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The possession of arms is the distinction between a free man and a slave.

— Andrew Fletcher

FUTURE OF FREEDOM

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The Origins of U.S. Monetary Debauchery

by Jacob G. Hornberger

One of the unsung heroes in American history was a prominent New York City lawyer named Frederick Barber Campbell. Campbell graduated from Harvard Law School in 1894 and was a partner in the law firm of Campbell and Whipp. Its offices were located at 20 Exchange Place, which was in the middle of the Wall Street area of the city.

Campbell also served as a director or representative for several British and Russian insurance companies. He lived in the prestigious Metropolitan Club, a private social club that was formed in 1891 by J.P. Morgan, the famous American financier and banker.

In October 1932, the 62-year-old Campbell walked into Chase National Bank with 13 bars of gold. In January 1933, he returned to the bank with 14 more bars of gold. His total deposit amounted to $135,000, which in today's dollars equals to $3,058,595. The bank agreed to store Campbell's gold and to return it to him on demand.

On September 16, 1933, Campbell returned to the bank and asked for his gold, pursuant to the storage contract into which he and the bank had entered. The bank refused to give Campbell his gold. It said the law required the bank to deliver his gold to the federal government.

On September 26, Campbell filed a lawsuit in U.S. District Court against the bank. The suit sought to compel the bank to deliver him his gold.

The feds indict Campbell

On September 27, after an 18-minute grand-jury session, federal prosecutors in New York City secured a criminal indictment against Campbell. The indictment charged him with the federal offense of having failed to register his gold with the federal government. Soon thereafter, the indictment was amended to include a second count charging Campbell with "hoarding" his gold.

Campbell was now facing a possible 20 years in jail, a $20,000 fine, and the confiscation of all his gold.

He was also facing the possibility of disbarment. He retained a former assistant U.S. attorney named Ernest W. Baldwin to represent him. Fighting against what he considered were the flagrantly unconstitutional actions of the federal government, Campbell defiantly declared, "If I have to go to jail, I don't care."

To his everlasting credit, Campbell fought the feds until the day he died on December 26, 1937. Then 70, he died of a heart attack while at the Metropolitan Club. Ironically, he had an earlier heart attack back on April 14, 1934, while arguing an appeal before the U.S. Circuit Court of Appeals in which he was seeking the return of his gold.

Campbell fought the feds until the day he died.

In the end, Campbell was never convicted of any federal criminal offenses, but he did end up losing his gold to the feds. It's not clear to me whether they gave him any compensation for it, but my hunch is that they did not.

Campbell's experience goes a long way toward describing what has happened to our nation. After all, when prominent, peaceful, law-abiding citizens are charged with federal felonies for doing something perfectly normal, such as owning gold, that's when you know that there are some fundamental things wrong in our country.

To understand what happened to Frederick Barber Campbell and why, it would be helpful to engage in a broad examination of the history of U.S. monetary policy.

Limiting the powers of the federal government

After the colonies had declared their independence from England, they operated under a governmental structure called the Articles of Confederation. Under the Articles, the powers of the federal government were so weak that the federal government didn't even have the power to tax. That was how our American ancestors wanted it. They considered the federal government to be the biggest threat to their freedom and well-being. They didn't want it vested with too much power.

But there were problems with the Articles, such as trade wars between the states. Thus, when the delegates met in 1787 in the Constitutional Convention, it was with the purpose of simply modifying and improving the Articles of Confederation. Instead, they came out with a proposal for a different type of governmental system, one called a "limited-government republic."

Americans feared that this new federal government would end up destroying their rights, liberties, and well-being.

The American people were not enthused about this proposal. It called for a constitution that gave the federal government much more power than under the Articles, including the power to tax. Americans feared that this new federal government would end up destroying their rights, liberties, and well-being.

The proponents of the Constitution assured the citizenry that they had nothing to be concerned about. Unlike governments in other countries, this government would not be vested with general, inherent powers. Its powers would instead be limited to those few powers enumerated in the Constitution. If a power wasn't enumerated, then it simply could not be exercised.

Knowing that federal officials would inevitably have the propensity to expand their powers beyond those enumerated in the Constitution, the document called for a judicial branch, whose job it would be to enforce constitutional restraints on the president and Congress.

Based on that assurance, the American people decided to accept the proposal, but only on one condition — that the Constitution be amended soon after ratification with a Bill of Rights, which actually should have been called a Bill of Prohibitions because it doesn't actually give rights. Instead, it ensures that federal officials will not destroy rights that preexist government. The Bill of Rights, needless to say, further emphasized the mindset of our American ancestors that the greatest threat to their freedom and well-being lay not with some foreign threat but rather with their very own government.

Money and the Constitution

Central to the Constitution was the issue of money. The Framers understood that throughout history, public officials had looted and plundered their citizenry through inflationary debauchery. This was especially true after the printing press was invented. Political regimes now had the ability to print unlimited quantities of money to pay for their welfare and warfare.

The big problem, of course, is that when they did that, the purchasing power of everyone's money decreased. But since that decrease in purchasing power was reflected by the ever-increasing prices of the things that money paid for, government officials could easily convince people that "inflation" was the fault of greedy sellers. Hardly anyone understood that it was the government that was behind the monetary debauchery.

Government officials could easily convince people that "inflation" was the fault of greedy sellers.

In fact, the American people themselves had just recently experienced this phenomenon. During the Revolutionary War, the Continental Congress had printed vast amounts of paper money called Continentals. The amount of Continentals printed was so vast that a phrase became popular to describe anything that had little or no value — "Not worth a Continental."

The Framers wanted to be certain that that didn't happen again. Moreover, they knew that Americans would be unlikely to approve the Constitution if there wasn't a guarantee of sound money included in it. The last thing Americans wanted was a federal government that wielded an omnipotent power to print the money to pay for its expenses.

The gold-coin/silver-coin standard

The Framers settled on gold and silver coins as the official money of the United States. At the risk of belaboring the obvious, it is impossible to print up vast quantities of gold coins, like government could do with paper money.

Thus, the Constitution gave the federal government the power to "coin" money but not the power to "print" money. It was commonly understood that "coining" meant minting gold coins and silver coins from gold and silver bullion.

While the Constitution ushered into existence a federal government of limited powers, it was understood that the state governments would wield the traditional "police powers" of government that had been wielded by governments throughout history. These powers enabled the state governments to do pretty much whatever they wanted to do, with two exceptions: (1) A state constitution could limit the powers of that particular state government, and (2) If the U.S. Constitution expressly placed a restriction on state powers, then the states had to abide by it.

In fact, the Constitution did precisely that with respect to money. It prohibited the states from accepting anything but gold and silver coins as legal tender or official money.

The power to borrow

The Constitution gave the federal government the power to borrow money. Thus, U.S. officials could sell bills, notes, and bonds as a way to borrow money. Oftentimes, these debt instruments would circulate as part of economic transactions, in large part because of the ease in using them in economic exchanges. But everyone knew that they were not money but rather promises to pay money. Everyone understood that the money they promised to pay consisted of gold and silver coins. Thus, anyone could take any federal debt instrument that was, say, payable on demand, into a bank and receive gold or silver in exchange.

It is often said that the gold standard was a paper-money system "backed by gold." Nothing could be further from the truth. For more than 125 years, there was no paper money in the United States. The only official money, pursuant to the Constitution, consisted of gold and silver coins.

No paper money

In fact, to ensure that the states could not issue paper money, the Constitution expressly prohibited them from issuing "bills of credit." That was the term that was used at that time for paper money.

Recall also that the Constitution called into existence a federal government of limited powers. If a power wasn't enumerated, it couldn't be exercised. The Constitution did not give the federal government the power to emit "bills of credit" or paper money. It only gave the federal government the power to coin money.

For more than a century, gold and silver coins were the established official money of the American people.

Thus, for more than a century, gold and silver coins were the established official money of the American people. The result was the soundest monetary system in history. People didn't have to worry about government printing too much paper money because there was no paper money. Sure, the government could borrow vast amounts of money by printing up bills, notes, and bonds. But as long as people were free to own gold and silver, the government's excess borrowing didn't adversely affect them.

> The gold standard itself operated as a constraint on federal borrowing.

In fact, the gold standard itself operated as a constraint on federal borrowing. That was because if the government issued too many debt instruments, everyone could come demanding their gold and silver at once. If the government didn't have the gold and silver to honor its commitments, it would be declared bankrupt, something that no U.S. administration would ever want.

Sound money and rising standards of living

America's system of sound money was a major factor in the tremendous increase in the standard of living of the American people throughout the nineteenth century and into the early part of the twentieth century. People were able to save vast amounts of money, which then went into banks, which then loaned the money out to businesses, which used the money to buy tools and equipment, which made workers more productive, and which increased real wage rates, supplies of goods and services, and the overall standard of living.

Moreover, people were willing to lend their money to large businesses for long periods of time, which enabled businesses to greatly expand operations. For example, corporations were issuing 100-year bonds. People were willing to buy them because they were payable in gold. People knew that their investments would not be wiped out by the printing of paper money by some governmental printing press.

The income tax and the Federal Reserve

In 1913, there were two extremely important things that happened: (1) The federal income tax was adopted. For more than 100 years, Americans had been free to keep everything they earned, which was another important factor in the tremendous increase in the standard of living of eighteenth-century and early nineteenth-century Americans; and (2) the Federal Reserve System was adopted.

By this time, the movement was afoot to convert the federal government to what is known today as a "welfare state." It is a system in which the government is charged with the responsibility of taking care of the citizenry.

The proponents of this system knew that it would require ever-increasing federal expenditures to satisfy the ever-increasing number of people who would be eager to feed at the public trough. Later, the conversion of the federal government to a national-security state would also require ever-increasing amounts of money to finance America's war machine.

It was obvious that the monetary system that the Constitution established was not going to accommodate the welfare state and, later, the warfare state. Something had to be done to rid America of its gold and silver coin standard and adopt a paper-money standard instead to ensure that the federal government would have the money to finance its ever-increasing welfare-warfare state.

The Great Depression

In the 1920s, the Federal Reserve began issuing large amounts of debt instruments. This gave rise to a false sense of economic prosperity throughout the decade. That's partly why the decade was called "the Roaring '20s."

At the end of the decade, however, people began sensing that there was something amiss. Increasing numbers of them began showing up at banks and demanding payment in gold and silver. Knowing that they had overissued bills, notes, and bonds, the Federal Reserve panicked and began taking measures to contract the amount of its debt instruments. But in its monetary manipulation, it overcontracted, which is what caused the 1929 stock-market crash, which then led to the Great Depression.

Government officials falsely blamed the Great Depression on the "failure of free enterprise."

Federal officials, however, were not about to acknowledge that the Federal Reserve had caused the Great Depression, especially given the extreme economic distress that had caused massive unemployment and bankruptcies, not to mention the large number of suicides of people who had lost their fortunes. Instead, government officials falsely blamed the Great Depression on the "failure of free enterprise."

FDR's confiscation of gold

Franklin Roosevelt became president on March 4, 1933. Relying on an old World War I law called the "Trading with the Enemy Act," which FDR's Congress modified with the "Emergency Banking

Act," FDR used the Great Depression as an excuse to convert America's gold and silver monetary system to a paper-money system.

Keep in mind something important. The Constitution is the highest law of the land. It controls the actions of the federal government. Neither Congress nor the president has the legal authority to change the Constitution by law or by executive order. Amending the Constitution entails an arduous process that is described in the Constitution.

Roosevelt's action was dictatorial theft, pure and simple.

But that is precisely what FDR and his Congress did. After 125 years of a monetary system that was established by the Constitution, Roosevelt and Congress effectively amended the Constitution to end America's founding monetary system and bring into existence a paper-money monetary system.

On April 5, 1933, Roosevelt issued one of the most shocking executive orders in U.S. history, one that could have easily been found in countries headed by totalitarian regimes. Executive Order 6102 ordered the American people to deliver their gold to the federal government within 30 days, in exchange for irredeemable paper instruments of indebtedness, which FDR would soon devalue in relation to the value of gold. Roosevelt's action was dictatorial theft, pure and simple.

FDR's decree is how federal prosecutors secured the criminal indictment of Frederick Barber Campbell. While owning gold had been an established part of American life for more than a century, it had now become a federal felony under Roosevelt. Obviously, Campbell didn't accept FDR's legalized theft of his gold lightly. To his everlasting credit, he fought FDR's repugnant decree until the day he died.

Monetary deception and debauchery

Roosevelt justified his dictatorial action by claiming that the economic emergency of the Great Depression authorized him to seize everyone's gold and to convert America to a paper-money standard. That argument was a sham. For one thing, the Constitution did not provide that emergencies gave rise to the exercise of extraordinary totalitarian powers.

Moreover, it had been the Federal Reserve's monetary antics, not private gold ownership, that had given rise to the Great Depression.

Equally important, Roosevelt could have converted to a paper-money standard without seizing everyone's gold. After all, today we live under FDR's paper-money system and yet everyone is now free to own gold.

FDR's actions ultimately gave rise to the welfare-warfare system of out-of-control federal spending, debt, and inflation under which we live today, a system that is heading our nation to a monetary and financial crackup. We could use a lot more Frederick Barber Campbells today.

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

NEXT MONTH:

"Ukraine and the Cold War"

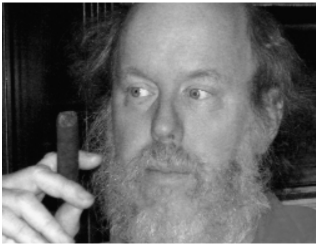
by Jacob G. Hornberger

War is the greatest plague that can afflict humanity; it destroys religion, it destroys states, it destroys families. Any scourge is preferable to it.

— Martin Luther

World Economic Forum Wants to Make You a Serf

by James Bovard



The January meeting of the World Economic Forum (WEF) in Davos, Switzerland, should have set off alarms among freedom lovers around the globe. The annual confab of billionaires, political weasels, and deranged activists laid out plans to further repress humanity. But at least the gathering provided plenty of comic relief for people who enjoy elite buffoonery.

Self-worship is obligatory in Davos. John Kerry, Biden's Special Presidential Envoy for Climate, hailed his fellow attendees as "extraterrestrial" for their devotion to saving the earth. Greenpeace complained that "the rich and powerful flock to Davos in ultra-polluting, socially inequitable private jets to discuss climate and inequality behind closed doors." Being a climate change activist is "the privilege of rich and elite folks" who want to force people to use unreliable and ineffective wind and solar for energy, according to Daniel Turner of Power the Future.

The WEF on COVID and the Great Reset

People around the globe are still recovering from the last time WEF stampeded policymakers. "WEF was hugely influential, championing every form of COVID control from lockdowns to vaccine mandates. The WEF cares nothing for normal people living real lives. They are forging a Faucian nightmare," warned Jeffrey Tucker, president of the Brownstone Institute. China had one of the most brutal and dishonest COVID lockdowns in the world (aside from perhaps fabricating the COVID virus in one of its own laboratories). But WEF founder Klaus Schwab touted China's COVID crackdown as a "role model" and "a very attractive model for quite a number of countries."

WEF is whooping up the "Great Reset" — "building back better" so that economies can emerge greener and fairer out of the pandemic. The Great Reset presumes that practically every nation has benevolent dictators waiting to take the reins over people's lives. American entrepreneur Vivek Ramaswamy wrote, "The Great Reset calls for dissolving the boundaries between the public & private sectors; between nations; between the online & offline worlds, and the will of individual citizens be damned." Billionaire Elon Musk, who was not invited, scoffed, "WEF is increasingly becoming an unelected world government that the people never asked for and don't want." Musk ridiculed WEF's "Master the Future" slogan: "Are they trying to be the boss of Earth!?"

Sounds good to WEF attendees.

Freedom of speech is the greatest barrier to inflicting the Great Reset. Law professor Jonathan Turley observed, "Davos has long been the Legion of Doom for free speech." Accordingly, the biggest peril the self-proclaimed "Global Shapers" are targeting is "The Clear and Present Danger of Disinformation." WEF searched long and hard to find an eminent disinformation panel host to incarnate Davos values. They selected Brian Stelter, a former anchor who was too squirrely even for CNN. After CNN ejected Stelter, he was snapped up by the Harvard Kennedy School of Government to be their Media and Democracy Fellow.

The real masters of disinformation

The star of the panel was *New York Times* publisher A.G. Sulzberger, who proclaimed that disinformation is the "most existential" of every other major challenge that we are grappling with as a society." Like most of the windy speakers in Switzerland, Sulzberger tormented the audience from the high ground:

> Disinformation and in the broader set of misinformation, conspiracy, propaganda, clickbait, you know, the broader mix of bad information that's corrupting information ecosystem, what it attacks is trust. And once you see, trust decline, what you then see is a society start to fracture, and so you see people fracture along tribal lines and, you know, that immediately undermines pluralism.

"WEF is increasingly becoming an unelected world government that the people never asked for and don't want."

Sulzberger boasted, "When we make mistakes, we acknowledge them in public and we correct them." Except for RussiaGate, its 1619 Project fairy tale, the January

6 Capitol clash, and a few dozen other howlers. The *New York Times* effectively refused to cover the Hunter Biden laptop story before the 2020 election, giving an unearned boost to Democratic candidate Joe Biden.

Sulzberger talked about the decline of trust as if it were the result of a leaking underground storage tank tainting the "information ecosystem." But it was the media that poisoned the well upon which they depend. A 2021 survey by the Reuters Institute reported that only 29 percent of Americans trusted the news media — the lowest rating of any of the 46 nations surveyed. A Gallup poll revealed that "86 percent of Americans believed the media was politically biased." Practically the only folks who don't recognize the bias are the people who share the media's slant.

A 2021 survey by the Reuters Institute reported that only 29 percent of Americans trusted the news media.

Serendipitously, WEF also had a panel on "Disrupting Distrust." The panel opened with a report grimly revealing that trust in government has declined in nations across the world. Maybe the profound, pointless disruptions from the COVID lockdowns that ravaged many countries were part of the blame? That panel was hosted by *New York Times* opinion editor Kathleen Kingsbury. Her paper recently ran an opinion piece which claimed that there had been "no lockdowns" for COVID in this country. All of the closed schools and shuttered small businesses were an optical illusion, apparently.

WEF's support for censorship

The Davos procensorship fervor was epitomized by panelist Věra Jourová, European Commission vice president. She declared that the United States "will have soon" laws prohibiting "illegal hate speech," like Europe has. Jourová previously urged expanding hate crime laws to ban "sexual exploitation of women." Would possession of a 1957 *Playboy* centerfold be sufficient for a criminal conviction? Nude beaches are common in Europe. Would the European Commission backstop online prohibitions by deploying commissars on every beach to make sure no male had improper thoughts about the birthday suits he saw?

Hate-speech laws are a Pandora's Box because the speech politicians hate the most is criticism of government. And some knuckleheads on Capitol Hill believe that the United States already has hate-speech laws. Sen. Ben Cardin (D-Md.) recently declared, “If you espouse hate, if you espouse violence, you’re not protected under the First Amendment. I think we can be more aggressive in the way that we handle that type of use of the internet.” What’s next — a federal Cordiality Czar with the prerogative to purify every tweet?

Disinformation panelist Rep. Seth Moulton (D-Mass.) blamed “misinformation” for not being able to “get people to take a COVID vaccine.” But the false claims by Biden and top officials that vaxxes prevent infection and transmission weren’t misinformation — they were just typos.

Davos attendees ignored the stunning disclosures of U.S. government censorship.

Davos attendees ignored the stunning disclosures of U.S. government censorship that occurred shortly before their private jets arrived in Switzerland. The #Twitterfiles recently revealed that federal officials pressured Twitter to suppress 250,000 Twitter users (including journalists). But according to WEF scoring, that wasn’t an outrage — instead, it was a tiny down payment for a Higher Truth. WEF ignored that the FBI was already suppressing free speech the same way that WEF panelists championed. As journalist Matt Taibbi revealed, “As the election approached in 2020, the FBI overwhelmed Twitter with requests, sending spreadsheets with hundreds of accounts” to target and suppress. The official browbeating continued until very recently. In an internal email from November 5, 2022, the FBI’s National Election Command Post sent the FBI San Francisco field office (which dealt directly with Twitter) “a long list of accounts that ‘may warrant additional action’” — that is, suppression. The FBI pressured Twitter to torpedo parody accounts that only idiots or federal agents would not recognize as humor. Taibbi wrote, “The master-canine quality of the FBI’s relationship to Twitter comes through in this November 2022 email, in which ‘FBI San Francisco is notifying you’ it wants action on four accounts.”

WEF is calling for a “Global Framework To Regulate Harm Online” — that is, worldwide censorship. One of the WEF’s favorite stars — a certified WEF Young Global Leader — was unable to at-tend because she was having a meltdown that ended with her resignation. New Zealand Prime Minister Jacinda Ardern became a progressive hero for making ever screechier demands for world censorship, comparing free speech to "weapons of war." She told the United Nations last September: "We have the means; we just need the collective will" to suppress ideas that officialdom disapproves. Journalist Glenn Greenwald derided Ardern's pitch as "the face of authoritarianism ... and the mindset of tyrants everywhere." But Ardern was there in spirit even if she was overwhelmed at home.

Last July, WEF proposed slashing ownership of private vehicles around the globe.

The WEF offers one of the best illustrations of how denunciations of "disinformation" are self-serving shams. In 2016, WEF put out a video with eight predictions for life in 2030. The highlight of the film was a vapid Millennial guy pictured alongside the slogan: "You will own nothing and be happy." The slogan was inspired by an essay WEF published from Danish Member of Parliament Ida Auken: "Welcome to 2030: I own nothing, have no privacy and life has never been better." But the anti–private property bias is no WEF aberration. Last July, WEF proposed slashing ownership of private vehicles around the globe. And then there was the WEF pitch to save the planet by having people eat insects instead of red meat. (The chairman of German manufacturer Siemens achieved heroic status at Davos by calling for a billion people to stop eating meat to save the plant.)

But according to WEF managing director Adrian Monck, the WEF has been the victim of a horrible conspiracy theory sparked by the "own nothing" phrase. Monck absolved WEF because the phrase in the video came from "an essay series intended to spark debate about socio-economic developments." Monck claimed the phrase "started life as a screenshot, culled from the Internet by an anonymous anti-semitic account on the image board 4chan." Bigots or zealots on 4chan howled in protest about that phrase. But as Elon Musk quipped, "Would be great if someone could compile a game contest of who said the craziest stuff between 4chan and WEF! My money is on the latter."

At least WEF has not (yet) proposed mandatory injections to compel propertyless underlinings to be happy. Or maybe WEF would just recommend covertly adding drugs to the water supply.

Major media outlets were either participants or cosponsors of WEF. Former *New York Times* editor-in-chief Jill Abramson slammed the *Times* for being part of the Davos "corrupt circle-jerk." While the event was portrayed as a chance for sharing ideas, it was instead little more than a chance to hobnob with fellow elitists. Author Walter Kirn noted that there is almost no disagreement among WEF attendees: "The largest matters on earth are at stake (supposedly) yet the conferees don't argue. They don't debate. All points seem smugly settled. It's an ego orgy." The hypocrisy was beyond hip-deep. Journalist Michael Shellenberger noted, "WEF doesn't engage in even the minimal amount of transparency through public disclosure that it constantly preaches to corporations and philanthropies."

What could possibly go wrong from turning common people around the world into serfs of their elitist overlords? According to WEF, individual freedom is a luxury that citizens — or at least their rulers — can no longer afford. But the benevolence of dictators is almost always an illusion created by their fawning supporters. And this year's WEF gathering proved again that there will never be a shortage of media and intellectual bootlickers for tyranny.

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:
"Snowden and the Fight for American Privacy"
by James Bovard

If the representatives of the people betray their constituents, there is then no recourse left but in the exertion of that original right of self-defense which is paramount to all positive forms of government, and which against the usurpations of the national rulers may be exerted with infinitely better prospect of success than against those of the rulers of an individual State. In a single State, if the persons entrusted with supreme power become usurpers, the different parcels, subdivisions, or districts of which it consists, having no distinct government in each, can take no regular measures for defense. The citizens must rush tumultuously to arms, without concert, without system, without resource; except in their courage and despair.

— Alexander Hamilton

America's Comeback

by Laurence M. Vance

When most Americans hear the word *comeback,* they immediately think of sports. Whether it is football, basketball, golf, baseball, boxing, or hockey — Americans love a comeback. Like in 2019, when Tiger Woods won the Masters — his first Majors win in 11 years. Like in 2016, when the Chicago Cubs finished the regular season with the best record in baseball (103–58), and then came back from a 3–1 deficit to win the World Series — for the first time in 108 years. Like in 2017, when the New England Patriots overcame a 25-point deficit to win the Super Bowl by six points. Or like in 2016, when the Cleveland Cavaliers overcame — for the first time in league history — a 3–1 deficit in the NBA Finals to defeat the defending champions, the Golden State Warriors, in game seven.

Other comebacks

Another common comeback is a political comeback. Mark Sanford, a Republican House member from South Carolina from 1995 to 2001, served as that state's governor from 2003 to 2011. In 2009, he led the public and even his staff to believe that he was going to spend a week hiking the Appalachian Trail, but actually went to Argentina to visit his mistress. But just when everyone thought his political career was over, he was reelected to his old House seat in 2013.

Democrat Marion Barry (1936–2014) was the mayor of the District of Columbia from 1979 to 1991. In 1990, he was arrested for smoking crack cocaine and then spent time in prison. Yet, after his release, he made a remarkable comeback and was elected mayor again, serving from 2005 to 2014.

Perhaps the most famous political comeback of all is the case of Richard Nixon (1913–1994). After serving for eight years as vice president under Dwight Eisenhower (1890–1969), he lost the presidential election in 1960 and then the California governor's race in 1962. Everyone thought Nixon was finished politically. But then, in 1968, he won the presidency with 301 electoral votes, and then won 49 states in the 1972 presidential election.

But it is not just in sports or politics where we see comebacks. Countries can have comebacks, too. Germany and Japan emerged from World War II as defeated and devastated countries with millions dead and their major cities in ruins. Yet, they became economic powerhouses. Luxembourg was once a poor agricultural country, but it became one of the leading steel producers in Europe, and is today one of the richest countries in the world. In 1994, more than 800,000 people were killed and millions displaced in the African country of Rwanda. But now, in the twenty-first century, Rwanda is viewed as economically vibrant and an emerging tech hub for Africa.

In the twenty-first century, Rwanda is viewed as economically vibrant and an emerging tech hub for Africa.

But what of the United States? Does America need a comeback? Can America make a comeback? How can America make a comeback?

On November 15, speaking before a backdrop of large American flags at his Mar-a-Lago estate, and behind a podium containing the words "Make America Great Again! 2024," former president Donald Trump officially announced that he was seeking the Republican nomination for the presidency in 2024. "America's comeback starts right now," is how he began his speech. "In order to make America great and glorious again, tonight I am announcing my candidacy for president of the United States," said Trump. He then promised to, if elected, "make America powerful again," "make America wealthy again," "make America strong again," "make America proud again," "make America safe again," "make America glorious again," and "make America great again."

Halcyon days

A simple comparison between America of the twentieth-first century and America between the Civil War and World War I shows us that America not only needs a comeback, it has needed a comeback for a very long time. Practically the whole of the twentieth century needs to be repealed.

It should first be said that the United States has never in its history been a perfect county, a utopia, a paradise, heaven on earth, a glorious civilization, a shining city on a hill, or an absolutely free, just, and equitable society. Individual liberty, human rights, property rights, equality under the law, freedom of speech, and economic freedom have always been violated and restricted to some degree, and more so for certain groups of people. Such is the nature of government.

As former Foundation for Economic Education president Richard Ebeling has so profoundly described government: "There has been no greater threat to life, liberty, and property throughout the ages than government. Even the most violent and brutal private individuals have been able to inflict only a mere fraction of the harm and destruction that have been caused by the use of power by political authorities." And as Judge Andrew Napolitano puts it: "Government is the negation of liberty." The U.S. government is no exception, but compared to twenty-first century America, or other countries now or at that time, America between the Civil War and World War I was about as close to a libertarian society as can be imagined.

Just consider for a moment how the federal government relates to the following issues now and back then.

The drug war. Although medical marijuana has been legalized in 37 states and recreational marijuana has been legalized in 21 states (with many rules, regulations, and restrictions), marijuana is still illegal on the federal level. Under federal law, the possession of even a small amount of marijuana can result in fines and imprisonment. And of course, things are much worse when it comes to other drugs. Thousands of Americans languish in jails and prisons solely for the "crime" of buying, selling, using, or possessing a substance that the government doesn't approve of.

"There has been no greater threat to life, liberty, and property throughout the ages than government."

Yet, there was a time in America when no drugs were illegal. There was no drug war to destroy financial privacy, infringe on individual liberty and private property, corrupt law enforcement, unnecessarily swell prison populations, and make criminals out of otherwise law-abiding Americans.

Welfare. The United States currently has about 80 means-tested welfare programs that provide cash, food, housing, utility subsidies, medical care, and social services to poor, disabled, and lower-income

Americans on the basis of the beneficiary's income or assets. There are also other welfare programs that are not means-tested, such as Unemployment Compensation, that pay people for not working, and refundable tax credits, which give people "refunds" of tax money that they never paid in.

Yet, there was a time in America when all charity was private and voluntary. There were no food stamps; no Women, Infants, and Children (WIC); no Temporary Assistance to Needy Families (TANF); no Head Start; no Healthy Start; no Supplemental Security Income (SSI); no school breakfast and lunch programs; and no Low Income Home Energy Assistance Program (LIHEAP). No American had his income transferred to any other American.

Foreign aid. The United States gives some form of foreign aid to over 190 countries through the work of over 20 government agencies, mainly via the U.S. Agency for International Development. The amount of the aid pledged is about $40 billion a year. No American has any say in how much foreign aid is given and to which countries it is given. Money is just confiscated from American taxpayers and sent to countries that many Americans couldn't locate on a map and may have never even heard of.

Any American that wanted to fix some problem or meet some need in another country was expected to do so on his own dime.

Yet, there was a time in America when the federal government didn't take one dime from a single American and send it to another country. Any American that wanted to fix some problem or meet some need in another country was expected to do so on his own dime.

Discrimination. The Equal Employment Opportunity Commission (EEOC) enforces federal laws that make it illegal "to discriminate against a job applicant or an employee on the basis of race, color, religion, sex (including pregnancy and related conditions, gender identity, and sexual orientation), national origin, age (40 or older), disability or genetic information."

Yet, there was a time in America when businesses could hire or hire whomever they chose to and discriminate for any reason and on any basis. No one thought he had a right to any particular job.

Income tax. The first income tax was a 1 percent tax only on taxable income above $3,000, followed by a series of surcharges of up to 6 percent applied to higher incomes. The current version of the income tax is quite progressive, with seven brackets ranging from 10 to 37 percent. The "rich" are also punished through the phase-out of tax exemptions, deductions, and credits as their income rises.

It might seem hard to believe there was a time in this country when there was no income tax.

Although it might seem hard to believe, there was a time in this country when there was no income tax. No one was punished for being successful. Everyone kept the fruit of his labor. There was no dread of April 15. There was no fear of being audited. Business decisions were not made on the basis of tax consequences.

Social Security. Social Security provides monthly benefits for retirement, disability, survivorship, and death. It is ostensibly funded by a mandatory 12.4 percent payroll tax (half paid by the employer and half by the employee) on income up to a certain level. Benefits are not means-tested.

Yet, there was a time in America when there was no such thing as Social Security. Workers were responsible for their own retirement savings. There were no payroll deductions by the federal government. Businesses were not required to contribute their share to their employees' retirement. There was no such thing as a retirement age. And most importantly, money was not taken from those who worked and given to those who didn't.

Education. Every state has a K-12 public school system and mandatory attendance laws, plus taxpayer-subsidized colleges and universities. This is all overseen by a federal bureaucracy that touches every aspect of education.

Yet, there was a time in this country when the federal government had nothing to do with education and the states had very little to do with local education.

Health care. Half of all Americans receive some form of government health care. There is Medicare for senior citizens, Medicaid for the poor, ObamaCare for low-income citizens, and the Children's Health Insurance Program (CHIP) for children. The government subsidizes and regulates health care and health insurance, which tremendously distorts the health care and health insurance markets.

Yet, there was a time in America when the government didn't have anything to do with health care or health insurance. There was no Department of Health and Human Services. There was no Centers for Medicare & Medicaid Services. No American was forced to purchase medical insurance. No American was forced to pay for the health care of any other American. And doctors made house calls.

Americans think they live in the land of the free, but they actually live in a police state.

The national security state. Americans think they live in the land of the free, but they actually live in a police state. The government listens to our phone calls, reads our emails, tracks our movements, scrutinizes our purchases, monitors our bank deposits, and peers through the walls of our homes. The TSA treats the traveling public as potential terrorists. The CIA engages in torture and regime change around the world in the name of "national security." In the name of "public health," the government claims the power to shut down business and lockdown people in their homes. Local police have been militarized with surplus military equipment. Civil-asset-forfeiture laws confiscate Americans' money under false pretenses. Drivers in southwest border states may encounter domestic immigration checkpoints miles from the border.

Yet, there was a time in America when there were no national security agencies. Personal and financial privacy did exist. As long as you weren't engaged in criminal activity, the government basically left you alone. People could travel freely.

Foreign wars. After a brief respite between the two world wars, the United States engaged continually in foreign wars and military operations. The U.S. military is now engaged in much more offense than defense. There are hundreds of American overseas military bases and hundreds of thousands of troops stationed overseas. U.S. special operations forces operate in over 100 countries.

Yet, there was a time in this country when the idea of a U.S. global empire of troops and bases was unthinkable. It was not dishonorable to serve in the military. The military was not the president's personal attack force or the policeman of the world.

Comeback principles

Does America need a comeback? I think the answer is quite obvious. Can America make a comeback? I think it is entirely possible. How can America make a comeback? That is a question that has some surprisingly simple answers.

Yet, in this very same speech, Trump called for the execution of drug dealers "for their heinous acts."

Before looking at some key comeback principles, it is important to note some bogus comeback principles, mainly offered by conservatives: a national economic policy, higher tariffs, increased military spending, trade restrictions with China, better trade agreements, economic nationalism, buy-America campaigns, made-in-America campaigns, energy independence, a national industrial policy, subsidizing domestic manufacturing, economic patriotism, escalating the drug war, providing more vouchers for "school choice," strengthening Social Security, increased regulating of big tech, building a border wall, and restricting immigration. In conjunction with this is the passing of "good" legislation instead of repealing existing legislation, and the reforming of government programs and agencies instead of eliminating and abolishing them.

When Trump promised in his speech to make America powerful, wealthy, strong, proud, safe, glorious, and great again, he didn't say much about how he intended to do these grandiose things other than to elect him. "I am running because I believe the world has not yet seen the true glory of what this nation can be," said Trump. Yet, in this very same speech, Trump called for the execution of drug dealers "for their heinous acts." But more government tyranny is not the kind of comeback that America needs. The answer is also not to be found in some beltway conservative plan that promises to balance the budget in ten years (while increasing defense spending every year) and perpetuates the welfare state with a series of reforms and modernizations.

We can begin with three general principles that are essential for an American comeback.

The first general principle is that of federalism. As James Madison so succinctly and eloquently explained 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."

The second general principle is that of the proper role of government. As Thomas Jefferson said in his first inaugural address:

> The sum of good government is a wise and frugal Government, which shall restrain men from injuring one another, shall leave them otherwise free to regulate their own pursuits of industry and improvement, and shall not take from the mouth of labor the bread it has earned.

No American is entitled to receive anything at the expense of any other American.

The third general principle is that of nonintervention and neutrality. As Thomas Jefferson also said in his first inaugural address: "Peace, commerce, and honest friendship with all nations, entangling alliances with none."

And here are some more specific principles that will ensure an American comeback.

Because discriminating against someone is not committing aggression, force, coercion, threat, or violence, and because antidiscrimination laws violate freedom of conscience, property rights, freedom of association, and freedom of contract, there should be no antidiscrimination laws whatsoever.

Every crime needs to have an actual victim — not a potential victim or a possible victim, but rather a tangible and identifiable victim who has suffered measurable harm to his person or measurable damages to his property.

Paying taxes is not voluntary or patriotic. And neither is it the price we pay for civilization. Taxation is government theft. If the federal government simply followed its own Constitution, 90 percent of the federal budget could be eliminated along with the taxes that fund it.

No American is entitled to receive anything at the expense of any other American. Not a job, not food, not clothing, not education, not medical care, not child care, and not a place to live.

All goods and services can and should be provided on the free market.

The free market in goods and services should be absolute, including even when it comes to things like education, health care, sex, employment, alcohol, and drugs.

No American should be forced to pay for the health, education, or welfare of any other American — regardless of how sick, old, poor, disabled, disadvantaged, or needy that other American is.

All charity should be private and voluntary. Charity that is not voluntary is theft. And if it is illegitimate for the U.S. government to provide welfare and relief to Americans, then it is even more illegitimate for the U.S. government to provide these things to foreigners.

It is an illegitimate purpose of government to subsidize anything.

People should be allowed to do anything that's peaceful as long as they don't aggress against the person or property of others. And people should be able to do whatever they please, so long as they don't invade the right and freedom of other persons to do the same.

These principles are the essence of a free society.

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NEXT MONTH:
"'How Not to Abolish the Income Tax"
by Laurence M. Vance

History suggests that capitalism is a necessary condition for political freedom. Clearly it is not a sufficient condition.

— Milton Friedman

The distinctions of personal merit and influence, so conspicuous in a republic, so feeble and obscure under a monarchy, were abolished by the despotism of the emperors; who substituted in their room a severe subordination of rank and office,...This multitude of abject dependents was interested in the support of the actual government from the dread of a revolution, which might at once confound their hopes and intercept the reward of their services. In this divine hierarchy (for such it is frequently styled) every rank was marked with the most scrupulous exactness, and its dignity was displayed in a variety of trifling and solemn ceremonies, which it was a study to learn and a sacrilege to neglect.... By a philosophic observer, the system of the Roman government might have been mistaken for a splendid theater, filled with players of every character and degree, who repeated the language and imitated the passions of their original model.

— Edward Gibbon

Philip Wicksteed on the Common Sense of Choice and the Market Process

by Richard M. Ebeling

The British economist Philip H. Wicksteed began his most important work, *The Common Sense of Political Economy* (1910), with a motto taken from the famous German poet Johann Wolfgang von Goethe (1749–1832): "We all live it, but few of us know what we are living."

Contrary to the classical economists, who had argued that the market value of things was ultimately based on the objective quantity of human labor that had gone into their manufacture, Wicksteed argued that the value of things begins in the human mind, and from there brings about the prices of things bought and sold in the marketplace. At the same time, Wicksteed went on to explain in his *Common Sense* that the logic by which we value things is not something that needs to be learned and consciously adopted but rather is the way our own minds just work in a world in which scarcity exists. That is, a world in which the means that we discover and decide might be useful to apply in attempting to attain our desired ends are insufficient to achieve all the purposes we may have in mind. Hence, we all do it, but most of us are not consciously aware of what we are doing.

From Unitarian minister to market economist

Philip Henry Wicksteed was born in October 1844 and died on March 18, 1927, at the age of 82. He followed in his father's footsteps and became a Unitarian minister and served in that capacity for over 20 years. But his other interests, and his somewhat unorthodox theological views, led him to resign his position in 1897. This enabled him to more fully devote his time to Medieval scholarship, especially the writings of Dante, about whom he was considered an expert, as well as to writing and lecturing on economics.

The inspiration and greatest influence on Wicksteed's own thinking on the fundamentals of economics was William Stanley Jevons, who (separately, though almost simultaneously, with the appearance of Carl Menger's *Grundsätze der Volkswirtschaftslehre*) formulated his theory of the concept of marginal utility in *Theory of Political Economy* (1871). Based on that theory, one of Wicksteed's earliest writings on economics, in 1884, was a critique of Karl Marx's labor theory of value, which led to an exchange with George Bernard Shaw, who attempted to defend the Marxian approach.

While often considered a "Jevonian," Wicksteed's "subjectivist" approach to the logic of economics, its universal applicability, and his theory of the market process have come to be identified more with the Austrian School, especially as developed in the twentieth century by Ludwig von Mises and Friedrich A. Hayek. Also, while not a strict economic liberal, the implications of his analysis of market processes usually led him to free-market conclusions on a good number of economic policy issues.

Wicksteed's first books were *The Alphabet of Economic Science* (1888) and *The Coordination of the Laws of Distribution* (1894). They were meant to articulate and clarify the principles of marginal utility and decision-making and to demonstrate that in a competitive free market, the market value of what is received for a product is "distributed" as income shares to the factors of production in a manner proportional to their respective marginal contributions.

The logic of choice as the logic of life

But it is in *The Common Sense of Political Economy* that Wicksteed's most developed ideas on economics and the market economy are to be found. He wished to explain the common sense logic underlying all that men do in making evaluations, selections, and choices. An essential part of this was an analysis of the dynamic process of market coordination on the basis of individual subjective valuations under conditions of imperfect and limited knowledge.

In Wicksteed's view, the existence and necessity of human choice was seen in everything that was done by the individual.

In Wicksteed's view, the existence and necessity of human choice was seen in everything that was done by the individual. The housewife buying the weekly food on the market and her allocation of the supply among her family members were activities all cut from the same fabric:

> Her doings in the marketplace and her doings at home are ... parts of one continuous process of administration of resources, guided by the same fundamental principle, whether she is spending money, helping the potatoes, pouring out the cream, or exercising a more general vigilance over the bread and milk.... She is trying to make everything go as far as it will, or, in other words, serve the most important purpose that it can. She will consider that she has been successful if, in the end, no want which she has left unsatisfied appears, in her deliberate judgment, to have really been more important than some other want to which she attended in place of it.

The same applies to the man shivering in bed deciding whether to get up and secure another blanket that would relieve the cold, when the trade-off is a few moments of greater discomfort from the cold when he is out of bed getting the extra blanket versus the greater warmth for the rest of the night when he is trying to sleep. Or even a man faced with the trade-off of honor or disgrace, depending upon whether he decides to talk under torture.

Wicksteed saw economics as "a study of the principle of administration of resources and selection between alternatives."

What is critical in all of these circumstances was not the motive behind any decision but the "economic relation," as Wicksteed called it, that required a decision be made. All of them, he said, involved the necessity of "making a selection and choosing between alternatives." Therefore, he saw economics as "a study of the principle of administration of resources and selection between alternatives conceived without any formal or convention limitation."

Marginal choice at the center of all we do

Flowing from this view of choice was the concept of the margin.

> The principle of marginal adjustment ... runs through all the administration of our re-

> sources. Terms at which alternatives are offered and declining marginal significance as supply increases are the universal regulators of all our choices between alternatives. .... from first to last ... the laws of economics are the laws of life, and consequently if a law declares itself to be paramount on the economic field, it proclaims itself by implication as a general law of life and conduct.

All of human life is comprised of comparisons and trade-offs between marginal benefits and marginal costs.

Thus, all of human life is comprised of comparisons and trade-offs between marginal benefits and marginal costs:

> An ardent lover may decline a business interview in order to keep an appointment with his lady-love, but there will be a point at which its estimated bearing upon his prospects of an early settlement will make him break his appointment with the lady in favor of the business interview. A man of leisure with a taste for literature and a taste for gardening will have to apportion time, money, and attention between them, and consciously or unconsciously will balance against each other the differential significances involved. All these, therefore, are making selections and choosing between alternatives on precisely the same principle and under precisely the same law as those which dominate the transactions of the housewife in the market, or the management of a great factory or ironworks, or the business of a bill-broker.

Time and uncertainty envelope all our choices

Unlike a variety of the more mathematically focused economists, in Wicksteed's analysis of the on-going, ever-present choice process, there were no assumptions of any rigid quantitative precision, or exact and perfect marginal comparisons, or the absence of error or miscalculation. On the contrary, the lack of such perfections was part of the real world in which actual choices are made.

A person's scale of preferences (his ranking of desired ends) would take form and shape only within the actual process of choosing among possible alternatives at various relevant margins of choice. Even as these selections and choices are made, said Wicksteed, the individual "does not generally realize exactly what the consequences of buying [an item] will be, but has a vague sense of future inconvenience, privation, and possible regrets."

"Action ... will always be determined by anticipated results."

What beclouded "the margin" and created its rough and imprecise form was the pervasive uncertainty under which decisions are always made. The expected value of various choices never seemed far from Wicksteed's thoughts. "Action ... will always be determined by anticipated results," he said.

The purchase and allocation of services to serve human ends, therefore, were always guided by their anticipated importance and value to the consumer. Yet, potential for error abounded. Unexpected requirements could materialize, actual uses for goods could turn out to be smaller than planned, or the usefulness of a commodity might be found to be different from what was originally hoped for.

If within the individual mind revisions and reevaluations were constantly occurring, then even more so was this true and necessary in what Wicksteed called the "economic nexus" of interpersonal exchange and trade. Here, too, as circumstances changed, demand for commodities would rise or fall, and supplies would have to be revalued and reallocated among different uses.

Entrepreneurs represent all consumers in pricing their goods

The Austrian economist Eugen von Böhm-Bawerk, in his exposition of the market process of price formation, had suggested a dynamic analysis of buyer decision-making in which buyers formed expectations concerning the anticipated importance of goods to themselves and the minimum prices at which sellers might be willing to relinquish their supplies for sale. Based on these subjective estimates of their own wants and the market conditions under which sellers might sell, the buyers would initially offer and then modify, if necessary, their pricing bids to would-be sellers. But in almost all modern market settings, buyers find prices already set by sellers; they respond in the face of these given prices by deciding the relative quantities of purchasable goods they will buy.

Wicksteed's particular contribution to an understanding of the market-pricing process was an analysis of the factors on the seller's side of the market and role of "cost" as a foregone alternative in the choices we make. Markets are the arena in which potential gains from trade can be consummated by transactors. But, Wicksteed emphasized, "this process will always and necessarily occupy time. The persons potentially constituting the market will not all be present at the same time." As a result, total market demands for alternative goods were "a matter of estimate and conjecture" at any moment in time. In Wicksteed's eyes, it falls upon the shoulders of the entrepreneurs and sellers to form such estimates and conjectures.

Expecting "a constant flow of potential customers throughout the day," the sellers "have a reserve price, not on their own account but in anticipation of the wants of others." Anticipating the demand for this good by future buyers who will enter his market later in the trading day, the seller prices the good so that the quantity at his disposal will tend to balance the entire stream of buyers over the entire selling period. The seller, therefore, is acting as the "reader of the public mind, anticipator of future wants, or the speculator as to the wants of the portion of the public not present in person."

Markets are the arena in which potential gains from trade can be consummated by transactors.

As the owner of the existing supply of a good, the seller forms expectations for the product by potential consumers who might enter the market at a later time. "What the purchaser meets in the market," as Wicksteed expressed it, "is but a reflection of her own mind and that of her compeers thrown back from the mind of the seller. It is the collective mind of all the purchasers, then, as estimated by the sellers, that determines the prices set by the latter" that any one or group of buyers find when they enter the market. Thus, a "primary function" of the sellers is "to represent the whole body of consumers in his dealings with each individual consumer."

The dynamic pricing of goods and resources serving consumer demand

Potential for error abounds here as well. Each day, the sellers "form a general estimate, based partly on actual inspection of the market, partly on a variety of sources of information and grounds of conjecture which they commanded before entering" the market. But all the resulting prices remain speculative. When the buyers actually begin appearing in the market over the trading period, reality will confront anticipation. Traders who err on the downside and price their product too low in relation to the stream of buyers will see their stock too rapidly diminishing, while those who price their product too high would see sluggish demand relative to their available supply. Each seller will rectify his mistake by raising or lowering his price, respectively, with total demand tending toward a balance with the available stock.

An additional dynamic ingredient in Wicksteed's analysis was its full appreciation that error, itself, disrupts and modifies the equilibrium target toward which the economic system is gravitating. "Any actual transactions made in consequence of a mistake in estimating the equilibrium price at any given moment will theoretically alter the equilibrium price itself," Wicksteed said, by altering people's preferences and their endowments at each step of the economic sequence of trades. In other words, market outcomes are "path dependent," that is, the patterns of actual trades and the related buyer and seller reevaluations along the way influence the hypothetical longer-run end-state toward which the market is moving at any moment in time.

When the buyers actually begin appearing in the market over the trading period, reality will confront anticipation.

But the stocks of goods available at the retail stage need to be replenished. What applies to the given quantities on hand — that their value reflects the existing entrepreneurial expectations of the importance of the consumer ends they can serve — equally applies to the means of production. "No raw materials, no machine, no specialized talent, nor natural or artificial combination of things has any value," Wicksteed said, "except the derived value which it draws from its anticipated contribution to the ultimate service that shall be placed on the scale, tried, compared and appraised before the empirical throne of Human Demand."

What Wicksteed was saying is that as retail entrepreneurs discover errors they have made concerning the anticipated demand for their respect wares, they will reappraise the relative quantities of the goods they wish to restock on their shelves and the prices at which they might sell in the next trading period. This modifies their demands for these goods at the wholesale level, with the wholesalers adjusting the amounts of the goods they will want from their suppliers in the next rounds of business and the prices they are willing to offer to those suppliers in later stages of production. This, in turn, brings about changes in the demand for the various factors of production, including labor, at each of the production stages, all the way back to the raw materials stage and at the retail level, where the final goods will be sold.

The relative price and wage structures interconnecting all markets will adjust to the never-ending changing conditions.

In the process, the relative price and wage structures interconnecting all markets will adjust to the never-ending changing conditions of ultimate and final demand for and supply of those goods consumers want. But these constant adaptations in prices, wages, resource use, and allocations in the interrelated web of multitudes of markets is what ensures that the market system as a whole is always tending to move in the direction of overall coordination, even though the hypothetical end-states at which markets would be in balance (general equilibrium) are, themselves, constantly moving targets.

Costs and the supplies are really alternative demands

In this ongoing process, Wicksteed was also interested in clarifying what is the meaning of "costs" within the market process. Cost is the next best alternative that might have been pursued and attained with some of the scarce means that were used for a different purpose by the chooser, who ranked it of greater value or importance. The cost of any of our choices is the "pull" of an alternative demand that might have been satisfied if the means had been used to do something differently.

In a presidential address that Wicksteed delivered before the British Association in 1913 on "The Scope and Method of Political Economy," he "boldly and baldly declared" that the "supply curve" that is drawn on the blackboard and juxtaposed to a "demand curve," does not exist — "There is no such thing." The supply curve is, in fact, the demand curve(s) of whatever alternative would have to be sacrificed to meet some other particular demand. A demand curve is downward sloping to the right, because as additional units of any good are acquired by someone, the marginal utility or benefit of each one is less than the preceding ones acquired.

Both demand and supply are reflections of the subjective marginal valuations of market actors.

Likewise, a "supply curve" slopes upward to the right, because as more scarce means are shifted to increase the quantity of the first good, there are fewer resources remaining to continue to meet the demands of other goods, so as their quantities decrease, the marginal utility of each additional unit that has to be foregone is greater than the preceding ones no longer available. Thus, a supply curve is merely the demand curves of other goods diminishing in supply to satisfy a greater demand for something else.

Ultimately, therefore, both demand and supply are reflections of the subjective marginal valuations of market actors concerning the marginal utility or benefits from having more or less of one desired good compared to some other. For Wicksteed, this reinforced the insight that from beginning to end, it is the subjective (marginal) valuations of all those participating in the market that determine the prices and the "costs" of everything in that "economic nexus."

Specialization and the temptations to use government

In Wicksteed's view, the market constitutes that vast and intricate "economic nexus" in which individuals participate in an increasingly complex and interdependent system of division of labor. Any person living in such a system is able to benefit from everything that others can do that he may not be able to do or which they can do better and less expensively than if he attempted to satisfy his wants through his own limited abilities. To the extent others devise ways to innovatively produce more or better or less expensive goods that he desires to acquire from them in trade, the greater the opportunity for improvements in his own life and circumstances. This represents the general betterment that all may receive from a system of specialization and exchange.

However, Wicksteed also highlighted how this system of interdependent specialization creates the conditions for some to turn to political means to benefit themselves at the expense of others. While we are the consumers of many goods, the better and less expensive provision of which we all gain from, we are also individually the producer of one or at most a small number of things. Unless we are successful in producing and selling what others want, we cannot earn the revenues we need and desire to reenter the market as a consumer with income to spend. Thus, our role as a producer of a particular good tends to be of more importance to us than our role as consumer of many other goods.

Our role as a producer of a particular good tends to be of more importance to us than our role of consumer of many other goods.

Thus, any decrease in the demand for our particular product or service, or anything competitively done by others that increases the supply of it and lowers its price is frequently dreaded and opposed by the individuals negatively affected in this way. Explained Wicksteed:

> If the thing I supply becomes *relatively* more abundant, and ministers to a relatively less urgent need, my command of what I want declines just because your command of what I give increases. Hence the paradoxical situation that the advance in wellbeing, which we all desire and are pursuing becomes an object of dread to each one of us in that particular department in which it is our business to promote it....
>
> Where there is an open competitive market, this desire for scarcity may remain a pious (or impious) wish, to which those who entertain it can give little or no effect.... But when we turn from the individualism of the open competitive market to the deliberate and concerted action of organized trades, or legislative assemblies, or to the general atmosphere of social ideals and aspirations by which they are supported or prompted, we see at once how fatally perverse this whole way of looking at things must be.

The perpetual danger, Wicksteed warned, is that any time economic progress brings about new, better, more, and less expensive goods from which many in society gain diffused benefits over time, there are likely to be some established producers and suppliers who will experience concentrated reduced market shares, lower revenues, and even losses due to the supply-wide successes of their innovative and successful market rivals.

The temptation will be for those negatively affected in this way to turn to political means through government to restrict markets, hamper their competitors, and artificially keep prices higher than they otherwise would be at the expense of consumers and those enterprisers who are prevented or hampered in their ability to better supply and serve the consuming public. It becomes a constant battle, Wicksteed emphasized, to oppose such special-interest politicking if the innovations and discoveries from which we all gain in the longer run are not to be hindered by politics at the expense of market freedom and rising standards of living.

Individual choice and the market process

For Philip Wicksteed, economics was not an analysis of a particular side of human activity but was the defining characteristic of all human activity where alternatives need to be weighed and choices made. In Wicksteed's analysis, people act and choose in a world of change, time, and uncertainty. Nowhere was this seen more than in his theory of the market process. Exchanges occur in sequential patterns through time. Expectations have to be formed on the part of entrepreneurs and sellers as to the volume and pricing of goods desired by consumers and the resources through which they may be manufactured. Errors and miscalculations can result in trades at incorrect, or "false," prices. Corrections and revisions of those prices send ripples of reevaluation throughout the production process.

In Wicksteed's analysis, people act and choose in a world of change, time, and uncertainty.

In open and competitive markets, these adaptions and the resulting coordination of all that people can and may be doing freely and "spontaneously" is both possible and superior to any attempts to directly plan or regulate the market process through government intervention.

Wicksteed wished that everyone could just take the time to reflect on how amazing the market process is in placing at everyone's disposal the knowledge and abilities of multitudes of people that any one individual can and will never know, but whose market-guided cooperation makes all of our lives so much better:

> It might be a valuable exercise for anyone who is "earning a living" to attempt to go through a few hours or even a few minutes of his daily life and consider all the exchangeable things which he requires as they pass, and the network of cooperation, extending all over the globe, by which the clothes he put on, the food he eats, the book containing the poems or expounding the science that he is studying, or the pen, ink, and paper with which he writes a letter, a poem, or an appeal, have been placed at his service, by persons for the furtherance of whose purpose in life he has not exercised any one of his faculties or powers.
>
> Such an attempt would help us to realize the vast system of organized cooperation between persons who have no knowledge of each other's existence, no concern in each other's affairs, and no direct power of furthering each other's purposes, by which the most ordinary processes of life are carried on. By the organization of industrial society, we can secure the cooperation of countless individuals of whom we know nothing, in directing the resources of the world toward objects in which we have no interest. And the nexus that thus unites and organizes us is the [open market] business nexus.

Wicksteed wished that everyone could just take the time to reflect on how amazing the market process is.

But for its continuing success, it is necessary to have constant vigilance against those who would want to use political means for their short-run interests at the overall longer-run benefits and betterment of everyone, Wicksteed warned. This is a task we have still not yet successfully mastered.

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NEXT MONTH:
"Only a Renewed Belief in Liberty Can End America's Fiscal Follies"
by Richard M. Ebeling

With respect to the two words "general welfare," I have always regarded them as qualified by the detail of powers connected with them. To take them in a literal and unlimited sense would be a metamorphosis of the Constitution into a character which there is a host of proofs was not contemplated by its creators. If the words obtained so readily a place in the "Articles of Confederation," and received so little notice in their admission into the present Constitution, and retained for so long a time a silent place in both, the fairest explanation is, that the words, in the alternative of meaning nothing or meaning everything, had the former meaning taken for granted.

— James Madison

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