered U.S. pilots to bomb Iraq's water-and-sewage treatment plants with the aim of spreading infectious illnesses among the Iraqi populace. Once the war was over, the sanctions then prevented Iraqi officials from repairing those facilities.

The Pentagon's strategy of spreading infectious illnesses among the Iraqi people was extremely successful, especially when it came to Iraqi children. Day after day, month after month, year after year, multitudes of Iraqi children were dying because of the sanctions. In fact, in 1996 when U.S. ambassador to the United Nations, Madeleine Albright, was asked if the deaths of half-a-million Iraqi children from the sanctions were worth it, she replied that they were, in fact, "worth it." By "it," she meant the effort to remove Saddam from power and replace him with another U.S.-approved dictator. The deadly sanctions on Iraq continued for another five years after Albright made that statement.

The Pentagon's strategy of spreading infectious illnesses among the Iraqi people was extremely successful.

Albright's mindset mirrored those of other U.S. officials, including her boss, President Bill Clinton. Most everyone within the federal government, especially within the national-security branch of the federal government, believed that the deaths of those Iraqi children were worth it. The idea was that if enough children could be killed, Saddam Hussein would be forced to abdicate and leave the country.

In fact, U.S. officials actually blamed the deaths of those Iraqi children on Saddam himself. They said that to end the death toll, all that Saddam had to do was resign his position. As soon as he did so, U.S. officials would lift the sanctions. The fact that he chose to remain in power meant that he, not the U.S. government, was responsible for the deaths caused by the sanctions.

Not surprisingly, not everyone shared the U.S. enthusiasm for the sanctions and the massive death toll that came with them. Three high UN officials, stricken by a crisis of conscience, resigned their positions with the UN. They said that they could not in good conscience participate in what they called a genocide against those children. U.S. officials mocked and ridiculed them, apparently because they were "soft."

An American man named Bert Sacks traveled to Iraq and delivered medicines and other essentials to the Iraqi people. U.S. officials fined him $10,000 and then went after him with a vengeance in an effort to collect their money. To Sacks's everlasting credit, he fought them every step of the way and ultimately prevailed. To their deep chagrin, U.S. officials never collected a dime of that $10,000 fine.

Anger and rage

Where most of the anger and even rage was concentrated, not surprisingly, was within Iraq and other parts of the Middle East, where people were seeing the death toll among the Iraqi children, many of whom came from Muslim families. But there was nothing anybody could do to stop the death toll. After all, the U.S. government had the most powerful military in history. How in the world were people in impoverished Third World countries supposed to stop the U.S. government from continuing its deadly system of sanctions that were killing those Iraqi children? Their helplessness that people felt contributed to their rising anger and rage.

Making matters even worse was the U.S. government's decision to station U.S. troops near Mecca and Medina.

Contributing to the boiling cauldron of anger and rage that was erupting in Iraq, Pakistan, and surrounding areas was the U.S. government's unconditional support of the Israeli government, especially the way it was mistreating Palestinians. Making matters even worse was the U.S. government's decision to station U.S. troops near Mecca and Medina, the most sacred lands in the Muslim religion.

In 1993, a 29-year-old Pakistani man named Mir Aimal Kansi was living in northern Virginia. He came from a fairly well-to-do family in a village in Pakistan. He was one of the people stricken with rage over what the U.S. government was doing to people in Iraq and the Middle East.

Attack on the CIA

On the morning of January 25, 1993, Kansi drove his car down Route 123, the road that leads into CIA headquarters in Langley, Virginia. He figured that the people who would be turning into CIA headquarters would be CIA employees. He decided that he would try to kill as many CIA officials as possible. He began walking from car to car as they were waiting to turn into CIA headquarters and shooting as many men as he could. He left the women alone. He ended up killing two CIA employees and wounded three more.

Kansi's reasoning for killing those people was this: The CIA and the Pentagon had killed multitudes of people in Iraq during the Gulf War. But their killings didn't stop there. At the end of the war, they continued killing Iraqi people, especially Iraqi children, with their sanctions, but also with their so-called no-fly zones over Iraq. The reason they were killing those children was a political one — they were trying to oust Saddam Hussein from power and were targeting Iraqi children with death as a way to achieve that goal. Therefore, Kansi believed, he had the right to retaliate against the CIA by killing its officials, even if the officials he killed were not actually the ones who were doing the killing in Iraq.

Not surprisingly, however, that's not the way that U.S. officials saw things. As far as they were concerned, they had the authority to kill whomever they wanted, including those children in Iraq, especially as a way to achieve regime change in Iraq. People in Iraq and the rest of the Middle East just had to learn to accept the death toll. No one, including Kansi, had the right to stop them or retaliate against them for killing people in Iraq or other parts of the Middle East.

As far as U.S. officials were concerned, they had the authority to kill whomever they wanted.

After going on his shooting spree, Kansi fled the scene and caught a flight back to Pakistan. U.S. officials quickly determined that he was the killer. Interestingly enough, U.S. officials chose not to invade Pakistan in an effort to find him and kill him, as they would do to Afghanistan eight years later. Instead, they decided to wait until Kansi surfaced, which he finally did four years later.

Kansi was arrested and brought back to the United States to stand trial. He was indicted for murder and prosecuted in a Virginia state court. He was convicted and sentenced to die. On November 14, 2002, he was executed by lethal injection.

Kansi's motive

From the time he was arrested until the day he died, Kansi was very clear as to why he had shot those CIA employees. He was angry over the fact that U.S. officials were over there killing Iraqi children and others. One of the interesting aspects of this was that U.S. officials fully acknowledged Kansi's motive. They said that his motive demonstrated what an evil, deranged person he was.

After Kansi's conviction, four American oil executives were killed in Pakistan, presumably in retaliation. After Kansi's execution, many people in his home village were angry. They considered Kansi to be a hero. About 150 members of his tribe in Pakistan marched in the streets of his hometown of Quetta chanting "Aimal is our hero." The protestors also burned a U.S. flag. According to Wikipedia, his funeral was attended by the entire civil hierarchy of Kansi's home province of Baluchistan, the local Pakistan Army Corps commander, and the Pakistani Ambassador to the United States.

Today, there is a plaque on Route 123 in Virginia near CIA headquarters in memory of the two CIA officials who were killed, which states: "In Remembrance of Ultimate Dedication to Mission Shown by Officers of the Central Intelligence Agency Whose Lives Have Been Taken or Forever Changed by Events at Home and Abroad. Dedicato Par Aevum (Dedicated to Service) May 2002.

According to Wikipedia, Kansi is memorialized through a mosque built in his name as Shaheed Aimal Kansi masjid (Martyr Aimal Kansi mosque) in the port city of Ormara in Balochistan.

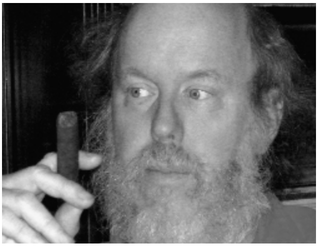
As we will see, the Kansi episode was not the only instance of "blowback" from U.S. actions in Iraq and the Middle East.

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

NEXT MONTH:
"How We Got a National-Security Police State, Part 3"
by Jacob G. Hornberger

Biden's Bloated IRS Will Skewer Taxpapers

by James Bovard



The Internal Revenue Service is perhaps the ultimate sacred cow in Washington. It is the "goose that lays the golden eggs" for the city's power and prestige, delivering trillions of dollars to politicians to work miracles (or at least get reelected). When criticism erupted over the 87,000 new revenooers to be hired thanks to Biden's Inflation Reduction Act, Washington's Defenders of Correct Thinking rushed to the ramparts.

The media goes to bat for the IRS

Washington Post columnist Dana Milbank, in an article headlined "Another Republican Lie is Born," caterwauled that Republicans' anti-IRS rhetoric is one of the "hallmarks of authoritarianism" and justified Biden's condemnation of Republicans for "semi-fascism." *Post* columnist Joe Davidson fretted that "attacks on the IRS" are part of Republican efforts "delegitimatizing government." Another *Post* article warned that Republicans are "putting federal workers in danger" by "repeating baseless claims" about the IRS. A *Post* purported humor columnist did a piece headlined, "Farewell, Mother I am off to join the IRS army!" sneering at baseless fears about Biden weaponizing IRS agents.

"Baseless?" At the time the Inflation Reduction Act passed, the IRS was advertising for "special agents" who must "carry a firearm and be willing to use deadly force, if necessary" during "execution of search warrants, and other dangerous assignments." The IRS had recently made massive purchases of new firearms and ammunition. The job notice declared: "No matter what the source, all income earned, both legal and illegal, has the potential of becoming involved in crimes which fall within the investigative jurisdiction of the IRS Criminal Investigation."

Rep. Thomas Massie (R-Ky.) observed, "The IRS has never pointed a gun at a billionaire or his employees, so why does the IRS need 87,000 new agents, AR-15s, and 5 million rounds of ammunition? They're not gunning for billionaires or their bank accounts."

Shock brigades of Fact Checkers rushed to rescue the IRS's reputation. Reuters announced that it is "false" that the IRS "is hiring 87,000 new armed IRS agents" because only a couple thousand IRS agents carry firearms. Similarly, an Associated Press "fact-checking" report derided as "false" the allegation that "all new employees that the IRS intends to hire ... will be required to carry a firearm and use deadly force if necessary." Since not all IRS new hires will be heavily armed, it is "misleading" to pretend that any danger exists.

The IRS was advertising for "special agents" who must "carry a firearm and be willing to use deadly force.

Controversy also swirled about a film clip of an IRS recruiting program on college campuses. A clip from Utah shows students putting on flak jackets and readying toy guns and handcuffs for "taking down a landscape business owner who failed to properly report how he paid for his vehicles." "First they came for the tulip bulbs...."

Associated Press Fact Checkers complained that the video is "being misrepresented to falsely claim it shows a new force of IRS special agents being trained as part of agency expansion efforts." But it is a recruiting video for college students that shows how they will be trained and use their power as IRS agents.

Since not all IRS employees will be carrying Glocks or AR-15s, Americans should presume that every IRS employee is a well-meaning civil servant waiting to assist people tormented by convoluted IRS instruction booklets. And it won't matter if the new hires abuse their power. An IRS "enforcement operation" won't count as a raid unless agents shoot at least three people. And then it still won't matter because anyone who is gunned down will be labeled a suspected tax scofflaw. Regardless, Americans should presume that the IRS is actually less aggressive than a Girl Scout cookie-selling campaign.

There were plenty of "Iron Fist Bellwethers" last year when Biden first announced plans to vastly expand the IRS. The *Washington Post* reported that "the single biggest source of new revenue in the plan comes from dramatically expanding the clout of the nation's tax agency." *Slate* reported, "Biden wants to fund a massive upgrade to the American welfare state by making the IRS great at audits again." And there aren't that many billionaires to go around to finance all the schemes that Team Biden favors.

While Fact Checkers zealously squelch nitwit comments from random dudes on Facebook, they are ignoring far bigger howlers from the White House. On August 19, the White House promised that "No one making under $400,000 per year will pay a penny more in taxes" thanks to the Inflation Reduction Act. Team Biden effectively insists that "those who have nothing (or at least no income) to hide have nothing to fear." According to Sen. Ben Cardin (D-Md.), "If you're not cheating on your taxes, you have nothing to worry about." But the Joint Committee on Taxation estimated that "between 78% and 90% of the estimated additional $200 billion the IRS will collect [over the next decade] will come from small businesses making less than $200,000 annually," the *New York Pos*t reported.

Biden and his media allies pretend that the federal tax code is as lucid as the Ten Commandments and that depravity and/or iniquity are the only reasons people underpay taxes. But Americans are confounded by the four million words in the tax code and by the IRS's failure to answer more than 90 percent of phone calls from taxpayers. Did the IRS need an $80 billion bribe to answer the phones? Actually, only 4 percent of the new $80 billion in funding will be devoted to customer service while 58 percent will go to turbo-charge enforcement.

IRS a law unto itself

Biden is acquiring a new army of IRS enforcers at the same time the agency obliterates unlucky taxpayers with deluges of penalties — which have increased tenfold since the 1950s. Sen. David Pryor (D-AR) complained that the IRS used penalties "as a weapon, as a whip over the innocent and the guilty taxpayer's head, and as a point of leverage." IRS enforcement policies have been travesties of due process for longer than Joe Biden has been in Washington.

IRS bureaucrats don't even need to file a criminal charge before snaring citizens' life savings.

IRS bureaucrats don't even need to file a criminal charge before snaring citizens' life savings. Consider IRS depredations under the Bank Secrecy Act of 1970, which required banks to file a federal report for any cash transaction exceeding $10,000. The IRS "enforced" the law by presuming that anyone who deposited slightly less than $10,000 was a criminal. The IRS seized a quarter billion dollars because it disapproved of how businesses and individuals structured their bank deposits and withdrawals.

The IG found no evidence in 91 percent of the seizure cases that the money came from illegal activities.

Between 2005 and 2012, the number of IRS seizures rose more than fivefold, but the vast majority of victims were never criminally prosecuted for structuring offenses. IRS criminal investigators simply looked at banking records and then confiscated hundreds of accounts. Most of the victims were "legal businesses such as jewelry stores, restaurant owners, gas station owners, scrap metal dealers, and others." The IRS targeted businesses with legal sources of income, according to a 2017 Inspector General report, "to engage in 'quick hits,' where property was more quickly seized ... rather than pursuing cases with other criminal activity (such as drug trafficking and money laundering), which are more time-consuming." The IG found no evidence in 91 percent of the seizure cases that the money came from illegal activities. The IG noted, "Interviews with the property owners were conducted after the seizure to determine the reason for the pattern of banking transactions and if the property owner had knowledge of the banking law and had intent to structure."

The IRS is menacing in part because federal courts have been shamelessly docile. As David Burnham, author of *A Law Unto Itself: The I.R.S. and the Abuse of Power*, noted, "Over and over again, federal judges have found ways either to ignore or actually to legitimize the growing reach of the tax collectors," a "pattern of judicial tenderness ... partly the product of the natural sympathy that those in power always feel toward the tax collectors."

In U.S. Tax Court, IRS determinations of what citizens owe are "presumed correct," with taxpayers bearing the burden to prove the feds wrong. Corporations with hefty legal departments routinely defeat the IRS in court, but few citizens can afford to fight a federal agency that appears to hold all the cards. Tax expert Daniel Pilla estimates that the "IRS's audit results are incorrect between 60 and 90 percent of the time."

The Supreme Court will soon hear the case of Romanian-American businessman Alexandru Bittner, who voluntarily notified the IRS that he was late filing reports on his foreign bank accounts (he was unaware of his duty to file). The IRS hit him with $2.72 million in fines, penalties, and interest — even though at least one federal court believed he should owe only $50,000. The difference between $2.72 million and $50,000 is a dramatic gauge of the arbitrary power that the IRS possesses over Americans.

The IRS agenda

The power to tax has long conferred the power to destroy political opponents. But in the glorious era of President Joe Biden, all previous cases of government abuse of power are being expunged, at least by the media and Biden supporters. The stunning political bias of Obama's IRS vanished into the Memory Hole, never to be seen again (at least by respectable media outlets). But in 2014, a report by Republicans on the House Oversight and Government Reform Committee concluded that the IRS's Lois Lerner, who masterminded the blockade of conservative nonprofit applications, "believed the political participation of tax-exempt organizations harmed Democratic candidates, she believed something needed to be done, and she directed action from her unit at the IRS."

The Inflation Reduction Act will pay for new IRS computer systems. It has received billions of dollars from Congress to fix its computers since the 1980s, but the system is still a total mess (relying in part on 1960s-era computer technologies that are no longer widely taught in computer science classes).

> The IRS failed to process tens of millions of tax returns in 2020 and 2021.

How bad is the IRS information management system? An Inspector General report revealed that the IRS had destroyed 30 million tax information returns in 2021 without processing them because it was overwhelmed by the accumulating paper. *Bloomberg News* noted, "The IRS explained the documents were destroyed because the agency's 'antiquated' information technology systems could no longer handle them." Texas CPA Brian Streig groused, "To see the IRS just destroy these [returns] is almost like the IRS admitting they don't really care." Rep. Bill Pascrell (D-N.J.) denounced the document destruction as a "scandal" and lamented that "all the American people see at the IRS is incompetence and catastrophe." Pascrell called for Biden to fire IRS chief Charles Rettig.

The IRS also sought to cover up the fact that it had failed to process tens of millions of tax returns in 2020 and 2021, continually misleading Congress and the media about the size of the backlog. Citizens faced harsh penalties for not filing their 1040 on time, but the IRS faced no penalty for making false statements about millions of tax returns it had failed to process.

The Inflation Reduction Act should have been named the Boarhawging Taxpayers Again Act. The Internal Revenue Service has perennially been the authoritarian means to paternalistic ends. Since politicians worship revenue above all other gods, don't expect the Biden administration or Congress to stand up for average Americans unfairly caught in the revenue crosshairs.

James Bovard is a policy advisor to The Future of Freedom Foundation and 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:
"The Federal Dietary Wrecking Ball"
by James Bovard

The Free Market Can and Should Be Absolute

by Laurence M. Vance

The 1932 Democratic Party platform advocated "the removal of government from all fields of private enterprise except where necessary to develop public works and natural resources in the common interest."

But since the advent of Franklin Roosevelt's New Deal — a raw deal for Americans that raised taxes; forced most manufacturing industries into cartels with codes that regulated prices; paid farmers to destroy crops and livestock; empowered labor unions to organize strikes, seize plants, and commit violence; and instituted massive government intervention in the economy and society that is still with us — those on the Left have increasingly argued that markets free of government intervention lead to monopolies, economic crises, misallocation of resources, income inequality, negative externalities, market failures, and crony capitalism. But as Jeffrey Tucker, president of the Brownstone Institute, has written: "For the better part of half a century, the main opponents of the free market have come from the political Left, people who want to use the state to steer markets to achieve predetermined results. The excuses for intervention are endless, but the leftist orientation has been a mainstay, thereby creating the mistaken impression that economic liberalism is properly placed on the right side of the political spectrum, perhaps even representing some version of conservatism."

National conservatism

That latest version of conservatism is termed "national conservatism." It begins, says Tucker, "with skepticism toward markets and trending ever more to open hostility." It ends with invectives against the free market and calls for a national industrial policy — "meaning protectionism, antitrust, and centralized economic planning in the tradition of the two Roosevelts." Columnist Veronique de Rugy likewise laments how "many conservatives now also proudly embrace tariffs, hyperactive antitrust, and industrial policy (often justified, of course, as necessary to 'fight' China)." By embracing social conservatism while rejecting economic libertarianism, remarks Tucker, this new conservatism splits the two pillars that have held together the modern conservatism movement, thus "driving a deep wedge into a fragile political and intellectual coalition that has lasted many decades since World War II."

Many conservatives now also proudly embrace tariffs, hyperactive antitrust, and industrial policy.

The main voice for national conservatism is the Edmund Burke Foundation (EBF) — "a public affairs institute founded in January 2019 with the aim of strengthening the principles of national conservatism in Western and other democratic countries." The EBF "was launched by a series of public conferences on national conservatism in London, Washington, D.C., and Rome between May 2019 and February 2020." Further conferences were held in Orlando (2021), Brussels (2022), and Miami (2022). According to the EBF's National Conservatism website: "National conservatism is a movement of public figures, journalists, scholars, and students who understand that the past and future of conservatism are inextricably tied to the idea of the nation, to the principle of national independence, and to the revival of the unique national traditions that alone have the power to bind a people together and bring about their flourishing."

The EBF envisions "a protracted effort to recover and reconsolidate the rich tradition of national conservative thought as an intellectually serious alternative to the excesses of purist libertarianism, and in stark opposition to political theories grounded in race." Its aim "is to solidify and energize national conservatives, offering them a much-needed institutional base, substantial ideas in the areas of public policy, political theory, and economics, and an extensive support network across the country."

Ah, economics: not a strong suit of most conservatives. This was evident at the national conservatism conference in Washington, D.C., where speakers disparaged the free market, capitalism, and libertarianism. "The right has been too economistic in its thinking for a long time, and too libertarian," said conference speaker Yuval Levin in an interview. Oren Cass of the Manhattan Institute and Richard Reinsch of Law & Liberty debated the resolution: "America should adopt an industrial policy." Attendees polled on the resolution were decisively for it.

Economic nationalism

On behalf of the EBF, Will Chamberlain, Christopher DeMuth, Rod Dreher, Yoram Hazony, Daniel McCarthy, Joshua Mitchell, N. S. Lyons, John O'Sullivan, and R. R. Reno have penned "A Statement of Principles" for national conservatism. The 10 principles relate to: National Independence, Rejection of Imperialism and Globalism, National Government, God and Public Religion, The Rule of Law, Free Enterprise, Public Research, Family and Children, Immigration, and Race. The principles have been signed by such leading conservatives as Larry Arnn (Hillsdale College), Victor Davis Hanson (Hoover Institution), former senator Jim DeMint (Conservative Partnership Institute), Charlie Kirk (Turning Point USA), and Rod Dreher (*The American Conservative*).

Now, although much of what is embodied in these principles may not be objectionable to libertarians or contrary to libertarianism, there is an insidious mixture of truth and error. Consider the economic nationalism espoused in the sixth principle:

> Free Enterprise. We believe that an economy based on private property and free enterprise is best suited to promoting the prosperity of the nation and accords with traditions of individual liberty that are central to the Anglo-American political tradition. We reject the socialist principle, which supposes that the economic activity of the nation can be conducted in accordance with a rational plan dictated by the state. But the free market cannot be absolute. Economic policy must serve the general welfare of the nation. Today, globalized markets allow hostile foreign powers to despoil America and other countries of their manufacturing capacity, weakening them economically and dividing them internally. At the same time, trans-national corporations showing little loyalty to any nation damage public life by censoring political speech, flooding the country

> with dangerous and addictive substances and pornography, and promoting obsessive, destructive personal habits. A prudent national economic policy should promote free enterprise, but it must also mitigate threats to the national interest, aggressively pursue economic independence from hostile powers, nurture industries crucial for national defense, and restore and upgrade manufacturing capabilities critical to the public welfare. Crony capitalism, the selective promotion of corporate profit-making by organs of state power, should be energetically exposed and opposed.

The free market cannot be absolute? Economic policy must serve the general welfare of the nation? Global markets allow hostile foreign powers to despoil America? A national economic policy? Crony capitalism should be exposed and opposed, but the government should pursue economic independence, nurture industries, and restore and upgrade manufacturing capabilities? Government economic planning should be rejected, but we need a national industrial policy? And yet, Daniel McCarthy, editor of *Modern Age: A Conservative Review*, has the audacity to say: "The idea that economic nationalism is not compatible with free-market economics is absurd."

Who decides what economic policies are in the "national interest?" Who decides what is "economic patriotism?" Who decides what it takes for a product to be "American made?" Who decides what is the "general welfare of the nation?" Is it a Republican majority in Congress? Beltway conservative think tanks? Donald Trump? The Conservative Political Action Conference (CPAC)? The Tea Party Movement? The American Conservative Union (ACU)? The *Wall Street Journal* editorial board? The leaders of the national conservative movement? National conservatism is nothing short of right-wing collectivism, Republican crony capitalism, conservative central planning, and red-state fascism.

The free market

It goes without saying that the free market can and should be absolute. To the extent that government exists, it can, in the words of Robert Lawson, "promote economic freedom by providing a legal structure and a law-enforcement system that protect the property rights of owners and enforce contracts in an evenhanded manner." But this also means that economic freedom "requires governments to refrain from taking people's property and from interfering with personal choice, voluntary exchange, and the freedom to enter and compete in labor and product markets."

International trade encourages efficiency in production and in the utilization of resources.

There are five areas where the free market can and should be absolute. First, the free market can and should be absolute when it comes to international trade. Since the advent of Donald Trump — an economic nationalist with a mercantilist mindset whose ignorance and incoherence on economics knows no bounds — free trade has taken a beating by conservatives who used to champion it. Free trade is simply the freedom of individuals and businesses to buy and sell products and services from and to any other individual and business in any other country without government regulations, sanctions, restrictions, subsidies, rules, barriers, tariffs, quotas, or antidumping laws. Free trade does not need trade agreements, trade organizations, trade representatives, or trade treaties. It just needs a willing buyer and a willing seller, each of whom benefits from engaging in commerce across international borders. International trade is not a national game in which some countries are winners and others are losers. It is not a zero-sum game in which one country gains at the expense of another. International trade is always a win-win proposition where each party to a transaction anticipates a gain from the exchange or it wouldn't engage in commerce with the other party. International trade encourages efficiency in production and in the utilization of resources, gives consumers a wider variety of choices, leads to innovation, and fosters peace and goodwill.

The free market can and should also be absolute when it comes to employment. Minimum-wage laws keep low-skilled individuals from working and infringe upon freedom of contract. A government-mandated minimum wage is nothing but Soviet-style central planning that has no place in a free society. If some government entity or bureaucrat can determine the "correct" price for labor, then there is nothing stopping it or him from determining the proper price of every other service as well. Occupational licensing creates barriers to entry to entrepreneurs and results in higher prices for services. It is simply government permission to exercise one's natural right to make a living. Antidiscrimination laws are an assault on freedom of association, property rights, and freedom of thought. No one is entitled to a job, a particular rate of pay, or certain accommodations no matter what his qualifications, nationality, race, religion, sex, or sexual orientation. Government should not interfere in any way with the employer-employee relationship.

On the state level, there would be no departments of education.

Third, the free market can and should be absolute when it comes to education. All educational services should be privately provided and privately funded. The market for education should be competitive and operate the same as any other market. Education is, after all, a service just like landscaping, car repair, window washing, food delivery, hair cutting, pest control, or bookkeeping, not a right to be guaranteed by government. There is nothing unique about education that necessitates that the government provide it, fund it, or oversee it. No American should be forced to pay for the education of any other American. Education needs to be completely separated from the state. On the federal level, there should be no loans, grants, initiatives, accreditation, mandates, or programs for education. This is a no-brainer because the Constitution nowhere authorizes the federal government to have anything to do with education. Just because the states have provisions in their constitutions for K-12 education and operate colleges and universities doesn't mean that providing or funding education is the proper role of government. This means that on the state level, there should be no departments of education, public schools, state colleges or universities, teacher-education requirements, teacher licensing, teacher-certification standards, or regulation or accreditation of private, religious, or home schools.

The free market can and should also be absolute when it comes to health care. The federal government distorted the market for health care decades before the enactment of Obamacare, Medicaid, Medicare, the Children's Health Insurance Program (CHIP), and the Medicare Prescription Drug, Improvement, and Modernization Act. And the disastrous response of the

Centers for Disease Control and Prevention (CDC) to "the pandemic" and the dubious research grants awarded by the National Institutes of Health (NIH) are but two more reasons to look to the free market when it comes to health care instead of the government. Health care is a service just like education, not a right to be guaranteed by government. No American should be forced to pay for the health care or health insurance of any other American. Health care needs to be completely separated from the state: No government entity should pay for or provide health care, subsidize health insurance policies, accredit medical schools, license physicians, regulate medical devices, fund medical research, mandate what health insurance should cover, or ensure that health insurance is affordable.

Health care is a service just like education, not a right to be guaranteed by government.

Finally, the free market can and should be absolute when it comes to alcohol. For as long as America has been a nation, government at every level throughout the country has sought to regulate, control, tax, and prohibit the manufacture, sale, or consumption of alcoholic beverages. Although Prohibition was repealed in 1933, the federal government still prohibits a segment of the adult population from purchasing alcohol via the National Minimum Drinking Age Act of 1984 that mandated that the states either raise their drinking ages to 21 or their federal highway funding would be cut by 10 percent. Even though any adult in the United States who is 18 or older is legally eligible to vote, run for office, enter into contracts, get married, engage in consensual sex with other adults, adopt children, join the military, be drafted, and purchase pornography, he cannot legally purchase a beer until he reaches the age of 21. About 10 percent of the land mass of the United States is made up of dry counties and municipalities where alcoholic beverages cannot be legally purchased. In many states and counties, no alcoholic beverages of any kind can be sold before a certain time on Sunday. And in some, no alcohol can be sold for off-premise consumption. In most every state, bars have to close at a certain time. Seventeen states are "alcoholic beverage control" states where the state government controls the wholesaling, and often the retailing, of distilled spirits, and in some cases, beer and wine.

But why is alcohol treated differently than other commodities? Alcohol needs to be completely separated from the state. No government entity should regulate, control, or prohibit the manufacture or sale of alcoholic beverages, and certainly not have a monopoly on liquor sales. No one should need a license to manufacture or sell alcoholic beverages. No legal adult should be prohibited from purchasing alcohol, and no business should be told what days or what times it can or can't sell alcohol.

The answer is libertarianism

Conservatives don't need a new movement or a new agenda to fit for the twenty-first century, and neither do they need a return to a bygone era. They need libertarianism.

In a libertarian society, people are free to engage in any economic enterprise or activity of their choosing without license, permission, restriction, interference, or regulation from government as long as they don't commit violence against others, violate their property rights, or defraud them. In a libertarian society, buyers and sellers are free to exchange with each other for mutual gain any product of their choosing for any price, without any interference from the government.

And it is not just when it comes to economics that conservatives need libertarianism. In a libertarian society, people are free to pursue happiness and live their lives in their own way as long as their conduct is peaceful and they don't threaten or initiate violence against the person or property of others. In a libertarian society, the private, voluntary, peaceful activity of consenting adults is none of anyone's business, and certainly not any of the government's business. Tragically, the bulk of conservatives today — national or otherwise — believe that it is the job of government to keep people from harming themselves — whether physically, financially, mentally, spiritually, or morally — even if it means fining or imprisoning people for engaging in private, peaceful, consensual behavior or peaceful activity that doesn't violate anyone's personal or property rights.

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Monetary Freedom Instead of Central Banking

by Richard M. Ebeling

The United States and most of the rest of the world are, once again, in the midst of an inflationary crisis. Prices in general are rising at annualized rates not experienced by, especially, the industrialized countries of North America and Europe for well over 40 years. More than 50 percent of the U.S. population is under 40 years of age, meaning that half of the people in the country have never experienced in their life time a period of rising prices such as is now occurring.

It is not surprising, therefore, the shock that it has had for so many. There was a period of time in the late 1970s when price inflation, as measured by the Consumer Price Index (CPI), was going up at an annualized rate of nearly 15 percent. That was the highest since during the American Civil War, more than a hundred years earlier. So, the nearly 9 percent price inflation in the summer of 2022 was something totally new for the average American family.

Prices do not all rise by the same amount at the same time

It is worth keeping in mind that the headline CPI number is only a statistical averaging of a selected group of individual prices chosen to reflect the representative purchases of an "average" urban American family in terms of the goods purchased and their relative amounts in a hypothetical "basket" of items. Break that down into the subcategories of different goods and services, and many of these subgroups of goods have been registered as rising much more or noticeably less than the general CPI number. For instance, in August of 2022, fuel oil prices were almost 69 percent higher than a year earlier, while food prices in general were between 11 and 13 percent above where they were in August of 2021. Housing prices were "only" 6 percent above 12 months earlier.

But any way that it is looked at, this is a new experience for most

Americans used to an average rise in prices of only 2 to 3 percent a year for much of the last four decades. It is one thing to be a bit irritated because something that cost, say, $100 last year costs $102 today. But it is another matter entirely when what cost $100 last year may now cost $133 or even $169. When that is happening not to just one or two or three significant items in a basket of purchased goods but to many or most of what is regularly being bought, "inflation" becomes a budgetary crisis for many families across the country.

Rising prices are the effect of an earlier monetary action

What is missed in all of this is that the general rise in prices is a symptom and not the cause of the problem. We all know that if we take someone's temperature, the number registered on the thermometer indicating a fever is not the cause of that fever; it is merely telling us that person's body temperature is above what is considered "normal." It does not explain or answer what is behind the "read" on the thermometer.

Suppose that someone has a regular income of $1,000 and that he spends, say, $500 on commodity "x," $250 on commodity "y," and $250 on commodity "z." If this is all the money at his disposal and he wants to increase his spending on commodity "y" to $300, then he must reduce his purchases by $50 on either commodity "x" or commodity "z," or some reduced combination of the two. He might draw down previously accumulated cash holdings or borrow the $50 from someone else. But in the former case, there will be a point at which he has drawn down all his available cash, and he must therefore restrict his overall purchases to his regular $1,000 income. If he borrows the money, it means that the lender must reduce a loan to another borrower by $50.

The general rise in prices is a symptom and not the cause of the problem.

Whether it's an individual or a community of individuals, the total sum of money available to that person or group of individuals sets the maximum of dollars offered in exchange for desired goods and services, as a whole. Only if the number of dollars in the hands of that individual or community increases can the demand for and prices of one or more goods rise without some complementary decline in money demand for some other good(s). Overall "price inflation" cannot occur over any sustained period of time without a preceding or contemporaneous increase in the total amount of money in the economic community of buyers and sellers.

The gold standard served as a "check" on inflation

The type of gold standard that prevailed before the First World War provided a natural check on any increases in the supply of money in any country. Paper currencies ("bank notes") issued by the central banks or commercial banks of the time were not the actual "monies." They were claims to quantities of gold deposited by bank customers, serving as convenient money substitutes to the gold for facilitating everyday market transactions. In principle, bank depositors could redeem those notes for a fixed sum of gold during ordinary business hours. In practice, governments could and did "intervene" and influence the money supply at various times, but in general, this was the exception and not the rule, and only within relatively narrow limits.

If the number of bank notes were to increase in general, this required a net inflow of gold into the banking system as a whole. For instance, if there was an increase in the demand for gold as money, its value would rise, setting in motion the profitability of gold prospecting, mining, and extracting, leading to an increase in the minting of additional gold in the form of coins or bullion. If deposited in a banking institution, notes representing the additional gold left in depositors' accounts were issued as the rightful claims to it. Likewise, if there were a net withdrawal of gold from the banking system, the total quantity for bank notes in circulation would decrease.

What has just been explained is, no doubt, a simplification that in reality was never perfectly matched or followed. Nonetheless, it did reflect the general monetary "rules of the game" under the then-prevailing gold standard, which kept politically influenced increases in the money supply within narrow bands, both within countries and between them.

World War I broke the golden chains limiting inflation

But all this changed with the coming of the First World War in 1914. All the belligerent powers in Europe rapidly took their respective countries "off the gold standard," that is, prohibited the redemption of bank notes for gold, or the exportation of gold without government permission. The respective central banks were ordered to provide the needed and necessary monetary sums to financially cover large portions of the costs of war; usually, the procedure was for the nation's government to issue war bonds and for the central bank to buy them up and print paper money to purchase them, with that paper money passing into the coffers of the government to spend as needed for the war.

New Deal policies included the confiscation of the citizenry's gold.

The United States entered the war on the Allied side only in April 1917, a bit more than a year and a half before the war ended in November 1918. The United States did not go off the gold standard in the same manner the other combatant governments did. Still, the recently established American central bank, the Federal Reserve System, ended up printing money equal to about 40 percent of the Woodrow Wilson administration's war expenditures.

Price inflations were experienced in all the countries at war, but their full effects were suppressed from view through systems of wartime wage and price controls. When the war ended, catastrophic hyperinflations were experienced in countries like Germany and Austria. There were half-hearted attempts to "return" to gold standards in both victorious and defeated nations in the 1920s, but they were nothing like the monetary systems that prevailed before 1914. Within a short period of time following the beginning of the Great Depression in 1929–1930, all the major countries of the world had, either de jure or de facto, left the gold standard to give governments the discretionary ability to fund growing budget deficits to "fight" the depression.

Keynesian economics rationalized unending deficit spending

In America after 1933, Franklin D. Roosevelt's New Deal policies included the confiscation of the citizenry's gold, with depreciating paper Federal Reserve Notes given in exchange to make it easier to fund FDR's budget deficits. "The Fed" then created even larger quantities of money to cover U.S. government spending in the Second World War. In addition, by the end of the war in 1945, Keynesian economics held a near monopoly hold on monetary and fiscal policy thinking in America and most of Europe.

In *Democracy in Deficit* (1977), James M. Buchanan (1919–2013) and Richard E. Wagner argued that in the nineteenth century, the fiscal policy norm was a balanced budget. When occasional national emergences arose (usually wars), government borrowing might be necessary to fund unexpected war costs, but when the crisis passed, it was expected that the government would run budget surpluses to pay off any accumulated debt. The annual balanced budget rule assured political transparency to government spending; those proposing new or enlarged government programs would have to explain how much it would cost and how the tax money would be raised to pay for it and, therefore, upon whom would the "tax incidence" would fall. The tax costs of whatever government did were closely linked to the presumed "benefits" of what the politicians wanted to do with "other people's money."

But John Maynard Keynes, in *The General Theory of Employment, Interest, and Money* (1936), threw this overboard. He argued that it should be the responsibility of the government to "macro"-manage the economy to ensure targeted levels of aggregate employment, output, and the general price level. Those in government needed the discretion over monetary and fiscal policy to make the necessary twists and turns needed to keep the economy on an even keel. Government budgets should be balanced not on a rigid annual basis but over the phases of the business cycle, with deficits in recessionary "bad years" and surpluses in the inflationary "good years."

Keynes argued that it should be the responsibility of the government to "macro"-manage the economy.

The practical problem is that once the institutional restraints of both the gold standard and the balanced budget rule were set aside, the political incentives and interests of both politicians wanting to be elected or reelected and special interest groups wanting goodies from the government by offering politicians campaign contributions and election-day votes opened the floodgates to never-ending deficit spending, year after year, regardless of their being "good times" or "bad times." The "benefits" of government spending could be extended far and wide with borrowed money that hid the real price tag of it all, and the Federal Reserve could make it a lot easier and cheaper for the government by "monetizing" the debt through monetary expansion.

Central bankers as monetary central planners

At the same time, Keynesian economics and related policy perspectives cultivated the social-engineering mentality that it is within the knowledge, wisdom, and ability of the "experts" in government to plan the direction and shape of an entire economy through the right monetary and fiscal tools in the hands of those presumed to be qualified to turn the monetary dials and pull the fiscal levers. Those who oversee the Federal Reserve are, in fact, monetary central planners.

The Board of Governors of the Fed and all those who work with them at America's central bank do not view money, credit, and interest rates as market-originating and market-based aspects of the competitive order, within a financial system that is meant to be the intermediary institution for coordinating the plans and actions of savers and investors. No, they are considered to be activist policy "instruments" to be used and manipulated as part of that plan to direct and shape the economy as a whole. And like all forms of central planning, it has, time and again, been a disastrous failure.

At the beginning of the twenty-first century, the Federal Reserve Board of Governors feared that the country might be facing a "dangerous" period of — oh, no! — price deflation. So the monetary spigot was opened wide between 2003 and 2008, with a 50-percent increase in the money supply (M-2) that pushed real interest rates into the negative range (when adjusted for price inflation), which fostered an investment boom and facilitated an unsustainable housing bubble that all came crashing down in 2008–2010.

Keynesian economics and related policy perspectives cultivated the social-engineering mentality.

This was followed for the next 10 years with a new era of "quantitative easing," a fancy term for the Federal Reserve buying even more government debt instruments, along with shaky home mortgages and a variety of other financial assets; the result was that the money supply tripled in size over that decade, from 2010 to 2020. Then when the coronavirus crisis caused political panic in early 2020 and governments around the world followed the

Communist Chinese model of commanding production and retail shutdowns and lockdowns, with restrictions on consumer spending and orders for people to stay at home, the economies of the world crashed with varying degrees of severity.

Monetary madness during COVID and beyond

Just between 2020 and 2022, the money supply has, again, dramatically increased by 50 percent over that 24-month period, enabling the federal government to spend even more trillions of borrowed dollars to "save" the economy from the massive social and economic upheaval that its own coronavirus policies created. Now, when, finally, its own monetary policies finally bring forth the recent rise in prices in the economy, the Federal Reserve central planners are "shocked, shocked," to be faced with a price inflation that they had been saying would not occur or would be merely "transitory" for a few months.

At the same time, what is their answer to the new "inflationary crisis?" Don't worry, they tell us, they know just the right amount by which to manipulate interest rates in an upward direction to ease the rising prices by curbing spending and borrowing and, miraculously, without pushing the economy into a recession. When they likely fail in this, their almost inevitable response will be: "Don't worry, we've learned new and important lessons; you can trust us to get it right — next time."

> As long as there is a central bank, it will be susceptible to direct and indirect political pressures.

The fundamental problem is that there cannot be any successful "next time." One reason is that as long as there is a central bank, it will be susceptible to direct and indirect political pressures. Somehow the now $1 trillion-a-year budget deficits must be financed; somehow, it must ensure that the interest rates government has to pay for its borrowed money are kept at the lowest possible manipulated levels; somehow, someone has to make sure that the economy does not crash into another Great Depression, with all the resulting political spillover effects on those holding high public office.

The "somehow" is the Federal Reserve and the "someone" are its board of Governors. Let us not forget that those board members are nominated by the president and confirmed by the Senate, just like an ambassador to a foreign country. Those nominated and approved will always be those who can be trusted to do the "right" thing politically. When not too long ago a known proponent of the gold standard was proposed for a seat on the Fed board, that person was soon ridiculed and condemned in Congress and in the media as someone unqualified for such an important position; after all, they might have tried to turn off the monetary spigot!

Government control of money undermines a free economy

While in exile in America during the Second World War, the German free-market economist Gustav Stolper (1888–1947) published a book analyzing *This Age of Fable* (1942). He pointed out:

> Hardly do the advocates of free capitalism realize how utterly their ideal was frustrated at the moment the state assumed control of the monetary system. There is today only one prominent liberal theorist consistent enough to advocate free, uncontrolled competition among banks in the creation of money, [Ludwig von] Mises.... Yet, without it the ideal of a state-free economy collapses. A "free" capitalism with governmental responsibility for money and credit has lost its innocence. From that point on it is no longer a matter of principle but one of expediency how far one wishes or permits governmental interference to go. Money control is the supreme and most comprehensive of all government controls short of expropriation. (p. 59)

The boom-bust cycles of inflations and recession and the political use of money-creation to serve the deficit spending needs of governments will never be effectively and permanently ended until central banking has been ended. Monetary matters must be fully returned to the market process of competitive supply and demand. "The market" — which means all of as a multitude of individuals interactively buying and selling, producing, and consuming in society — should decide what commodities or other substances seem most useful and effective as a medium (or media) of exchange.

Government should have nothing to do with what is used as money, and the legal system should recognize and enforce all freely and honestly entered into contracts, including those concerning the money in terms of which exchanges are agreed to be made. No currency, such as Federal Reserve Notes, should be given any special status, as they are under legal-tender laws.

Money, after all, was not originally a creation of the state.

Money, after all, was not originally a creation of the state. It emerged "spontaneously" out of the discovered uses and benefits by market participants of some valued and convenient commodity as a medium of exchange to overcome the barriers to successful trade under conditions of barter (the direct exchange of one commodity for another). From ancient times on, those in political authority have found it advantageous to assert control over the monetary system, because whatever commodity comes to be used as money is the commodity by which everything else desired by consumers is purchased. How much better to debase coins or print paper money to gain access to all the goods available on the market without having to arouse the resentment and resistance of those who otherwise would have to be more directly taxed for the government to have access to the funds it wants to spend.

Central banking and the business cycle

Central banking also is the institutional conduit through which the booms and busts of the business cycle are created. After the federal government has issued debt instruments to fund its borrowing in the financial markets, the Federal Reserve then buys them up in what is called the "secondary market." They create money to purchase them "out of thin air," through the click of the mouse on the computer screen. This money now enters the banking system, and the banks receiving this newly created money as deposits find themselves with "excess reserves" available for lending purposes. Additional borrowers are attracted by the lower interest rates at which these new loanable sums may be acquired for investment and other uses.

From this "injection" point, the new money is spent first by those who have taken up additional loans; the new money now passes to another group of hands in the economy, those who have sold goods and services to those borrowers. From this second set of hands, the money is now spent and passes to a third group of hands. Like a pebble dropped into a pond, from the epicenter point at which the money enters the economy, waves of demand are created, first for one set of wanted goods, and then another, and then another in a patterned sequence.

The recession is really the recovery process stage of the business cycle.

In the process of bringing about a general rise in prices, the structure of relative prices and wages is distorted, with supplies and demands misdirected and resources, including labor, misallocated. The interest rate manipulation brings about a potential mismatch between actual and available savings in the economy and investments undertaken; this brings about unsustainable investment, housing, and stock market booms. When the downturn finally comes, all the resulting malinvestments and misdirection of resources, capital, and labor become evident. The recession is really the recovery process stage of the business cycle, when prices, supply and demand, and resource and labor use are readjusted and rebalanced to restore the market conditions for a healthy return to real and sustainable employment, investment, and longer-term economic growth.

Monetary freedom and competitive free banking

There is no way of knowing what market interest rates should be in terms of effectively coordinating and balancing actual savings with borrowing demands other than letting market competition in financial markets find out what the appropriate "equilibrium" rates of interest are, and how they should change in always changing market circumstances.

There is no way of knowing what commodities should be the used as money other than allowing market participants to choose the monies most advantageous in market transactions of various and sundry sorts. There is no way of fully knowing how financial institutions should function in terms of individual bank currencies, or the cash reserves banks might find it appropriate and judicious to hold against outstanding bank liabilities other than discovering these things through allowing a free, unregulated, and competitive banking sector no longer under government regulatory control or political influence.

Monetary central planning is no more desirable or workable than any other form of government central planning. The institutional goal, in other words, should be an end to monetary policy through the abolition of central banking. The ideal, therefore, is monetary freedom. Without it, the long-run possibility and sustainability of a truly free market society may not be fully possible.

This article is based on a talk delivered on October 3, 2022, as part of The Future of Freedom Foundation's online conference, "End Inflation and End the Fed."

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NEXT MONTH:

"Freedom of Conscience"
by Laurance M. Vance

"Lionel Robbins on the Logic of Choice and a Liberal International Order"
by Richard M. Ebeling

Those who advocate democracy and yet make a fetish of vilifying those whose beliefs are different from theirs, what value do they see in democracy?

— William Stafford

The Historical Foundation of Civil Liberties, Part 2

by Tom G. Palmer

In the later classical period, a new system, which came to be known as democracy, emerged, notably in Athens. It was based on the liberty of the citizens and was used to describe the Athenaion Politeia after the reforms undertaken by the Greek states and Cleisthenes in the period 508 to 507, before the common era. Athens had been a cauldron of civil strife — that is to say, what we might call a civil war or internal conflict — and Cleisthenes was called on to reform the system. In 510, the Athenians had expelled a tyrant, Hippias, with the help of the Spartans. Isagoras then collaborated with the Spartans to seize power and expelled Cleisthenes, who then called on the people to rebel, was elected, and began a democratic transformation of Athens.

This is a really remarkable revolution, if you will, or constitutional reform that had tremendous significance for millennia to come. He instituted a council of 500 that was based on a reorganization of the political structure of the polity. Ten tribes constituted by 30 ridings, 139 villages, towns, neighborhoods that were known as demes, or in the plural, demoi. Each one was then assigned to a tribe — and here was part of the genius of his federal insight — one-third of them were drawn from the plains of Athens and its environs, one-third of them were from the mountains, and one-third from the coast. The idea was to create a system in which people didn't think only of their small community but understood their common citizenship and common liberty with people who might live rather far away. It was an attempt to break down those foundations of factionalism.

Modern federalism based on Greek concepts

I don't think it's an accident that James Madison, when he was writing in *Federalist* #10, articulated a similar plan. He had read so many of the works of the ancient world and was acquainted with ancient ideas of federalism as well.

There were a few key concepts that prepared the way for civil liberty and that had been articulated initially during Cleisthenes's period. The first is isonomia, or equal laws. Equality before the law. Or as we might say today, the rule of law: that the law would be the same for everyone and not one for you and another for me. Isegoria, which was instituted explicitly by Cleisthenes, meant equal speech or freedom of speech. It's often confused with another concept in Greek, parrhesia, which means frankness of speech, to speak whatever comes into your mind. It doesn't quite mean that. It meant that everyone would have an equal opportunity, an equal freedom, to express their opinion and were not to be punished for expressing it. If you have a debate, for example, and you articulate you're against the proposal and the proposal passes, you could not later be punished for having been against it and for having shared your insights, your ideas, and your counsel. Finally, there was isokratia, or equal power. One man — at this time, of course, it was one male — one vote. So everyone would be equal in their empowerment in the political system.

These democratic values were undergirded by equality — the iso- prefix of each one of these words. The general idea of this society of free and equal people, later, after a great deal of political evolution, came to be termed civil society. The Greeks had to face a challenge from the outside world to conceive of themselves as living in a free society, and that was provided, of course, by the powerful Persian Empire. There were two major invasions of the Greek mainland under Darius, the important Battle of Marathon and then the second invasion by Xerxes, the Battle of Thermopylae and Salamis. In both cases, they were turned back. They were unable to conquer the mainland of Greece.

Everyone would have an equal freedom to express their opinion and were not to be punished for expressing it.

The Greeks began to discuss what it was they were fighting for. An important part was bearing arms — being an armed citizen. This had been a very significant part in Greek history, the right to keep and bear arms, but it also played a role in the defense of the city. Themistocles had raised the importance of the menials — the mass of the population — who couldn't afford armor. They couldn't be members of the cavalry because they didn't have a horse, so they became rowers in the Athenian Navy, and this really enfranchised a much wider swath of the population as having political standing and significance.

> **Aristotle's important book, *The Politics*, says the basic premise of the democratic kind of regime is liberty.**

There's a very important play entitled *The Persians*, which was written by Aeschylus, who fought in the Battle of Marathon and possibly at Salamis, and it's worth looking into. It's a wonderful play partly because it portrays the Persians — the enemy in this context — not as terrible monsters but as human beings just like the Greeks. It shows great sympathy for the mothers and wives and sisters and daughters of those Persian warriors, who were not going to come home, and their grieving and sorrow. In the play, the Persian queen asks about the Greeks. To the choir, she says, "Who commands them? Who is shepherd of their host?" The chorus of the Persian elders responds, "They're slaves to none nor are they subject." This is the idea that they lived as free persons in a free society.

I don't want to romanticize this. It was not free in our sense of the world. A substantial portion of the population were enslaved, so that was an obvious flaw, but those who were citizens enjoyed equal freedom and equality before the law.

Aristotle's influence on liberty

Aristotle in his meditations on these questions and the constitution of Athens, and also in his important book, *The Politics*, says the basic premise of the democratic kind of regime is liberty. One aspect of freedom is being ruled and then ruling in turn, not that one group perpetually rules another but that we take turns in ruling. You can run for office. You can vote, and it's open to all. And he says, "The other is to live as one wants for this is, they assert, the work of freedoms. It's not living as one wants as characteristic of a person who was enslaved." So on the one hand, the equal participation in the political order, and on the other hand, to live as you choose to live and not as others force you to live.

Intimately connected to this was what we would call the rule of law. He said, "It's no more just for equal persons to rule than to be ruled. And it's therefore just that they rule and be ruled by terms." But this, he says, is already law. Here, he gets to the idea of a constitutional order for the arrangement of ruling and being ruled as law. And accordingly, to have law rule is preferred to having one of the citizens do so. The rule of law was better than being ruled by arbitrary command or will.

I'm now going to skip way forward in history, beyond the Roman Republic and the Roman Empire, to the end of the classical world — the end of antiquity — and the reemergence of urban civilization in Europe after the collapse and the crash of the Dark Ages. Here, we see the communes or free cities of Europe as particularly significant. These were typically established by merchants and based on free agreement of the people.

The development of free cities in Europe

This communal movement was facilitated partly by the rediscovery of Justinian's codification of Roman law, about the year 1080. Two principles were taken out of context from the Roman law, made principles of political life, and are still with us to this day. What touches all must be approved of by all — that is to say, if it's going to concern all of us, all of us have to be involved and consent to it. Or we could also say no taxation without representation. This principle was formulated in the Roman law, taken out of context, and then made into a political principle: What pleases the prince has the force of law. Obviously, princes and kings and rulers like that a lot. What pleases them is the law, rather than the idea that the law has to be brought about by the consent of the people.

It was the liberty of coming and going, living where you wished, as you wished, that was the key.

Communes were voluntary oath-sworn associations. People would gather and take an oath in public, so they were very robust social contracts. Anytime you hear a philosopher or some other person say, "Oh, the social contract," it's just a hypothetical construct, as Rawls and others argue, in order to test our intuitions of justice, they're wrong. There are very strong examples of real social constructs. In his work on medieval cities, the great historian Henri Pirenne said that what they wanted was personal liberty. It was the liberty of coming and going, living where you wished, as you wished, that was the key. And they built walls around themselves in order to protect that liberty.

The term civil society emerged to describe the social order of the cities. We have civitas from the Latin, which gives us civil as a mode of behavior. Civitas refers to the city as such, not as a physical place but rather as a legal, or we might say political, association. But then we also have from the German the word burg, meaning a strong place, a safe place. We get from that the names of places like Canterbury, Pittsburgh, Hillsboro, but then also the German term bürgerlich, which we would translate as civil, having to do with being a citizen. That comes back to the English via the French, who can't pronounce the German word, so they take bürgerlich and it becomes bourgeois. Think about the House of Burgesses in Virginia and other American colonies as a representative body.

We have civil society or bourgeois society emerging as the foundation of social and political order. They embraced the very important principle of consent and liberty. Cities, then, were place of liberty. If you were an escaped serf and you got into a city and were there for a year and a day, you became a free citizen.

The governance of cities was provided by associations of craftsmen and merchants who provided public goods, security, and peace through associations of guilds. It was very important to maintain the liberty of the city and the peace of the city. This is one of the things that focused the attention of all of the participants there, and they created great prosperity.

> The governance was provided by associations of craftsmen and merchants.

In the process of doing this, human relations progressed from status — what you were born into — to contract. Sir Henry Sumner Maine, the great British historian of law, put it very neatly. "The movement of the progressive societies has hitherto been a movement from Status to Contract." Our relationship with others, and hence our personal identities, are created by contract or agreement with others.

As Anthony Black, the British historian, put it, by joining a commune, you were able to create your individual identity by securing your liberty. You achieved liberty by belonging to this kind of group. The civil societies that emerged were characterized by individual freedom. Such societies differed from slave societies, from feudal societies, and — in the modern era — from totalitarian orders. Instead of distinguishing civil parts of society from the uncivil parts, the term civil society distinguished civil societies from other forms of human association, and it was the civil liberties of the citizens that made possible a civil society.

The rule of law was obviously the important element. Harrington in his powerful book pointed out that what we want is the empire of laws and not of men. That was the key characteristic of a civil society. Remember John Locke's idea, that law is not just a restriction of freedom but the condition of its enjoyment. It is the condition for its enjoyment. Some of the wisest words, I think, were written in Locke's *Two Treatises*: the end or purpose of law is not to abolish or restrain but to preserve and enlarge freedom. Where there is no law, there is no freedom.

This article is from a transcript of the opening presentation of FFF's September 21, 2021, conference "Restoring Our Civil Liberties."

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