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He who moves not forward, goes backward.

— *Johann Wolfgang von Goethe*

FUTURE OF FREEDOM

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Ukraine and the Cold War

by *Jacob G. Hornberger*



On October 25, 1970, a team of well-armed Chilean thugs attacked an automobile in which Chilean General Rene Schneider was traveling in downtown Santiago. Their aim was to kidnap and kill Schneider. Given that he was the overall commander of the Chilean armed forces, Schneider pulled out his pistol and fought back, but he was no match for the thugs. They shot him repeatedly, and a few days later, Schneider died from his wounds.

What was unknown at the time was that it was the CIA that had hired the thugs to kidnap and assassinate Schneider. The CIA smuggled high-powered weapons into the country to enable them to kidnap and assassinate him. The CIA also paid them a large sum of mon-

ey to commit the kidnapping and assassination. After Schneider's death, the CIA secretly paid hush money to the killers in the hopes of keeping them from revealing the CIA's role in the crime.

Rene Schneider was an entirely innocent man when he was killed. He had committed no crime, especially not against the United States. In fact, every indication is that he was a man of the utmost integrity and honor. He was married and had two sons. He was 56 years old when they killed him.

No criminal charges were ever brought against anyone in the U.S. government, including the CIA, for the murder of Rene Schneider. Moreover, when Schneider's two sons filed a civil suit many years later for his wrongful death, the federal courts dismissed it, holding that the U.S. federal judiciary would never second-guess any assassination carried out by the U.S. national-security establishment.

Why would the CIA conspire to kill an innocent man in Chile? The answer is a deeply profound one. It provides insight into some of the dark consequences of having converted the federal government into a national-security state after World War II. It also provides understanding of why the United States is now,

once again, perilously close to nuclear war in Ukraine, just as it was back in 1962 during the Cuban Missile Crisis.

Salvador Allende

In 1970, a physician named Salvador Allende received a plurality of votes for president of Chile. Since no candidate had received a majority of the votes, under the Chilean constitution, the election was thrown into the hands of the Chilean congress.

The election took place during the Cold War between the United States and the Soviet Union. The United States was convinced that there was an international communist conspiracy whose aim was to take over the world, including the United States.

Allende was a self-avowed socialist. He wanted no part of America's Cold War against Russia, China, Cuba, and the rest of the communist world. On the contrary, he wished to establish peaceful and friendly relations with the communist world.

U.S. officials deemed Allende to be a grave threat to U.S. "national security." They were convinced that his election confirmed that the communists were getting ever closer to the United States, which meant

that the prospect of a communist takeover of the United States was becoming ever more likely.

That mindset was obviously ludicrous and bordering on extreme paranoia. After all, Chile is more than 5,000 miles away from the United States, and it lacked the manpower, money, military, armaments, supply lines, and even the interest to invade, conquer, and occupy us.

U.S. officials deemed
Allende to be a grave threat to
U.S. "national security."

When it came to the Cold War, however, rationality was in short supply. With Allende's election, some feared that the communists would now have another base of operations in the Western Hemisphere, along with the communist regime in Cuba, from which to launch their takeover of the United States.

We should keep in mind that the reason for converting the federal government from its founding system of a limited-government republic to a national-security state in the first place was to prevent a communist takeover of the United States.

Jacobo Arbenz and Guatemala

In 1954, the people of Guatemala democratically elected a man named Jacobo Arbenz as their president. Arbenz was a self-avowed socialist. Like Allende almost 20 years later, he had no interest in siding with the United States in its Cold War against Russia, China, North Korea, North Vietnam, the Warsaw Pact, and the rest of the communist world. Like Allende later on, he wanted to establish peaceful and friendly relations with the communist world.

The U.S. mindset toward Arbenz and Guatemala bordered on Cold War paranoia.

That did not sit well with the U.S. national-security establishment, which had come into existence in the late 1940s and early 1950s. Arbenz's election illustrated the danger that the Reds were getting closer to the United States. After all, Guatemala is only around 1,800 miles from the United States.

The U.S. mindset toward Arbenz and Guatemala bordered on Cold War paranoia. Guatemala was one of the poorest countries in the world. There was never any possibility that the Reds were going to use Guatemala as a springboard for

invading, conquering, and occupying the United States.

Nonetheless, U.S. officials sprang into action and deemed Arbenz to be a grave threat to U.S. "national security." The CIA ended up devising an ingenious revolutionary plot that succeeded in causing Arbenz to flee the country. He was lucky because the CIA had a kill list of Guatemalan officials who were to be assassinated during the coup. Arbenz was replaced by a series of brutal pro-U.S. military tyrants, and the regime-change operation in Guatemala incited a civil war that lasted around 30 years and resulted in the deaths of more than a million innocent people, not to mention the destruction of civil liberties across the land.

Fidel Castro and Cuba

In 1959, the pro-U.S. dictator of Cuba, Fulgencio Batista, was ousted from power by revolutionary forces headed by Fidel Castro, who later declared Cuba to be a socialist regime, one that was aligning itself with the Soviet Union and the rest of the communist world.

Not surprisingly, the U.S. national-security establishment immediately deemed Castro and Cuba to be grave threats to U.S. "national security." After all, Cuba was only

90 miles away from American shores, much closer than Guatemala and Chile. Cuba was deemed to be a Red dagger pointed at America's neck.

Nonetheless, Cuba never attacked the United States or even threatened to do so. It also was one of the poorest nations in the world. It lacked the money, military capability, and even the interest in invading, conquering, and occupying the United States.

None of that mattered to the paranoid minds pervading the U.S. national-security establishment. They were convinced that U.S. "national security" required that Castro be removed from power and replaced with another pro-U.S. dictator.

In 1961, the CIA's army of Cuban exiles attacked Cuba at the Bay of Pigs, where Castro's army was waiting for them. Castro easily defeated the invaders, killing or capturing all of them.

Prior to the invasion, the CIA had assured newly elected President John F. Kennedy that no U.S. air support would be needed for the operation. It was a lie. The CIA figured that once the operation was in danger of going down to defeat at the hands of the communists, Kennedy would have to relent and pro-

vide the needed air support, in order to save face.

In other words, the CIA was manipulating what they considered was a naive, innocent, neophyte president. Much to their surprise, Kennedy stuck by his guns and refused to provide the needed air support and let the invasion go down to defeat.

The CIA was manipulating what they considered was a naive, innocent, neophyte president.

That was the beginning of the war between Kennedy and the U.S. national-security establishment. The new president fired the director of the CIA and vowed to destroy the agency. For its part, the CIA was convinced that America had elected a coward, a traitor, and an incompetent president.

The CIA then engaged in a series of assassination attempts against Castro. We call them "assassination" attempts, but in actuality, they were nothing more than attempts to murder the political leader of another country — a flagrantly illegal act. But it was becoming increasingly clear that the federal judiciary was never going to interfere with the assassination powers of the U.S. national-security establish-

ment. The CIA had *carte blanche* to murder whomever it deemed to be a threat to “national security.”

After the fiasco at the Bay of Pigs, the Pentagon began pressuring Kennedy to initiate a full-scale military invasion of Cuba. This included Operation Northwoods, a top-secret false-flag operation that was designed to give Kennedy a justification for invading Cuba. To his everlasting credit, Kennedy rejected the plan, which made him more suspect in the eyes of the national-security establishment.

The Cuban Missile Crisis

The Soviets and the Cubans knew that the Pentagon and the CIA were pressuring Kennedy to invade Cuba. In October 1962, the Soviets installed nuclear missiles in Cuba. The missiles were intended to deter Kennedy from ordering an invasion of Cuba. Alternatively, they were intended to help defend Cuba if such deterrence failed.

Kennedy figured why the Soviets had installed the missiles and ended up striking a deal with them that resolved the crisis. He promised that he would not permit the Pentagon and the CIA to invade Cuba. He also secretly promised to remove nuclear missiles that the Pentagon had installed in Turkey

that were pointed at the Soviet Union. In return, the Soviets removed their missiles from Cuba and took them home.

The Cuban Missile Crisis brought the United States and Russia to the brink of all-out nuclear war. There is something important to note about it: It was the U.S. national-security establishment’s paranoia about the supposed communist threat to America that brought on the crisis. After all, if the Pentagon and the CIA had not been pressuring Kennedy to invade Cuba, the Soviets would not have had any reason to install their nuclear missiles in Cuba.

The CIA had *carte blanche* to murder whomever it deemed to be a threat to “national security.”

The American people breathed a sigh of relief over Kennedy’s resolution of the crisis. Not so the Pentagon and the CIA. They were livid. They called it the biggest defeat in U.S. history and compared Kennedy’s handling of the crisis to Neville Chamberlain’s appeasement of Hitler at Nuremberg. As I point out in my book *An Encounter with Evil: The Abraham Zapruder Story*, it is a virtual certainty that this was the time that the U.S. national-security

establishment decided that Kennedy needed to be violently removed from power, especially given that his deal with the Soviets left Cuba permanently in communist hands.

It was after the Cuban Missile Crisis that Kennedy achieved a “breakthrough,” which enabled him to see that the U.S. Cold War, including its mindset of perpetual hostility toward Russia, was a great big Pentagon-CIA racket that was endangering the American people. In his Peace Speech at American University in June 1963, he declared that he was bringing the extreme anti-Russia, anticommunist policy to an end. He announced that America would henceforth move in a new direction — one toward peaceful and harmonious relations with the communist world.

JFK’s Peace Speech, along with his resolution of the Cuban Missile Crisis, sealed his fate. After all, as the duly elected president of the United States, he was doing precisely what Arbenz and Castro had done and what Allende would do several years later — that is, make peace with the Reds.

Allende’s removal

This brings us back to Chile. After Allende received a plurality of the votes in the presidential election

in 1970, the U.S. national-security establishment decided that he needed to be prevented from becoming president.

One part of the U.S. plan involved using U.S. taxpayer money to bribe the members of the Chilean congress into voting against Allende.

In June 1963, Kennedy declared that he was bringing the extreme anti-Russia, anticommunist policy to an end.

Another part of the plan involved a military coup that would prevent Allende from assuming the presidency. There was one big obstacle with this part of the plan, however: General Rene Schneider, the overall commander of Chile’s armed forces.

That was why the CIA conspired to kidnap and assassinate Schneider. They needed to have him removed from power because he was an obstacle to a coup. I should point out that while the CIA has confessed to the kidnapping part of the plot, it has long claimed that it never conspired to murder Schneider. However, that clearly is a lie. Once Schneider was violently removed as an obstacle to the coup by his kidnapping, there was no way they

could ever permit him to return alive. Killing him was necessary part and parcel of the conspiracy.

The Pentagon and the CIA convinced their counterparts in Chile that they had a moral duty to remove their duly elected president from office.

Now, let's reflect on violent removal part of the plan, because it reveals the mindset of the U.S. national-security establishment with respect to Kennedy's removal from power several years before. The Pentagon and the CIA convinced their counterparts in Chile that they had a moral duty to remove their duly elected president from office. Their argument was based on the notion that even though a nation's constitution doesn't provide for the violent removal of a president from power, the constitution is not a "suicide pact." If a leader is taking a country down with his policies, he becomes a threat to national security, making it incumbent on the national-security establishment to protect "national security" by violently removing him from power.

In 1973, the Chilean national-security establishment accepted the arguments of the U.S. national-security establishment and, with the

full support of the Pentagon and the CIA, violently removed Allende from power. At the end of the operation, Allende lay dead. Some 50,000 innocent people were rounded up and tortured. Around 3,000 of them were executed or disappeared, including two young Americans, Charles Horman and Frank Teruggi, both of whom favored Allende and both of whom opposed the U.S. war in Vietnam.

The crisis in Ukraine

In addition to providing a deeper understanding of the mindset that went into the violent removal of Kennedy from power, there are two other lessons that can be garnered from all this Cold War mayhem.

One lesson is that if Kennedy had not been assassinated, it is a virtual certainty that there would be no crisis in Ukraine today. That's because Kennedy had come to the realization that the Cold War was just one great big deadly and destructive racket that was leading America to doom. He would almost certainly have ended up withdrawing the United States from NATO, which would have meant the demise of that Cold War dinosaur. Therefore, there wouldn't have been a NATO in existence to provoke the crisis in Ukraine.

Another lesson comes with understanding the Russian mindset regarding NATO's absorption of former members of the Warsaw Pact and its threat to absorb Ukraine, which would enable the United States to install bases, missiles, and nuclear weapons in Ukraine.

King declared that
the United States was the
greatest purveyor of violence
in the world.

What's wrong with all that? Well, legally nothing. But when it comes to foreign powers like Germany and the United States, both of which are members of NATO, getting closer and closer to Russia, that presents big problems for Russia.

After all, don't forget the paranoid mindset that U.S. officials had toward the Reds getting ever closer to the United States in Guatemala, Cuba, Chile, and, later, Nicaragua (which motivated President Reagan's Contra war). Given the extreme U.S. paranoia about the Reds getting ever closer to the United States, why should it surprise anyone that Russia would be just as paranoid about having Germany and the United States getting ever closer to Russia?

Don't forget, after all, that it was Germany that invaded and almost conquered Russia in the Second World War, killing 27 million Russians in the process and destroying the industrial capability of the entire country.

Don't forget also the words of Martin Luther King Jr., who federal officials have honored with a national holiday. He declared that the United States was the greatest purveyor of violence in the world. And that was before the U.S. invasions of Afghanistan and Iraq! Sure, there are plenty of Americans who don't believe that King was right, but there is no doubt that there are lots of people in the world, including the Russians, who believe he was right.

President Kennedy had a unique ability to step into the shoes of his adversary in an attempt to understand what was motivating his adversary to act in a certain way. That's what enabled him to reach a resolution in the Cuban Missile Crisis.

Kennedy also had the courage to oppose the U.S. national-security establishment's mindset of perpetual hostility to Russia and begin moving America in the direction of establishing peaceful and harmonious relations with Russia, China, Cuba, North Korea, Vietnam, and the rest of the communist world.

If the American people living today could just capture Kennedy's unique ability and his courage, they could lead our nation out of the deep morass into which it has been plunged and, in the process, lead the world to freedom, peace, prosperity, and harmony.

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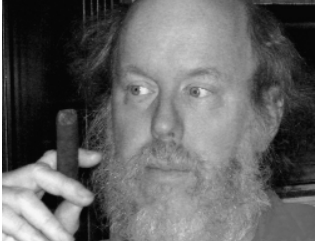
NEXT MONTH:
“The Real Lessons from the
Iraq War, Part 1”
by *Jacob G. Hornberger*

Our contemporaries are only too ready to doubt the existence of free will because as individuals they feel frustrated by their weakness no matter which way they turn, yet they are still quite prepared to recognize the strength and independence of men joined together in a social body. One should be careful not to obscure this idea, because the goal is to exalt men's souls, not to complete the task of laying them low.

— *Alexis de Tocqueville*

Snowden and the Fight for American Privacy

by James Bovard



Edward Snowden did heroic service in awakening Americans to Washington ravishing their privacy. Snowden's "reward" is to be banished in Russia without a snowball's chance in hell of a fair trial if he returns to America. But as he courageously declared, "I would rather be without a state than without a voice." He explained why he leaked classified information: "I can't in good conscience allow the U.S. government to destroy privacy, internet freedom and basic liberties for people around the world with this massive surveillance machine they're secretly building."

To recognize Snowden's contribution to liberty, it helps to review the political and legal landscape be-

fore his revelations. In 2008, Sen. Barack Obama's denunciations of the Bush administration's warrantless wiretaps secured his image as a champion of civil liberties. Campaigning for president, Obama pledged "no more illegal wiretapping of American citizens.... No more ignoring the law when it is inconvenient." Unfortunately, Obama didn't promise not to ignore the law when it was "really, really convenient."

Barack Obama: American spy-in-chief

After Obama clinched the Democratic Party presidential nomination, he reversed himself and voted for granting immunity to telecom companies that betrayed their customers to Uncle Sam. This was a bellwether for Obama's future constitutional depredations. After Obama took office, his appointees speedily expanded National Security Agency seizures of Americans' personal data. The *Washington Post* characterized Obama's first term as "a period of exponential growth for the NSA's domestic collection."

The acid drip of revelations of illicit surveillance that began after 9/11 continued regardless of Obama's "Hope and Change" mantra. Shortly after Obama's inauguration, former NSA analyst Russell

Tice declared that the NSA was monitoring “all Americans’ communications. Faxes, phone calls and their computer communications.” Tice also revealed that the NSA had targeted journalists and news agencies for wiretaps. Tice’s revelations failed to hold the media’s attention.

Obama perpetuated perverse Bush-era legal doctrines to totally shield federal surveillance from judicial scrutiny.

In June 2009, the NSA admitted that it had accidentally collected the personal information of vast numbers of Americans. The *New York Times* reported that “the number of individual communications that were improperly collected could number in the millions.” But it wasn’t a crime; it was merely inadvertent “overcollection” of Americans’ personal data which NSA would retain for (at least) five years.

In 2010, the *Washington Post* reported that “every day, collection systems at the [NSA] intercept and store 1.7 billion emails, phone calls and other type of communications.” In 2011, NSA expanded a program to provide real-time location information of every American with a cell phone, acquiring more than a billion cell phone records each day

from AT&T. Regardless, the media continued portraying Obama as a civil liberties savior.

Obama perpetuated perverse Bush-era legal doctrines to totally shield federal surveillance from judicial scrutiny. After the Supreme Court accepted a case on warrantless wiretaps in 2012, the Obama administration urged the justices to dismiss the case. A *New York Times* editorial labeled the administration’s position “a particularly cynical Catch-22: Because the wiretaps are secret and no one can say for certain that their calls have been or will be monitored, no one has standing to bring suit over the surveillance.”

The Supreme Court endorsed surveillance

Cynical arguments sufficed for five justices. Justice Samuel Alito, writing for the majority, declared that the court was averse to granting standing to challenge the government based on “theories that require guesswork” and “no specific facts” proving federal targeting, based on fears of “hypothetical future harm.” The Supreme Court insisted that the government already offered plenty of safeguards — such as the Foreign Intelligence Surveillance Act (FISA) Court — to pro-

tect Americans' rights. Law professor Stephen Vladeck commented on the decision: "The coffin is slamming shut on the ability of private citizens and civil liberties groups to challenge government counterterrorism policies."

Three months later, newspapers around the world began publishing confidential documents leaked by Snowden. Americans learned that the NSA can tap almost any cell phone in the world, exploit computer games like Angry Birds to poach personal data, access anyone's email and web browsing history, remotely penetrate almost all computers, and crack the vast majority of computer encryption. The NSA used Facebook and Google apps to send malware to targeted individuals. NSA filched almost 200,000,000 records a month from private computer cloud accounts. Obama's Justice Department secretly decreed that all phone records of all Americans were "relevant" to terrorism investigations and that the NSA could therefore justifiably seize everyone's personal data.

Snowden exposed the surveillance state

Snowden revealed how the NSA had covertly carried out "the most significant change in the history of

American espionage from the targeted surveillance of individuals to the mass surveillance of entire populations." The NSA created a "repository capable of taking in 20 billion 'record events' daily and making them available to NSA analysts within 60 minutes." The NSA is able to snare and stockpile a billion times more information than did East Germany's Stasi secret police, one of the most odious agencies of the post-war era. Snowden later commented, "Suspicionless surveillance does not become okay simply because it's only victimizing 95 percent of the world instead of 100 percent."

NSA filched almost 200,000,000 records a month from private computer cloud accounts.

Seeking to defuse the controversy, Obama justified NSA surveillance as simply "a tradeoff we make.... To say there's a tradeoff doesn't mean somehow that we've abandoned freedom. I don't think anybody says we're no longer free because we have checkpoints at airports."

On Capitol Hill, the response to Snowden's disclosures ranged from vacuous to devious. House Speaker John Boehner declared, "When you

look at these programs, there are clear safeguards. There's no American who's going to be snooped on in any way, unless they're in contact with some terrorists somewhere around the world." Other congressional leaders quickly denounced Snowden as a "traitor." House Intelligence Committee chairman Mike Rogers (R-Mich.) and former NSA chief Michael Hayden publicly joked about putting Snowden on a government kill list. Rogers won the "D.C. Knucklehead of the Week" Prize when he defended illicit surveillance: "You can't have your privacy violated if you don't know your privacy is violated."

FISA judges rubber-stamped massive seizures of Americans' personal data.

Regardless of Snowden's proof, Obama administration appointees and spokesmen insisted that NSA only targeted individuals linked to terrorism, but NSA's definition of terrorist suspect was ludicrously broad, including "someone searching the web for suspicious stuff." If someone used encryption for their emails, that alone justified wiretapping them. Snowden commented in 2014: "If I had wanted to pull a copy of a judge's or a senator's e-mail, all I

had to do was enter that selector into XKEYSCORE," an NSA program that required no warrant from FISA or any other court.

President Obama sought to quash the controversy by boldly proclaiming: "There is no spying on Americans." The *New York Times* headlined its report on Obama's PR effort: "President Moves to Ease Worries on Surveillance; Talks of New Openness." Talk was cheap.

The *Washington Post* analyzed a cache of 160,000 secret email conversations/threads (provided by Snowden) that the NSA intercepted and found that nine out of ten account holders were not the "intended surveillance targets but were caught in a net the agency had cast for somebody else." Almost half of the individuals whose personal data was inadvertently commandeered were U.S. citizens. The files "tell stories of love and heartbreak, illicit sexual liaisons, mental-health crises, political and religious conversions, financial anxieties and disappointed hopes," the *Post* noted. If an American citizen wrote an email in a foreign language, NSA analysts assumed they were foreigners who could be surveilled without a warrant.

FISA court rulings "created a secret body of law giving the National

Security Agency the power to amass vast collections of data on Americans,” the *New York Times* reported in 2013. The classified rulings (leaked by Snowden) showed that FISA judges rubber-stamped massive seizures of Americans’ personal data that flagrantly contradicted Supreme Court rulings on the Fourth Amendment. The *Times* noted that the FISA court had “become almost a parallel Supreme Court, serving as the ultimate arbiter on surveillance issues” — and almost always giving federal agencies all the power they sought. The vast majority of members of Congress were unaware that a secret court had secretly nullified much of the Bill of Rights. That did not deter Obama from proclaiming that the FISA court was “transparent” — though only the White House could see.

There was not a single case where the telephone data roundup had been necessary to stop a terrorist attack.

Snowden’s revelations outraged some judges. In December 2013, Federal judge Richard Leon issued a ruling denouncing the NSA surveillance regime as “almost Orwellian”: “I cannot imagine a more

indiscriminate and arbitrary invasion than this systematic and high-tech collection and retention of personal data on virtually every single citizen for purposes of querying and analyzing it without prior judicial approval.”

Obama sought to defuse the controversy by selecting an expert panel that he expected to vindicate his surveillance. But the panel reported that there was not a single case where the telephone data roundup had been necessary to stop a terrorist attack. The panel’s report also warned: “Americans must never make the mistake of wholly trusting our public officials.” The panel concluded that the “bulk collection of American citizens’ phone records served little useful purpose in combatting terrorism,” ABC News reported. Panel member Richard Clarke commented, “There are very few pieces of data that have been collected in this program that have been useful.” But as Snowden observed, “These programs were never about terrorism: they’re about economic spying, social control, and diplomatic manipulation. They’re about power.”

The Obama administration made few substantive changes in response to Snowden’s exposure of sweeping criminality. Author and

NSA expert James Bamford observed shortly before the 2016 election, “Over his two terms, Obama has created the most powerful surveillance state the world has ever seen.” Despite the uproars over Snowden’s revelations, neither Congress nor federal courts fundamentally pulled in the reins on the Surveillance State.

Snowden observed, “The consent of the governed is not consent if it is not informed.” Any such consent to Washington has become increasingly a mirage. The pervasive secrecy that has proliferated in post-9/11 America has made it far more difficult for citizens to leash their rulers. Regardless of the health of U.S. democracy, Snowden’s warnings on the “architecture of oppression” are more relevant than ever.

Another Snowden lesson for our democracy is the futility of passive obedience. Vast numbers of Americans presume they will be safe from government wrongdoing or other federal debacles if they simply keep their head down and don’t complain. By blighting resistance to government, however, sur-

veillance unleashes rulers to do far more mischief. If politicians drag this nation into a major war, keeping your mouth shut won’t protect you against incoming missiles.

Citizens cannot acquiesce to illegal government surveillance without forfeiting their right to any remaining privacy. There is no reason for people to trust secretive federal programs more than Washington trusts American citizens. The biggest delusion is that Americans will be more secure after the feds further decimate their privacy.

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 Iraq War
Was a Systemic Atrocity”**
by James Bovard

If a person advocates free trade domestically, he cannot logically advocate protective tariffs and other similar measures that prevent goods and services from moving freely across national boundaries. It is simply not true that a nation and a people are made more prosperous by compelling themselves to pay two and three times as much as they need to pay for the goods and services they want. It just does not make sense to improve the means of moving goods from one nation to another, and then to cancel out the savings in transportation costs by passing laws to hamper the resulting trade. I am convinced that such contradictions arise more from lack of understanding than from evil intentions.

— Dean Russell

How Not to Abolish the Income Tax

by Laurence M. Vance



Throughout this country's history, Americans have always paid taxes of various kinds. But no matter what kind, all taxation is theft. Everyone but a criminal obtains his income voluntarily. He either sells some good or service or he receives some kind of stipend or gift. But as explained by the Austrian economist Murray Rothbard (1926–1995):

Only the State obtains its revenue by coercion, by threatening dire penalties should the income not be forthcoming. That coercion is known as "taxation," although in less regularized epochs it was often known as "tribute." Taxation is theft, purely and simply, even though it is theft on a

grand and colossal scale which no acknowledged criminals could hope to match. It is a compulsory seizure of the property of the State's inhabitants, or subjects.

The income tax

This most insidious of taxes is the income tax. As Frank Chodorov (1887–1966) explained in his book *The Income Tax: Root of All Evil* (1954), the income tax means that the state says to its citizens, "Your earnings are not exclusively your own; we have a claim on them, and our claim precedes yours; we will allow you to keep some of it, because we recognize your need, not your right; but whatever we grant you for yourself is for us to decide." Yet, for the majority of American history, there was no income tax.

A temporary income tax was instituted during the so-called Civil War. On August 5, 1861, President Lincoln signed legislation creating the nation's first income tax. It required a flat tax of 3 percent on all incomes over \$800. In July 1862, Congress replaced its first income tax with a more progressive version that included several tax brackets and allowed for deductions. Although the Supreme Court upheld the constitutionality of the income

tax in 1864, it was repealed in 1872. In 1894, Congress enacted a tax of 2 percent on income over \$4,000, but the legislation was struck down by the Supreme Court as unconstitutional.

The current incarnation of the income tax was instituted in 1913. It began as a modest 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 maximum rate of 7 percent was applied to taxable income over \$500,000. Thanks to generous exemptions and deductions, only a small percentage of the population paid taxes on their income. That soon changed with the advent of U.S. intervention into World War I.

The tax rate in the highest tax bracket increased to 67 percent in 1917, 77 percent in 1918, 81 percent in 1940, 88 percent in 1942, and a whopping 94 percent in 1944. In 1942, the top rate began applying to all incomes over \$200,000 instead of over \$5 million. After dropping briefly, the top rate stayed near or above 90 percent between 1950 and 1963. Under President Ronald Reagan, the top rate fell from 70 down to 50 percent, and then down to 38.5 before stopping at 28 percent. The tax brackets were also eventu-

ally reduced to just two. After both tax rates and brackets increased during the presidencies of George H. W. Bush and Bill Clinton years, the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA) and the Jobs and Growth Tax Relief Reconciliation Act of 2003 (JGTRRA) — collectively known as the [George W.] Bush tax cuts — adjusted the tax brackets downward and lowered the top rate down to 35 percent. However, because the Bush tax cuts were only temporary, the top rate soon went back up to 39.6 percent — as it had been under President Clinton.

**From the very beginning,
the income tax has been quite
progressive.**

Under President Donald Trump, we got the Tax Cuts and Jobs Act (TCJA). This set the tax brackets at the current 10, 12, 22, 24, 32, 35, and 37 percent but did not repeal the Obama-era Net Investment Income Tax (NIIT) that levies a 3.8 percent tax on investment income to the extent that the net amount exceeds \$200,000 (\$250,000 married filing jointly).

From the very beginning, the income tax has been quite progres-

sive. A progressive tax system — one of the planks of the *Communist Manifesto* — is one in which the tax rate increases as the taxable amount increases. According to the latest figures released by the Internal Revenue Service (IRS), as reported by the Tax Foundation:

The bottom 50 percent of taxpayers (taxpayers with AGI below \$44,269) earned 11.5 percent of total AGI and paid 3.1 percent (\$48.4 billion) of all federal individual income taxes.

The top 1 percent (taxpayers with AGI of \$546,434 and above) earned 20.1 percent of total AGI in 2019 and paid 38.8 percent of all federal income taxes.

The top 1 percent of taxpayers accounted for more income taxes paid than the bottom 90 percent combined.

The tax code is even more progressive than it seems because the IRS dataset excludes the refundable portion of tax credits like the Earned Income Tax Credit (EITC). “The rich” are also punished through the phase-out of tax exemptions, deductions, and credits as their income rises.

There are two other taxes on income that Americans must pay as well. Although they are called FICA contributions, payroll taxes, or Social Security and Medicare taxes, this doesn’t change the fact that they are taxes on income — the same income that Americans pay income tax on. The Social Security tax rate is 12.4 percent (split equally between employer and employee) on the first \$160,200 of wages. This means that most individuals pay a 6.2 percent tax on all of their income — the same income that they pay income tax on. And, to add insult to injury, up to 85 percent of Social Security benefits are subject to income tax.

“The rich” are also punished through the phase-out of tax exemptions, deductions, and credits as their income rises.

The Medicare tax rate is 2.9 percent (split equally between employer and employee) on every dollar earned. There is also an additional 0.9 percent Medicare tax paid by just employees on income exceeding \$200,000 (\$250,000 for married filing jointly). This means that individuals pay a 1.45 percent tax on their income — the same income that they pay income tax and Social

Security tax on. Self-employed individuals pay the full 2.9 and 12.4 percent, less a reduction in their net earnings from self-employment and a tax deduction equal to 50 percent of the amount of the Medicare and Social Security taxes they paid.

And these are just the income taxes that individuals pay. There is also a corporate income tax of 21 percent that consumers ultimately pay via higher prices for goods and services.

Replacement taxes

Clearly, the income tax needs to be repealed. It is highly progressive. It is extremely complex. It punishes success. It triple taxes Americans. It reduces savings and investment. It imposes heavy compliance costs. It influences the financial decisions of individuals and businesses. It violates privacy. And worst of all, it funds the welfare/warfare state.

Various proposals have been put forth over the years to reform the income tax or replace it with something else: a flat tax, a consumption tax, a value added tax, a consumed income tax, a business transfer tax. Yet, these proposals all suffer from the same fatal flaw: They don't withhold one penny from the federal leviathan's welfare/warfare state. They are all revenue

neutral. Nevertheless, some Republicans just don't get it.

There is a corporate income tax of 21 percent that consumers ultimately pay via higher prices.

On January 9, Rep. Earl L. "Buddy" Carter (R-Ga.) introduced in the U.S. House of Representatives a bill (H.R.25) to abolish the Internal Revenue Service (IRS) and repeal the income tax (including payroll taxes that "fund" Social Security and Medicare) and estate and gift taxes and replace them with "a national sales tax to be administered primarily by the States." According to a press release of Rep. Carter, "Instead of adding 87,000 new agents to weaponize the IRS against small business owners and middle America, this bill will eliminate the need for the department entirely by simplifying the tax code with provisions that work for the American people and encourage growth and innovation. Armed, unelected bureaucrats should not have more power over your paycheck than you do." Bill cosponsors Rep. Bob Good (R-Va.) Rep. Jeff Duncan (R-S.C.) chimed in:

I support the Fair Tax because it simplifies our tax code. This

transforms the U.S. tax code from a mandatory, progressive, and convoluted system to a fully transparent and unbiased system which does away with the IRS as we know it. It is good for our economy because it encourages work, savings, and investment.

As a former small business owner, I understand the unnecessary burden our failing income tax system has on Americans. The Fair Tax Act eliminates the tax code, replaces the income tax with a sales tax, and abolishes the abusive Internal Revenue Service. If enacted, this will invigorate the American taxpayer and help more Americans achieve the American Dream.

The “FairTax Act of 2023” is not much different from previous incarnations of the FairTax that have been put forward in Congress since Rep. John Linder (R-Ga.) introduced the first FairTax bill in 1999. It imposes a 23 percent “tax on the use or consumption in the United States of taxable property or services.” This includes any property (“including leaseholds of any term or rents with respect to such property”) but excludes intangible

property (“copyrights, trademarks, patents, goodwill, financial instruments, securities, commercial paper, debts, notes and bonds”) and used property. This includes any service “performed by an employee for which the employee is paid wages or a salary by a taxable employer.”

Even if no cash is exchanged for a good or service, barter transactions are still subject to the sales tax.

The national sales tax is on top of state sales taxes that are currently collected by 45 states, on top of the sales tax that many cities and counties also collect, and on top of the special taxes that exist on things like hotel rooms and rental cars throughout the country. But even if no cash is exchanged for a good or service, barter transactions are still subject to the sales tax, “If gross payment for taxable property or services is made in other than money, then the person responsible for collecting and remitting the tax shall remit the tax to the sales tax administering authority in money as if gross payment had been made in money at the tax inclusive fair market value of the taxable property or services purchased.” Purchases made by the federal and state gov-

ernments are subject to tax. This means that the federal government will be taxing itself.

To ensure that the FairTax is progressive like the current income tax, “Each qualified family shall be eligible to receive a sales tax rebate each month” by the Social Security Administration. The rebate is equal to the tax rate times the monthly poverty level, which is defined as one-twelfth of the annual poverty level determined by the Department of Health and Human Services (DHS). Families must be “duly registered qualified families” to receive the rebate, and must register annually.

The FairTax does not abolish the IRS, it merely changes its name.

Like any tax, there are penalties for noncompliance. Any person liable to collect and remit taxes who fails to register will be “prohibited from selling taxable property or services.” Failure to collect the sales tax or asserting “an invalid intermediate or export sales exemption” can result in civil and criminal penalties, including a year in jail. Failure to remit taxes collected subjects one to “a penalty equal to the greater of \$1,000 or 50 percent of the tax not remitted” or up to two years in jail.

The FairTax fraud

There are so many problems with the FairTax I hardly know where to begin. So let’s begin with the biggest fraud of all — the 23 percent tax rate. The rate is actually 30 percent, but 23 sounds much more palatable than 30 percent. According to the FairTax new math, “In the calendar year 2025, the rate of tax is 23 percent of the gross payments for the taxable property or service.” This means that if you buy something with a pretax price of \$100, you pay a national sales tax of \$30 because \$30 is 23 percent of the gross payment (the good or service plus the tax) of \$130.

The FairTax is absolute. Get a haircut — pay the 30 percent tax; get a kidney transplant — pay the 30 percent tax. Buy a new car — pay the 30 percent tax; buy a new house — pay the 30 percent tax. Purchase funeral services — pay the 30 percent tax; purchase food — pay the 30 percent tax. This would absolutely devastate the economy, create huge black markets, and turn millions of Americans into tax evaders.

The FairTax does not abolish the IRS, it merely changes its name. If there is no IRS, then who will ensure that the states collect a national sales tax? And if there is no replacement for the IRS, then why would

any business collect the tax from its customers, and why would any state collect the tax from businesses and remit it to the federal government? But there is a replacement for the IRS and its commissioner. According to the “FairTax Act of 2023”:

There shall be in the Department of the Treasury a Sales Tax Bureau to administer the national sales tax in those States where it is required pursuant to section 404, and to discharge other Federal duties and powers relating to the national sales tax (including those required by sections 402, 403, and 405). The Office of Revenue Allocation shall be within the Sales Tax Bureau.”

Indeed, the proposed legislation even says that the tax code will be amended by replacing all mentions of “Internal Revenue Service” with “Department of the Treasury” and all mentions of “Commissioner” or “Commissioner of Internal Revenue” with “Secretary” (a reference to the Secretary of the Treasury Department). So much for abolishing the IRS.

What is fair about allowing the government to confiscate 30 percent of the value of every new good

sold and every service rendered? The FairTax says that the government has that right. This is no different than claiming that the government has a right to the portion of each American’s income that it takes under the current system. As the late economist Murray Rothbard explained:

The consumption tax, on the other hand, can only be regarded as a payment for permission-to-live. It implies that a man will not be allowed to advance or even sustain his own life, unless he pays, off the top, a fee to the State for permission to do so. The consumption tax does not strike me, in its philosophical implications, as one whit more noble, or less presumptuous, than the income tax.

Maintaining that the FairTax is a “fair” tax system, or that it is “fairer” than our current system, is highly subjective.

The FairTax institutes a new welfare program. The monthly sales tax “rebate” goes to every household no matter how much they pay in sales tax. What is this but the beginnings of a universal basic income? The FairTax “rebate” will not

only allow the majority of Americans to effectively pay no sales tax, it will in many cases give them money over and above that which they paid in sales tax. How long will it be before the “rebate” is increased for the “poor” and decreased for the “rich,” making the FairTax even more progressive than the current system?

The FairTax has unknown and potentially huge transition costs. The FairTax will make it easier for Congress to raise taxes. And the idea that the federal government should tax itself when it makes purchases is ludicrous.

Conclusion

The only thing the FairTax does is change the way the state confiscates the wealth of its citizens. Changing to a national sales tax is pointless if it doesn’t reduce or eliminate the taxes that feed the federal leviathan’s multitrillion dollar welfare/warfare state. Replacing the income tax with another tax

that will devastate the economy, institute a new welfare program, and allow the federal government to collect the same obscene amount of revenue that it does right now is no way to abolish the income tax. As former congressman Ron Paul has well said: “The real issue is total spending by government, not tax reform.”

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NEXT MONTH:
**“Jeremy Bentham, Usury
Laws, and the CFPB”**
by Laurence M. Vance

Only a Renewed Belief in Liberty Can End America's Fiscal Follies

by Richard M. Ebeling



The Congressional Budget Office's (CBO) February 2023 report, *Budget and Economic Outlook, 2023-2033*, documents just how serious the fiscal dilemma is facing the United States. In a nutshell, the federal government's debt is on a dangerous trajectory, future annual budget deficits are huge as far as the eye can see, and the "entitlement programs" — Social Security and Medicare/Medicaid — are heading toward financial unsustainability.

In other words, the chickens are coming home to roost. For decades, the policies of the American interventionist welfare state have been placing the country on a path of

economic disaster. Beginning with Franklin D. Roosevelt's New Deal policies in the 1930s and then reinforced and intensified by Lyndon Johnson's Great Society agenda in the 1960s, the United States has been on a road of fiscal folly.

From limited government to the expanding state

Throughout the nineteenth century and the early decades of the twentieth century, the U.S. government was relatively small, fairly nonintrusive, and mostly restrained in budgetary matters. The CBO's *Federal Debt: A Primer* (2020), contains a diagram showing federal government debt held by the public from 1790 up until early 2020 and then projected to 2030. From the establishment of the federal government under the new U.S. Constitution until the early 1930s, only twice did the government's debt approach an amount equal to almost 40 percent of Gross Domestic Product (GDP). This occurred during the American Civil War of the 1860s and during America's participation in the First World War in 1917 and 1918.

Before the Civil War, government debt was practically zero, with the government in Washington, D.C., running balanced budgets or

modest budget surpluses to pay off small amounts of debt accumulated during the War of 1812 and the Mexican War of 1846–1848. Following the end of the Civil War in 1865, the government’s policy was, again, to run balanced budgets or surpluses each year, so that by the beginning of the twentieth century, the national debt was below 10 percent of the GDP of that time.

Government spending and borrowing increased noticeably during the Woodrow Wilson Administration (1913–1921), which included the deficit spending to cover a good part of World War I expenses. But, again, in the 1920s, during the Warren Harding and Calvin Coolidge administrations, budget surpluses reduced the national debt back down to about 20 percent of GDP.

All that changed, however, with the interventionist policies of the Herbert Hoover administration following the stock-market crash in late 1929, and then even more so following Roosevelt’s arrival in the White House in March 1933. Both Hoover and FDR ran large budget deficits in the name of “fighting” the Great Depression through “activist” government spending. The national debt exploded with the government’s expenditures during the Second World War, when it

reached about 110 percent of GDP by 1945.

The CBO’s federal debt diagram becomes a bit confusing following World War II, because by the 1960s, the national debt had fallen back to around only 30 percent of GDP. This did not mean that the federal government had stopped its deficit spending and gotten back to balancing its budgetary books. In fact, during the 78 years since the end of the Second World War, the federal budget has had only 12 years of surpluses (in the 1950s and 1990s) and 66 years of budget deficits.

During the 78 years since the end of the Second World War, the federal budget has had only 12 years of surpluses.

It is just that the budget deficits were modest enough in the 1950s and early 1960s that the national debt grew less than the U.S. economy was growing, as measured by GDP. Though government’s slice of the national economic pie was getting larger each year as an absolute amount, it was growing more slowly than the GDP pie was increasing; hence, the deficits to partly cover this growth in government spending were small and slow enough to result in the national debt becom-

ing a smaller percentage of GDP over most of the 20 years after the Second World War.

LBJ's Great Society programs helped open the floodgates

But all this changed with the Great Society programs and the Vietnam War in the second half of the 1960s and the first half of the 1970s. First LBJ and then Richard Nixon were determined to assure the American people both “guns and butter,” that is, growth in domestic government spending and the monies to fund the Vietnam War, with national debt once again growing faster than the increases in annual GDP due to larger budget deficits. It is not too surprising that by the 1970s, Americans saw the highest annualized rates of price inflation as measured by the Consumer Price Index — 11 percent in 1974 and 13.5 percent in 1980 — than had been experienced since the Civil War, more than a century earlier. The Federal Reserve had turned on the monetary spigot to help fund all the deficit spending.

Even during the eight years of the Ronald Reagan Administration in the 1980s, the deficit spending kept pushing up the national debt to well over 45 percent of GDP by the time George H. W. Bush be-

came president in 1989. This was only temporarily reversed when in the mid-1990s a Democrat president, Bill Clinton, under pressure from a Republican-held Congress, declared that the era of big government was over.

When Obama finished his eight years as president, the national debt had increased to practically \$23 trillion.

This resulted in four years of modest budget surpluses. Some Keynesian economists were deeply frightened at the time, fearing that the national debt actually might be paid off and the Federal Reserve would no longer have U.S. Treasury debt instruments to buy up in the financial markets as a means of creating money in the banking system and the economy as a whole. Oh, the horror! Alas, those Keynesians had nothing to fear. When George W. Bush became president in 2001, the national debt stood at \$5.8 trillion. When Barack Obama entered the White House eight years later in 2009, the debt was up to almost \$12 trillion. When Obama finished his eight years as president, the national debt had increased to practically \$23 trillion. Only four years of Donald Trump as president in-

creased the national debt to over \$29.6 trillion. And with less than three years of Joe Biden in the White House, the national debt is way over \$31.6 trillion, and growing.

America facing more debt and bankrupt programs

In the federal government's 2022 fiscal year (which ended on September 30, 2022), the Biden administration spent more than \$6.2 trillion, while taking in \$4.9 trillion in tax revenues, leaving a \$1.3 trillion budget deficit last year. In its latest *Budget and Economic Outlook* report, the CBO estimates that 10 years from now, in fiscal year 2033, the federal government will spend around \$9.8 trillion, take in \$7.1 trillion in tax collections, and have a budget deficit of \$2.7 trillion. Over half of that borrowed \$2.7 trillion will be used just to pay the interest on the accumulated national debt.

By 2033, due to the annual budget deficits, the national debt will have increased by an additional \$20.3 trillion, bringing the total national debt to well over \$51 trillion, and still counting! The national debt held by the public will equal nearly 120 percent of GDP.

And it gets worse. In the Congressional Budget Office's 2022

Long-Term Projection for Social Security (December 2022), the CBO estimated that by 2035, the Social Security Administration (SSA) will not be able to meet all of the agency's obligations to eligible recipients under current legislation. Since around 2006, Social Security outlays have been greater than Social Security taxes collected from the U.S. labor force. The difference has been made up by the SSA cashing in U.S. government Treasuries that had accumulated on its books during earlier decades when there were Social Security surpluses that were used to fund part of the larger, overall federal deficits.

By 2033, the national debt held by the public will equal nearly 120 percent of GDP.

By around 2034, all of those Treasury securities will have been cashed in. After that point, under current legislation, only monies collected by the SSA from the working population may be used to pay retirees. Benefits would then have to be cut by almost 25 percent. In other words, suppose your Aunt Minnie had been receiving \$1,000 a month from SSA. A month will arrive when she opens the mail and finds that her Social Security check is only \$750.

Federally funded Medicare and Medicaid and related government health and medical programs face the same fiscal folly. In fiscal year 2022, total federal expenditures on these health-care programs came to \$1.6 trillion. In fiscal year 2033, under current eligibility legislation, this spending will have increased to over \$3 trillion, or double what it is today.

Overall, total “mandatory” or “entitlement” spending will increase from \$4.6 trillion in fiscal year 2022 to around \$6.6 trillion in 2033, for an overall increase in these core welfare-state programs by more than 43 percent.

Defense spending and foreign holdings of U.S. debt

In fiscal year 2022, U.S. defense spending came to \$816 billion. Under congressional approval, legislated defense spending in fiscal year 2023 will be around \$891 billion. The CBO projects that defense expenditures are likely to be \$1.15 trillion in fiscal year 2033, or a nearly 30 percent increase over the next decade.

This, of course, does not include the continuing costs of funding the military expenditures of the Ukrainian government for however long its war continues with Russia. Nor

does this contain the higher Defense Department–related spending that might arise if the United States is drawn into a conflict between communist China and Taiwan. This also does not include the possibility of some other foreign interventionist adventures that the Washington global central planners might find it “impossible” to avoid in the name of the “national interest” and the cause of “global democracy.”

**That means that 23 percent
of the national debt is held by
foreign investors.**

As of December 2022, according to the United States Treasury Department and the Federal Reserve, more than \$7.3 trillion of the current \$31.6 trillion in U.S. government debt is held by lenders abroad. That means that 23 percent of the national debt is held by foreign investors. Japan holds \$1.076 trillion, followed by communist China in the amount of \$867.1 billion. The European Union countries, together, hold over \$1.2 trillion in U.S. Treasuries, with the United Kingdom holding \$654.5 billion more. Four of the Persian Gulf-region oil-exporting nations (Saudi Arabia, the United Arab Emirates, Kuwait, and Iraq) hold a

combined total of \$262 billion of U.S. government debt.

America has been moving away from the spirit of individual liberty, self-responsibility, and freedom of choice.

If a global financial crisis or economic panic resulted in any significant amount of this U.S. debt that is held abroad being dumped on the international markets, the fallout, in principle, could be immense.

A country's political history through its fiscal policies

During the First World War, Austrian-born economist Joseph A. Schumpeter (1883-1950) published an essay on "The Crisis of the Tax State" (1918). He said:

The public finances are one of the best starting points for an investigation of society, especially though not exclusively of its political life.... The spirit of a people, its cultural level, its social structure, the deeds its policy may prepare — all this and more is written in its fiscal history, stripped of all phrases. He who knows how to listen to its message here discerns the thunder of world

history more clearly than anywhere else....

[T]he budget is the skeleton of the state stripped of all misleading ideologies.... An enormous influence on the fate of nations emanates from the economic bleeding which the needs of the state necessitates, and from the use to which its results are put.

For more than 100 years, America has been moving in a direction away from the spirit of individual liberty, self-responsibility, and freedom of choice inside and outside of the marketplace, including freedom of association in, especially, the economic affairs of everyday life. When this set of ideas still prevailed among a large majority of the people of the United States during most of the nineteenth century, government, by logical extension, had limited duties in the affairs of almost everyone. Government's role was, primarily, to enforce a legal system premised on the principle of every person's right to their life, liberty, and honestly acquired property.

Of course, in reality, even during the heyday of nineteenth-century laissez-faire, government did more than this, especially at the local and state levels, though already

the federal government was providing various privileges, favors, protections, and subsidies to special interests in association with those in positions of political authority. It is only in comparison with the huge interventionist-welfare state of our own time that the nineteenth century seems so free from the intrusive hand of the state.

Even after slavery had ended, evil men used the state to enforce segregation laws restricting or prohibiting the freedom of association.

Many were the successful attempts to abridge freedom of speech and the press, freedom of movement, and freedom of association and trade in parts of the United States in the decades before the Civil War, particularly when it involved the proslavery mobs wanting to suppress abolitionist voices calling for the end to the human bondage prevailing in the southern states. Even murder would be given a blind eye by judges and juries when it came to acquitting those who killed advocates of freedom. Even after slavery had ended, evil men used the state to enforce segregation laws restricting or prohibiting the freedom of association between

people simply due to the color of their skin.

However corrupted the reality of the American experience may have been compared to the ideals expressed in the Declaration of Independence and instituted in the Constitution, it nevertheless remained the case that throughout most people's everyday life, government was hardly present and left people pretty much alone to guide and manage their own affairs as they thought best in voluntary associations with their neighbors and market partners around the corner or half way around the world.

Self-responsible people means limited government

When the first edition of *The World Almanac* was published in 1868, the offices and departments of the federal government covered only one page in the entire volume! It listed the president, the vice-president, a handful of executive cabinet positions, and the ambassadors representing the United States in various foreign countries. The government debt in 1868 came to a bit more than \$2.6 billion (less than \$80 billion in inflation-adjusted 2023 dollars).

However, over the next several decades, political currents began to

change. This was seen and warned about by those still dedicated to the idea and ideal of liberty.

“Socialism, or reliance on the State for help, stands in antagonism to *self-help*.”

For instance, in 1887, J. Laurence Laughlin, who founded the economics department at the University of Chicago, compared the American philosophy of individual freedom with the growing European philosophy of political paternalism in his *Elements of Political Economy*:

Socialism, or reliance on the State for help, stands in antagonism to *self-help*, or the activity of the individual. The body of people certainly is the strongest and happiest in which each person is thinking for himself, is independent, self-respecting, self-confident, self-controlled, self-mastered. Whenever a man does a thing for himself he values it infinitely more than if it is done for him, and he is a better man for having done it.... The man who hews out his own path gains power by so doing, and becomes self-reliant, saga-

cious, foresighted, and ready for further advance.... He knows that two and two make four....

If, on the other hand, men constantly hear it said that they are oppressed and downtrodden, deprived of their own, ground down by the rich, and that the State will set all things right for them in due time, what other effect can that teaching have on the character and energy of the ignorant than the complete destruction of *self-help*? They begin to think that they can have commodities which they have not helped to produce. They begin to believe that two and two make five. It is for this reason that socialistic teaching strikes at the root of individuality and independent character, and lowers the self-respect of men who ought to be taught self-reliance....

The danger of enervating results flowing from dependence on the State for help should cause us to restrict the interference of legislation as far as possible.... The right policy is matter of supreme importance, and we should not like to see in our country the

system of interference as exhibited in the paternal theory of government existing in France and Germany.

The dangers about which J. Laurence Laughlin wished to warn only continued to grow in the last decades of the nineteenth century and throughout the twentieth century.

Incremental interventionism has led to big government

It was easy for many to ignore or discount these dangers. Let's not take the principle of liberty to an extreme. Are there not some in society who need the helping hand of government to overcome the misfortunes of life? Are there not people who abuse their wealth and economic position in society at the expense of the ordinary "little guy?" Of course, let's have private enterprise, but let it be "socially aware" private enterprise under "reasonable" government regulations and redistributions of income and wealth. Surely, there is a "balance" between personal liberty in all things and partial paternalism to smooth out the rough edges of *laissez-faire*.

It has been the appeal and apparent plausibility of incremental intervention and redistribution that

has created, decades later, the reality of the current giant governmental machine that oversees, controls, regulates, restricts, insists, dictates, and determines so many aspects of our personal, social, and economic life. Once this paternalist philosophy of man and government gains hold it makes nearly inevitable the expanding size and scope of political involvement in society that we see today.

The more government is expected to do, the more it must siphon off the income and resources belonging to private individuals.

The more government is expected to do, the more it must siphon off the income and resources owned by and belonging to private individuals to apply them to the growing number of "social purposes" assigned to those in political authority. It may seem a long and complex train of events, ideas, and policies that lead from J. Laurence Laughlin's fears of European paternalism taking hold in the America of the 1880s to President Biden in 2023 insisting that come hell or high water, there will be no cuts in entitlement programs because they are part of what makes modern America. But the path that America

has followed has led from there to here.

Welfare states have no limits and swallow up society

Part of the reason is that there are no natural checks or limits on the interventionist welfare state once it has taken root and has come to be politically and culturally accepted as “necessary” and “inescapable” in a modern society. This was emphasized by the German free-market economist Wilhelm Röpke (1899–1966) in *A Humane Economy: The Social Framework of the Free Market* (1958):

The dangers of the welfare state are the more serious because there is nothing in its nature to limit it from within. On the contrary, it has the opposite and very vigorous tendency to go on expanding.... By its continuous expansion, the welfare state tries to cover more and more uncertainties of life and ever wider circles of the population, but it also tends to increase its burdens; and the reason why this is so dangerous is that while expansion is easy and tempting, any repeal of a measure later recognized as hasty is difficult

and ultimately politically unfeasible....

The welfare state not only lacks automatic brakes and not only gathers impetus as it moves along, it also moves along a one-way street in which it is, to all intents and purposes, impossible, or, at any rate, exceedingly difficult to turn back. What is more, this road undoubtedly leads to a situation where the center of gravity of society shifts upward, away from genuine communities, small, human, and warm, to the center of impersonal public administration and the impersonal mass organizations flanking it. This implies growing centralization of decision and responsibility and growing collectivization of the individual’s welfare and design for life.

In a small companion volume, *Welfare, Freedom, and Inflation* (1964), Röpke pointed out that the growing dependency of more and more people on the welfare state is the opposite of what should be wanted in a free society: self-supporting and self-responsible citizens, rather than wards of the state:

It is all too often forgotten that anyone who is serious about human dignity should measure progress less by what the State does for the masses than by the degree to which the masses can themselves solve the problem of their rainy days out of their own resources and on their own responsibility. This, and only this, is worthy of free and grown-up persons, certainly not constant reliance on the State for assistance which ... can, in the last analysis, come only out of the pockets of the taxpayers themselves or from an enforced restriction in the standard of living of those whom inflation really hits. Alternatively, is it really progress if we classify more and more people as economic wards to be looked after by that colossal guardian, "The State"?...

Would it not be much more progressive if more and more members of the broad masses were permitted to reach the status of economic "grown-ups," thanks to rising income resulting from their own labor?... The yardstick of our accomplishment will be how far we succeed in widen-

ing the field of individual provision and mutual assistance ... and not the least of our achievements will be our triumph over the very real danger that man may be reduced to the status of an obedient domesticated animal in the State's big stables, crammed together with other similar animals ... fed by the [political] patron.

Only belief in liberty and radical repeal can end the fiscal crisis

At the end of the day, the only way the hazardous road of welfare-statist fiscal folly can be exited is a radical end to the very rationales and institutions upon which the paternalist state now exists. It may be replied that this is too extreme. Instead it is believed that we must find a way to cut down the interventionist welfare state, to introduce a series of compromise measures that avoid the fiscal disaster America is moving toward with its unending deficits and mounting national debt, on top of burdensome levels of taxation that undermine the incentives and abilities for work, saving, and investment.

But, in reality, there can be no halfway houses, some middle-way between a fully free market society

and political paternalism. If the institutions are left in place, then once the fiscal crisis atmosphere subsides, the same policies and the same ideas behind them will pick up where they had left off, and the fiscal rollercoaster will begin its ride again. Only by abolishing the government departments, bureaus, and agencies through which the system of political paternalism operates, and only by releasing all those employed in these parts of the government to find “honest work” in the private sector, can the paternalist danger be finally removed.

Accompanying this, or, indeed, preceding it, must be a radical change in ideas about the meaning and importance of personal liberty, truly limited government, and the value and essentialness of open, competitive, free markets, along with the voluntary institutions of civil society through which “social problems” may find their “solutions” without the power and coercion of the state.

This is, of course, no easy task. It requires determination, articulation, persuasiveness, and, most importantly, courage in the face of others and their arguments against the restoring and refinement of the classical-liberal society of free human beings. But if America is to be saved from the fiscal disaster toward which it is clearly heading, there is no other way.

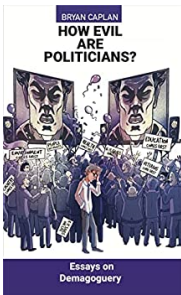
Richard M. Ebeling is the BB&T Distinguished Professor of Ethics and Free Enterprise Leadership at The Citadel. He was professor of economics at Northwood University and Hillsdale College, president of the Foundation for Economic Education, and served as vice president of academic affairs for FFF.

NEXT MONTH:
**“Celebrating Adam Smith
on His 300th Birthday”**
by Richard M. Ebeling

How Evil Are Politicians? Part 1

by George C. Leef

How Evil Are Politicians?: Essays on Demagoguery by Bryan Caplan (Bet On It Books, 2022)



If you are a libertarian, or just someone with a streak of skepticism about government, you will enjoy and profit from reading *How Evil are Politicians?* The author, Bryan Caplan, is a professor of economics at George Mason University. He has written several very worthwhile books (my favorite among them is *The Case Against Education*, an iconoclastic book that challenges the foundations of the education establishment) and blogs with profusion.

This book is a collection of Caplan's short writings on a wide variety of topics. The common thread is the damage done by government.

Most of the chapters are just two or three pages, filled with deep insights about the nature of politics. Libertarians will find their arguments fortified and extended; defenders of statism will be shocked at the author's ability to detect the weak spots in their belief system and tear them apart.

Let's start with the book's title. Most Americans find fault with politicians they perceive as being "on the other side." Democrats say that Republican politicians are ruining the country, and Republicans say that Democrat politicians are doing the same. But Caplan argues that by and large, they are all evil. Why? Because they fail to perform due diligence to find out if government is making society better off or (as is usually the case) worse off. Caplan sharply admonishes all politicians: "Common decency requires you to act with extreme moral trepidation at all times, ever mindful of the possibility that you're trampling on the rights of the morally innocent." But almost no politicians ever perform this "intellectual hygiene" and therefore "have no business lifting a political finger."

Strong stuff, but Caplan is right. Politicians rush in to legislate, mandating this, outlawing that, subsidizing things they favor, and taxing

away the earnings of the people to pay for all of it — not to mention their hefty salaries. When was the last time you heard a politician utter a mea culpa for having done things that were clearly harmful? I'm unable to think of any such instance.

Caplan shines in his ability to highlight the flaws in democracy. Consider, for example, his discussion of “social desirability bias.” Here's what he means: “Some types of claims sound good or bad regardless of the facts.” Count on politicians to go along with measures that sound good (such as Social Security) even if they are demonstrably bad. Conversely, politicians will oppose measures that sound bad even if there is a mountain of evidence that they'd actually be good. Repealing rent control laws, for example, sounds heartless, so they remain in force despite the fact that they do immense harm to the housing market.

And exactly what is demagoguery? Caplan's answer: “Embracing Social Desirability Bias to gain power. Making a career out of praising what sounds good and attacking what sounds bad.”

Democratic and Republican politicians come in for Caplan's scorn equally. The differences between them are merely rhetorical.

Republicans talk about their concern for taxpayers, but it's mere rhetoric. If they really cared about the government's burdens on taxpayers, they would work for dramatic cuts in government spending. They don't. Democrats rail against big business, but do they stop the many policies that line the pockets of firms that support them? No.

Caplan shines in his ability to highlight the flaws in democracy.

Speaking of rhetoric, Caplan cuts through the verbal smoke-screens that politicians so often employ to hide their intentions. We are almost always seduced with “bleeding heart” talk about how the politician wants to help needy people. Alas, his real goal is power — he wants to employ the mailed fist of government to transform society to his liking, which happens to include putting himself at the top. This is one of the means by which, as Hayek put it, “the worst get on top.” Most politicians, whether dictators like Hugo Chavez or your garden-variety American official, are “power lusters” who are good at manipulating people.

A number of the chapters in the book help nonstatists respond to common statist arguments. (It's

clear that Caplan spends a lot of time thinking through arguments and counterarguments on a wide array of issues.) For example, suppose that you have said that national parks ought to be privatized. A typical retort would be, “If you had your way, only the rich would have access to our beautiful parks.” How would you respond?

Caplan suggests several counterarguments. You could point out that poor people can afford many things that aren’t “free” from government by prioritizing their purchase. Boats, for example, must be purchased in the market, but poor people can still get boats if they really want them. This has the added benefits of encouraging work and thrift so people can get things they want through commerce. If the national parks were private, they might cost more, but poor people who really wanted to go to Yosemite could forego other things until they could afford it — and poor people who didn’t think it so important could save for other things.

Here’s another public policy issue that Caplan has thought about — the minimum wage. In particular, he asks why it is that politicians who say (with the hearts bleeding) that the minimum wage absolutely must be increased, but gradually.

Why not go to the full new level immediately? The answer is that there will be negative effects from the wage increase, and the politicians know it. They want the credit for their supposed good intentions but none of the backlash that could result from job losses among low-skill workers. Here’s how Caplan analyzes matters: “But what if you’re a ruthless demagogue, pandering to the public’s economic illiteracy in a quest for power? Then you have a clear reason to prefer the subtle to the blatant. If you raise the minimum wage to \$12 today and low-skilled unemployment doubles overnight, even the benighted masses might connect the dots.... As long as the new minimum wage takes years to kick in, any half-competent demagogue can find dozens of scapegoats for the unemployment of low-skilled workers.”

George C. Leef is the research director of the Martin Center for Academic Renewal in Raleigh, North Carolina.

NEXT MONTH:
“How Evil Are Politicians?”
Part 2
by George Leef

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