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# FUTURE OF FREEDOM

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*Nothing is so firmly believed as what is least known.*

— *Michel Eyquem de Montaigne*

# FUTURE OF FREEDOM

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## The Future of Freedom Foundation

11350 Random Hills Road

Suite 800

Fairfax, VA 22030

...

[www.fff.org](http://www.fff.org) · [fff@fff.org](mailto:fff@fff.org)

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703-934-6101

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# A Pox on Many Houses in Ukraine

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by *Jacob G. Hornberger*



When Russia invaded Ukraine, it immediately became an easy decision for today's interventionists. Their position was both simple and simplistic: Ukraine is a sovereign and independent country. Russia initiated a war against Ukraine by invading the country. Therefore, Russia is bad and should be condemned. Moreover, the U.S. government, as well as NATO, should come to Ukraine's defense by furnishing weaponry, money, and training, and possibly even troops.

It's worth pointing out that interventionists are not entirely consistent with respect to their opposition to Russia's invasion of Ukraine. These same interventionists were squarely in favor of the U.S. invasions of Afghanistan and Iraq some

20 years ago, as well as the resulting long-term occupations. Moreover, these same interventionists castigated and condemned anyone who failed to support the U.S. invasions of those two countries, just as Russian interventionists are saying about Russians who oppose their country's invasion of Ukraine.

What U.S. interventionists failed to recognize is that simply because Russia invaded Ukraine doesn't automatically make Ukraine's position an especially admirable one. Contrary to what U.S. interventionists claim, the war in Ukraine is not about defending the "freedom" of the Ukrainian people. Instead, the war is about the "right" of the Ukrainian government to join NATO. At the risk of belaboring the obvious, going to war in the hope of joining NATO is not same thing as going to war to protect the freedom of the Ukrainian people.

In the run-up to the Russian invasion, everyone understood that the crisis was driven by the U.S. decision to offer NATO membership to Ukraine and by the willingness of Ukrainian officials to join NATO. Everyone knew that for the past 25 years, Russia has been objecting to NATO's expansion toward Russia's border. During that time, Russia repeatedly emphasized that Ukraine's

membership in NATO was a “red line” that, if crossed, would motivate Russia to invade Ukraine in order to prevent that from happening.

It’s safe to say that everyone also understood that Russia wasn’t bluffing. Everyone knew that if NATO and Ukraine continued to move in the direction of Ukrainian membership in NATO, Russia would invade the country.

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**Why would Zelensky put joining NATO on a higher level than the lives of his citizens and the well-being of his country?**

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Thus, immediately prior to the Russian invasion, Ukrainian president Volodymyr Zelensky was faced with a choice: Does he forgo his wish to have Ukraine join NATO and therefore avoid massive death and destruction that would come with war? Or does he instead go to war and sacrifice tens of thousands of Ukrainian citizens and undergo destruction of a large portion of his country?

Zelensky chose the latter course. What president would do such a thing? It’s one thing to decide to go to war to protect the freedom of the country, but it’s quite another thing to go to war for the sake of joining an old Cold War dinosaur like

NATO. Why would he put joining NATO on a higher level than the lives of his citizens and the well-being of his country? What could possibly motivate any ruler to do that? If it were me and I was faced with that choice, I wouldn’t hesitate to place a larger importance on the lives of my citizens and the welfare of my country than on joining an alliance like NATO. Keep in mind that if Zelensky had foresworn his desire to have Ukraine join NATO, all those Ukrainian soldiers and civilians who have lost lives or limbs would still be alive and whole today, living their normal lives, and the country would not now be greatly damaged. Why was joining NATO so important to Zelensky?

Hanging over all this is the reputation that Ukraine has long had for being one of the most corrupt regimes in the world. Given such, there is little doubt that there are officials in the Ukrainian government who are siphoning off vast amounts of the billions of dollars that the U.S. government is flooding into Ukraine. Did officials within the Zelensky government pressure him into taking the war route with the expectation that war would bring them vast amounts of ill-gotten wealth? We do not know the answer, but given Ukraine’s long his-

tory of corruption, it is not unreasonable to ask it.

Thus, even though Ukraine is correct when it points out that Russia has aggressed against Ukraine, that doesn't necessarily mean that Ukraine holds an admirable position, given that Ukrainian officials could have simply abandoned their wish to join NATO.

### The primary culprit in the Ukraine disaster

The primary culprit in all this death and destruction, however, is the U.S. government, something that U.S. interventionists, unfortunately, are loathe to acknowledge. They simply and simplistically focus on Russia's invasion of Ukraine and conclude "Russia is bad." As far as they are concerned, that is the end of the story. For interventionists, the U.S. government is an innocent babe in the woods that would never do anything bad, including invading countries and inciting conflicts between other nations.

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But as is often the case in foreign affairs, things sometimes aren't as they appear. In fact, in this case, it

is the U.S. government, especially the national-security branch of the government, that bears primary responsibility for the massive death and destruction that has resulted from Russia's invasion of Ukraine.

If we go back to the year 1979, we can get a glimpse of how the U.S. government operates. That was the year that the Soviet Union invaded Afghanistan. For interventionists, the issue was as simple as it is today with Ukraine: Russia was bad for invading Afghanistan, and that was the end of the story. Interventionists launched a condemnatory crusade against Russia that even included a boycott of the 1980 Summer Olympics that were being held in Russia.

Almost 20 years later, Zbigniew Brzezinski, who was serving as U.S. national-security advisor in 1979, gave an interview to a French magazine named *Le Nouvel Observateur*. In that interview, Brzezinski admitted that U.S. officials had maneuvered and provoked the Soviets into launching their invasion of Afghanistan. Moreover, Brzezinski was proud of what he and his Cold War cohorts had accomplished. As he stated:

We didn't push the Russians to intervene, but we knowingly

increased the probability that they would.... That secret operation was an excellent idea. It had the effect of drawing the Russians into the Afghan trap and you want me to regret it? The day that the Soviets officially crossed the border, I wrote to President Carter, essentially: “We now have the opportunity of giving to the USSR its Vietnam war.”

Brzezinski was referring to efforts by U.S. officials to effect one of their patented regime-change operations in Afghanistan, one that involved supporting Afghans who were attempting to oust the pro-Soviet regime in Afghanistan and replace it with an anti-Soviet regime. U.S. officials were counting on the Soviets to invade Afghanistan to prevent that from happening.

When the scheme succeeded, U.S. officials were ecstatic. By giving the USSR “its Vietnam war,” Brzezinski was saying that the Soviets would now be bogged down in a war that would needlessly kill tens of thousands of Russian soldiers. When those deaths started taking place, U.S. officials celebrated the success of their trap.

What type of regime celebrates the deaths of tens of thousands of

foreign soldiers, each of whom is leaving a grieving family and grief-stricken relatives and friends back home? The answer is: an evil regime, one that civil-rights leader Martin Luther King called “the greatest purveyor of violence in the world.”

### The Cold War racket

That 1979 scheme demonstrates how the conversion of the federal government from our founding governmental structure of a limited-government republic to a totalitarian governmental structure of a national-security state has warped America’s moral values. The success of that operation inspired U.S. officials to do it again many years later, with Ukraine, which, not surprisingly, has also demonstrated what the national-security state has done to pervert the moral values of the American people.

When the Soviet Union decided to dismantle itself and bring an end to the Cold War, the U.S. national-security establishment — that is, the Pentagon, the CIA, and the NSA — panicked. They knew that every national-security state needs official enemies, opponents, rivals, adversaries, and crises to keep the citizenry agitated and afraid. That ensures not only the continued existence of the national-security es-

tablishment — so as to keep people safe from all these things — but also guarantees the Pentagon, the CIA, and the NSA ever-increasing power and largesse.

The Cold War served that function well. When the conversion to a national-security state took place in 1947, President Truman was told that he needed to scare the hell out of the American people so that they would not question or challenge the conversion.

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**Truman told Americans that the Reds were a much bigger threat than the Nazis.**

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Truman did that with the communists. He told Americans that the Reds were a much bigger threat than the Nazis. If not stopped, they were coming to get us. Only by adopting a totalitarian-like governmental structure, one with omnipotent powers, could America be protected from a communist takeover.

The scheme worked brilliantly. Year after year, decade after decade, Americans heard, “The Reds are coming! The Reds are coming!” Thus, they continually supported the ever-increasing amounts of federal largesse spent on the Pentagon, the CIA, the NSA, and their ever-growing army of “defense” contrac-

tors. At the same time, they supported foreign interventions, like the Vietnam War — along with all the death and destruction that came with them — to ensure that America didn’t go Red.

The Cold War was one of the most successful rackets in history, and then suddenly and unexpectedly, it came to an end in 1989. After suggesting that the national-security establishment could participate in the war on drugs, it shifted gears when Saddam Hussein invaded Kuwait. Suddenly, the makings of a new racket had appeared. Although he had been a partner and ally of the United States throughout the 1980s, Saddam now became a “new Hitler.” During the next several years, the common refrain became “Saddam! Saddam! Saddam! He’s coming to get us with his WMDs!”

**The Saddam Hussein and terrorism rackets**

But the national-security establishment knew that Saddam would never prove as scary as the Reds. So the greatest purveyor of violence in the world launched a vicious program of economic sanctions against the Iraqi people that succeeded not only in impoverishing the Iraqi people but also killing hundreds of



thousands of their children. In 1996, U.S. ambassador to the UN Madeleine Albright told the world that the deaths of half-a-million Iraqi children from the sanctions were “worth it.” At the same time, U.S. officials stationed U.S. troops near Islamic holy lands and continued their unconditional support of the Israeli government.

Despite (or perhaps because of) the fact that there were commentators who were warning that such interventionism was inevitably going to lead to a major terrorist attack on American soil, U.S. officials continued it. This led to terrorist retaliation, including the 9/11 attacks.

The national-security establishment now had a new official enemy — terrorism, and to a certain extent, Islam. Amidst all sorts of hoopla about how the terrorists or the Muslims were now coming to get us, U.S. officials launched their much ballyhooed “war on terrorism,” followed by their invasions of Afghanistan and Iraq, which produced massively more death and destruction, thereby ensuring a perpetual threat of terrorist retaliation.

The national-security establishment was in high cotton again, but knowing that the war on terrorism could ultimately fizzle out, they decided to hedge their bets by initiat-

ing a long-term scheme to revive their old Cold War racket against Russia.

### Reviving the old Cold War racket

When the Cold War came to an end, the Warsaw Pact was also dismantled. Not so NATO, however, although that is precisely what should have happened. After all, its mission was to protect Western Europe from a Soviet invasion. With the end of the Cold War, that mission was now over.

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**The greatest purveyor of violence  
in the world launched a vicious  
program of economic sanctions  
against the Iraqi people.**

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Moreover, although U.S. officials had promised Russian officials that NATO would not expand eastward, that is what the United States did. Over Russia’s vehement objections, NATO began absorbing former members of the Warsaw Pact, which enabled the Pentagon and the CIA to move their military bases and nuclear-capable missiles ever closer to Russia’s border.

At the same time as their NATO expansion, U.S. officials embarked on a campaign of taking Russian citizens political hostages using the federal criminal-justice system,

knowing full well that Russia would retaliate by doing the same to American citizens. Two notable examples of Russians taken hostage were Viktor Bout and Maria Butina. Once Russia began retaliating, it became easy to gin up anti-Russian hostility within the American mainstream press.

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**Although U.S. officials had promised Russian officials that NATO would not expand eastward, that is what the United States did.**

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U.S. officials then embarked on a massive propaganda campaign designed to convince the American people that Russia had manipulated their vote in the 2016 presidential election. Although the allegation was totally bogus, it succeeded spectacularly in engendering tremendous anti-Russia hostility within the U.S. mainstream press.

Returning now to NATO, over the years, Russia made it clear that Ukraine was a “red line” for Russia. Russian official repeatedly emphasized that if NATO threatened to absorb Ukraine, Russia would invade Ukraine to prevent that from happening.

Nonetheless, knowing full well that Russia wasn’t bluffing, the Pentagon and the CIA proceeded on-

ward, announcing that Ukraine had the “right” to join NATO. For its part, Ukraine expressed a desire to join NATO. Everyone knew what the outcome was going to be — Russia was now going to invade Ukraine.

How did U.S. official know that Russia would invade Ukraine? Not only because Russia said it would but also because U.S. officials knew that that is precisely what the United States would do if Russia threatened to install nuclear missiles in Cuba, which is just 90 miles away from the United States.

### Lessons from the Cuban Missile Crisis

Indeed, that’s what happened back in 1962 during the Cuban Missile Crisis. The Soviets installed nuclear missiles on the island with the consent of Cuban officials. They had every legal right to do so, just as Ukraine has every legal right to join NATO.

Notwithstanding the legal niceties, however, the fact is that President Kennedy, the Pentagon, and the CIA did not like the thought of having nuclear missiles pointed at the United States from only 90 miles away. And because they didn’t like it, Kennedy and the national-security establishment threatened to do to Cuba what Russia has done

to Ukraine. The choice given to Russia was: Remove your missiles and go home or we are going to invade Cuba to forcibly remove those missiles. If Russia had stood steadfast, there is no doubt that the United States would have invaded Cuba, which almost certainly would have meant all-out nuclear war.

Ultimately, Kennedy and Soviet leader Nikita Khrushchev struck a deal in which Kennedy promised that he would never permit the Pentagon and the CIA to invade Cuba again. Also, recognizing that Russians didn't like having U.S. nuclear missiles pointed at them from nearby, Kennedy agreed to remove U.S. nuclear missiles from Turkey.

With Ukraine, the United States has, once again, given Russia its own Vietnam. Tens of thousands of Russian soldiers are now dead, and U.S. officials are ecstatic because those deaths mean that Russia is being "degraded." Never mind that in the process of setting this massive death trap, tens of thousands of

Ukrainians have also died, not to mention the fact that Ukraine has been greatly damaged.

### Conscience and a triune god

Meanwhile, American interventionists continue to ignore the role in this sordid, evil scheme of what Martin Luther King pointed out was the greatest purveyor of violence in the world. That's because the Pentagon, the CIA, and the NSA are their triune god, one that can do no harm. Interventionists are left with their simplistic belief of "Russia bad" and their stultified human consciences.

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

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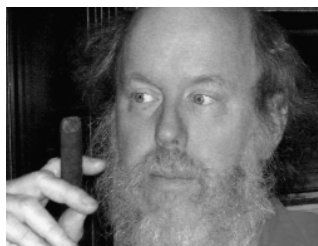
**NEXT MONTH:**  
**"America's Forever Wars Are Not the Problem"**  
*by Jacob G. Hornberger*

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# Macaulay and My 75-Cent Epiphanies, Part I

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by James Bovard



Fearing that my writing style was becoming anemic, I recently sought a literary booster shot from my bookshelves. Happily, a dozen volumes of Thomas Macaulay awaited me. Macaulay made history mesmerizing, and I have been captivated by his speed, grace, and wit for 40 years.

Nobody would mistake my shelf of Macaulay books for leather-bound collector items. In 1981, I picked up a four-volume set of his essays for 75 cents from a “discard” book sale outside McKeldin Library on the University of Maryland campus. Those volumes were too ratty for a cat to drag into a house. Two of the volumes had cracked spines and were held together with masking tape. Having been raised in the

mountains of Virginia, I knew exactly how to upgrade them. I replaced the masking tape with duct tape. Having a “library discard” set zapped any hesitation to annotate the hell out of the crinkly old pages.

This was a pirate edition of Macaulay’s essays. A Philadelphia printer published the collection in 1842, at a time when Macaulay prohibited his essays from being republished in England. After the pirate edition (no royalties were paid to the author) began being imported into London, Macaulay relented and brought out the essays in Britain, providing an immense blessing for readers everywhere. Friedrich Hayek, in a footnote to his *The Constitution of Liberty*, hailed “Macaulay’s success in making the achievement of the constitutional struggles of the past once more a living possession of every educated Englishman” in bygone times.

## Swooning for Macaulay’s masterful prose

Those four volumes complimented a battered 1860 volume of his essays that I snared for 25 pence in 1977 in Cambridge, England, during a summer spent hitchhiking around Europe. That volume included early vociferous pieces that Macaulay himself sought to suppress.

Macaulay was the Mike Tyson of book reviewers, busting heads left and right. He immortalized one Tory anti-Catholic bigot: “He foams at the mouth with the love of truth.” He lampooned an overheated paternalist: “His artillery ... is composed of two sorts of pieces, pieces which will not go off at all, and pieces which go off with a vengeance, and recoil with most crushing effect upon himself.”

He derided England’s Poet Laureate: “What theologians call the spiritual sins are his cardinal virtues — hatred, pride, and the insatiable thirst for vengeance.... ‘I do well to be angry,’ seems to be the predominant feeling of his mind.” The first part of that description fits many political zealots nowadays. The second line could serve as a motto for people endlessly agitated by a recent president.

Macaulay vehemently denounced the oppressive, archaic laws of England that brutalized the downtrodden: “We see the barbarism of the thirteenth century and the highest civilization of the nineteenth century side by side; and we see that the barbarism belongs to the government, and the civilization to the people.” In his 1839 essay on “Church and State,” Macaulay declared: “It is mere foolish cruelty

to provide penalties which torment the criminal without preventing the crime.” I recycled that one-sentence refutation of the U.S. drug war in several articles in the 1980s and 1990s. Unfortunately, politicians profit from tormenting drug users regardless of the vast collateral damage of the war on drugs.

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**Macaulay vehemently denounced the oppressive, archaic laws of England that brutalized the downtrodden.**

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Macaulay understood economics and pilloried protectionism at every chance. In 1824, he lamented, “Free trade, one of the greatest blessings which a government can confer on a people, is in almost every country, unpopular.” He recognized that voluntary exchange is by definition mutually beneficial: “To trade with civilized men is infinitely more profitable than to govern savages.” He also appreciated how renegades spurred reform: “Many absurd revenue acts have been virtually repealed by the smuggler.” It is unclear whether Macaulay knew that clashes between British troops and Bostonians commenced after the seizure of a ship named “Liberty,” which John Hancock, the first signer of the Declaration of In-

dependence, used for smuggling.

One of my biggest surprises in reading Macaulay was learning how pro-government balderdash is perpetually recycled throughout history. In his 1830 essay on Robert Southey's *Colloquies on Society*, Macaulay mocked faith in taxation:

In every season of distress which we can remember, Mr. Southey has been proclaiming that it is not from economy, but from increased taxation, that the country must expect relief; A people, he tells us, may be too rich: a government cannot: for a government can employ its riches in making the people richer.... We are really at a loss to determine whether Mr. Southey's reason for recommending large taxation is that it will make the people rich, or that it will make them poor.

Macaulay followed up by impaling the delusion that government intervention is the magic cornucopia to produce prosperity:

In a bad age, the fate of the public is to be robbed. In a good age, it is much milder — merely to have the dearest and the worst of everything. We

firmly believe, that five hundred thousand pounds subscribed by individuals for railroads or canals, would produce more advantage to the public, than five millions voted by Parliament for the same purpose.

A ten-to-one ratio of benefits from government vs. private spending was par for the boondoggles I investigated in the Reagan era and beyond. I used the “bad age” quote to anchor the conclusion of a 1986 Cato policy analysis on “The Continuing Failure of Foreign Aid.” Neither my analysis nor endless Inspector General demolitions of failed projects slowed the foreign-aid gravy train.

Another Macaulay phrase provided a lodestar for my attacks on agricultural subsidies. As I wrote in my 1989 book, *The Farm Fiasco*, “Farm aid is based on the old superstition that ‘no money can set industry in motion till it has been taken by the tax-gatherer out of one man's pocket and put into another man's pocket.’” Any farm handout that made voters or donors grateful was a good investment for congressmen. Because politicians didn't pay the price of foolish policies, they had no incentive to cease repeating nitwit interventions.

In the final pages of my 1994 book, *Lost Rights: The Destruction of American Liberty*, I could not resist roping in my favorite essayist: “Government should be organized solely with a view to its main end; and no part of its efficiency for that end should be sacrificed in order to promote any other end however excellent.” I set up that quote with my own swing at an epigram: “America needs fewer laws, not more prisons.” Unfortunately, no leash can stop politicians from launching crusades for which government has no competence.

### Macaulay’s continued relevance

Macaulay’s essays offer antidotes for the new mania for government crackdowns on “misinformation.” He skewered the notion that governments possessed latent wisdom: “None of the modes by which a magistrate is appointed, popular election, the accident of the lot, or the accident of birth, affords ... much security for his being wiser than any of his neighbors.” In an 1830 essay, he explained why nothing good should be expected from officialdom “fixing” public opinion: “Government, as government, can bring nothing but the influence of hopes and fears to support its doctrines. It carries on controversy, not

with reasons, but with threats and bribes.... Thus, instead of a contest between argument and argument, we have a contest between argument and force.” Unfortunately, today’s zealots are thrilled to use government force to win any argument. In an 1839 essay, Macaulay warned, “Those who preach to rulers the duty of employing power to propagate truth would do well to remember that falsehood, though no match for truth alone, has often been found more than a match for truth and power together.” The vast secrecy regime of the federal government props up far more falsehoods than citizens suspect.

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**Macaulay’s essays offer antidotes for the new mania for government crackdowns on “misinformation.”**

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Macaulay helped me recognize the paltry prevailing standards for political reasoning. He gained early fame in part from a series of attacks on Utilitarians, a new political sect that claimed their phrase “greatest happiness for the greatest number” solved the mysteries of the political universe. Many Utilitarians were poorly read devotees who “delighted to be rescued from the sense of their own inferiority by some teacher who ... puts five or six

phrases into their mouths ... and transforms them into philosophers,” Macaulay wrote. He derided their reliance on deductive, evidence-free argument, which he labeled “reasoning utterly unfit for moral and political discussions.” Utilitarians failed to recognize that “logic has its illusions as well as rhetoric, that a fallacy may lurk in a syllogism as well as in a metaphor.” He wrapped up with a taunt that also applies to contemporary political science, castigating “that slovenliness of thinking which is often concealed beneath a peculiar ostentation of logical neatness.”

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**“Democracy must be something more than two wolves and a sheep voting on what to have for dinner.”**

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After Macaulay became a Member of Parliament in 1830, he openly denigrated legislative imbecility: “Nothing is so ill-made in our island as the laws.” That line should have been carved above the entrance of the U.S. Capitol. He had no patience for pablum about “the best and the brightest”: “Ninety-ninths of the calamities which have befallen the human race had any other origin than the union of high intelligence with low desires.”

Macaulay vigorously opposed

universal suffrage because he believed poor people would use their votes to plunder everyone else. He warned in 1840: “While property is insecure, it is not in the power of the finest soil, or of the moral or intellectual constitution of any country, to prevent the country sinking into barbarism. On the other hand, while property is secure, it is not possible to prevent a country from advancing in prosperity.”

Private property still exists despite universal suffrage, but politicians are continually whittling down citizens’ right to retain their earnings and control their own turf. Politicians are dividing Americans into two classes — those who work for a living and those who vote for a living. Maybe Macaulay’s warnings helped spur my most widely quoted line: “Democracy must be something more than two wolves and a sheep voting on what to have for dinner.”

Not all of my Macaulay volumes were tattered. Shortly after I dropped out of Virginia Tech, I purchased a five-volume set of his *History of England* (another bootleg production by a Philadelphia printer). The \$5 price seemed extravagant back when a six-pack of beer was only 99 cents, but wisdom never comes cheap. When I first read



those volumes, I was enthralled by the vivid portrayal of the long fight of the English people against oppressive kings. But I reckoned that modern Americans would not need the lessons on torture and habeas corpus.

But 9/11 proved me wrong.

*The Liberty Fund has kindly posted free copies of Macaulay's essays in its Online Library of Liberty at <https://oll.libertyfund.org/person/thomas-babington-lord-macaulay>.*

*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.*

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**NEXT MONTH:**  
**“Macaulay and the Ghosts of Tyranny Past, Part 2”**  
*by James Bovard*

*America ... well knows that by once enlisting under other banners than her own, were they even the banners of foreign independence, she would involve herself beyond the power of extraction, in all the wars of interest and intrigue, of individual avarice, envy, and ambition, which assume the colors and usurp the standard of freedom. The fundamental maxims of her policy would insensibly change from liberty to force.... She might become dictatress of the world. She would be no longer the ruler of her own spirit.*

— John Quincy Adams

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# “Tax Expenditures” Is a Misnomer

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by Laurence M. Vance



The April 18 deadline for Americans to file their 2022 income tax returns had hardly passed before House Republicans began to talk about reviving three tax breaks for businesses that had lapsed or begun to phase out under the Tax Cuts and Jobs Act (TCJA) that the Republican-controlled Congress passed, and President Trump signed into law, in 2017.

## The TCJA

The TCJA *temporarily* lowered individual tax rates (until certain provisions expire after 2025); set the tax brackets at 10, 12, 22, 24, 32, 35, and 37 percent; eliminated the personal exemption; effectively ended the ACA (Obamacare) mandate that established tax penalties

for individuals who did not obtain health insurance; raised the standard deduction; expanded the child tax credit; limited the mortgage interest deduction; increased the alternative minimum tax exemption; capped state and local tax deductions; ended the deduction for alimony payments; raised the estate tax exemption; doubled the estate tax exemption; and suspended some itemized deductions.

The TCJA lowered corporate tax rates *permanently* (from a high of 35% down to 21%) and *temporarily* allowed full expensing of short-lived capital investments rather than requiring them to be depreciated over time; limited the net interest deduction to 30 percent of earnings before interest, taxes, depreciation, and amortization (EBITDA); raised the cash accounting threshold from \$5 million to \$25 million; eliminated net operating loss (NOL) carrybacks; eliminated the domestic production activities deduction; eliminated the corporate alternative minimum tax (already restored for 2023 in the Inflation Reduction Act of 2022); and allowed full expensing of research and development (R&D) costs in the year that those costs occur.

The three business tax breaks up for restoration include upfront ex-

pensing of research and development costs instead of over a five-year period, tax deductions for 100 percent of the costs for short-term investments in the first year they are purchased instead of just 80 percent, and a net interest deduction of 30 percent of earnings before EBITDA instead of just before interest and taxes.

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**The tax code is riddled with scores of tax expenditures, most of which Republicans support.**

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But even as they planned to revive certain tax breaks, House Republicans sought to eliminate others. On April 26 — without a single Democratic vote — they passed the Limit, Save, Grow (LSG) Act of 2023 (H.R. 2811) to increase the federal debt limit in the *present* while promising to *decrease* spending in the *future*. Included in the legislation was a repeal of several energy tax credits that were included in the Inflation Reduction Act of 2022 (H.R.5376) that passed without a single Republican vote and was signed into law by President Biden on August 16, 2022. Even though the vast majority of current GOP House members signed Grover Norquist’s “no new tax pledge” — which includes a commitment to

“oppose any net reduction or elimination of deductions and credits, unless matched dollar for dollar by further reducing tax rates” — the LSG Act eliminates tax credits with no offsetting tax rate cuts. House Ways and Means Committee Chair Jason Smith (R-MO), supported by House Speaker Kevin McCarthy (R-CA), issued a letter defending the elimination of the tax credits because they were “green” corporate welfare designed “to function like direct government spending.” The technical term for this is “tax expenditures.” But Rep. Smith should know better since the Ways and Means Committee is the House committee that writes the tax code. The tax code is riddled with scores of tax expenditures, most of which Republicans support.

### **Tax expenditures**

According to the U.S. Department of the Treasury, Office of Tax Analysis, “Tax expenditures describe revenue losses attributable to provisions of Federal tax laws which allow a special exclusion, exemption, or deduction from gross income or which provide a special credit, a preferential rate of tax, or a deferral of tax liability. These exceptions are often viewed as alternatives to other policy instruments,

such as spending or regulatory programs.” Some tax expenditures are in effect direct spending programs even though they appear to be tax breaks. Tax expenditures reduce the income tax liabilities of individuals or businesses that undertake certain activities. As explained by the Tax Policy Center of the Urban Institute and Brookings Institution:

Some promote broad social goals such as health insurance coverage or saving for retirement. Others supplement the federal social safety net by providing tax relief for certain groups of people, such as low-income working families, families with children, and seniors. Still others are incentives for activities that Congress has deemed worthy of support, including regional economic development, renewable energy use, provision of low-income housing, and investment in research and development

The Congressional Budget Impoundment Control Act of 1974 (Public Law 93–344) requires that a list of estimated tax expenditures be included in the federal budget, but only provisions that affect individu-

al or corporate income taxes. Consequently, the Office of Management and Budget (OMB) and the congressional Joint Committee on Taxation (JCT) publish annual lists of tax expenditures. Tax expenditures are treated in the budget as revenue losses instead of spending. Only the portion of refundable tax credits that offsets individuals’ income tax liabilities are labeled as tax expenditures; the refundable portion over and above this is counted as spending. Tax expenditures may take the form of credits, deductions, exceptions, allowances, exclusions, exemptions, preferential tax rates, or deferral of tax liability. Most tax expenditures are not subject to a direct appropriation process by Congress each year, and come with no budget ceiling.

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**Tax expenditures are treated in the budget as revenue losses instead of spending.**

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The Treasury Department lists 165 tax expenditures as of March 2023 under the headings of national defense; international affairs; general science, space, and technology; energy; natural resources and environment; agriculture; commerce and housing; transportation; community and regional develop-

ment; education, training, employment, and social services; health; income security; Social Security; veterans benefits and services; general government; and interest. The largest tax expenditures are:

- Exclusion of employer contributions for medical insurance premiums and medical care (\$3,366,320 million)
- Exclusion of net imputed rental income (\$1,679,550 million)
- Defined contribution employer plans (\$1,535,700 million)
- Capital gains (except agriculture, timber, iron ore, and coal) (\$1,492,400 million)

Some of the most well-known tax expenditures are tax-exempt state and local bonds, tax exempt life insurance proceeds, the mortgage interest deduction, the state and local tax deductions, the student loan interest deduction, the adoption tax credit, the charitable contributions deduction, the credit for child and dependent care expenses, education tax credits, the child tax credit, the earned-income tax credit, tax-deferred interest earned on U.S. savings bonds, the medical expenses deduction, tax-

free employer contributions to health savings accounts, additional deductions for the blind and elderly, the exclusion of scholarships and fellowships from taxable income, and the individual contributions to health savings accounts exclusion. And we are just talking about federal income tax. For example, individual contributions to health savings accounts not only lower income subject to income tax but also income subject to payroll taxes.

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**Mainstream economists disagree on which tax expenditures are “worth it.”**

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So, are tax expenditures good? Mainstream economists disagree on which tax expenditures are “worth it” and which have insufficient benefits to society to justify their “cost.” But their determinations are quite arbitrary. Typical is a Tax Policy Center report by Frank Sammartino and Eric Toder (“Are Tax Expenditures Worth the Money?”). Some tax expenditures “provide a significant share of government assistance to many worthwhile activities,” while others “provide unwarranted special benefits to certain industries and individuals.” However, sometimes they are undecided, like when they muse,

“Whether the mortgage interest deduction serves a needed public purpose is unclear.”

### The problem

“Tax expenditures” is a misnomer. Tax expenditures are not expenditures. They are not subsidies. They are not spending programs. They are not outlays. They are not transfer payments. They are not “departures from an income tax with a comprehensive base.” They do not have to be financed. And they are not revenue losses unless you consider Americans keeping all of their income to be a loss to the government. The income tax, as Old Right stalwart Frank Chodorov (1887–1966) explained in his book *The Income Tax: Root of All Evil* (1954), 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.”

Economists and politicians have things backwards. Every so-called tax expenditure allows Americans to keep more of their money in their pockets and out of the hands of Uncle Sam. Taxation is govern-

ment theft. Acquiring someone’s property by force is wrong, whether done by individuals or governments. If someone claims that taxation is not theft because Americans pay their taxes voluntarily, then why does the Internal Revenue Service (IRS) have armed special agents “who shouldn’t be afraid of using ‘deadly force,’” as a recent IRS job posting said? What percentage of Americans would voluntarily pay their taxes if there were no consequences for not doing so? Thanks to withholding and payroll taxes, Americans are forced to “pay up” with every paycheck.

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**Acquiring someone’s property by force is wrong, whether done by individuals or governments.**

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Try being in business in the United States and refusing to withhold a portion of your employees’ paychecks and see what happens. And if someone retorts that although taxation is theft, it is a necessary evil because the federal government could not function without it, I would remind them that for the majority of American history, there was no income tax, and the government functioned just fine until it decided to intervene in European wars. In addition,

the case could also be made that over 90 percent of what the government spends income tax revenues on is blatantly unconstitutional.

One economist who recognized the nature of tax expenditures was the libertarian theorist Murray Rothbard (1926–1995). In his seminal article “The Myth of Tax ‘Reform,’” he tackles the subject of tax subsidies and loopholes:

But what about, say, deductions for payment of interest on mortgages, tax credits for investment, or deductions for payment of state and local taxes? In what sense are they “subsidies?” Instead, what is really happening here is that some people — homeowners, investors, or state and local taxpayers — are graciously allowed by the government to keep more of their own money than they would have otherwise. I submit that being allowed to keep more of your hard-earned money is not a subsidy in any true sense; it simply means that you are being fleeced less intensely than you would have been. If a robber assaults you on the highway, and is about to run off with all of your funds, and you persuade him

to let you keep some bus fare, is he “subsidizing” you? Surely not. Being allowed to keep your own money can scarcely be called a subsidy.

The great free-market economist Ludwig von Mises once rose up in a conference on taxation that devoted much energy to the closing of tax loopholes, and asked the crucial question: “What is a loophole?” He answered that the assumption of the loophole theorists seemed to be that all of everyone’s income really belongs to the government, and that if the government fails to tax all of it away, it is thereby leaving a “loophole” that must be closed.

Rothbard also recognized the true nature of taxation:

We have to look differently at taxation. We have to stop looking at taxes as a mighty system for achieving social goals, which merely needs to be made “fair” and rational in order to usher in Utopia. We have to start looking at taxation as a vast system of robbery and oppression, by which some people are enabled to

live coercively and parasitically at the expense of others. We must realize that from the point of view of justice or of economic prosperity, the less people are taxed, the better. That is why we should rejoice at every new loophole, new credit, new manifestation of the “underground” economy.

Rothbard concludes:

Every economic activity that escapes taxes and controls is not only a blow for freedom and property rights; it is also one more instance of a free flow of productive energy getting out from under parasitic repression.

That is why we should welcome every new loophole, shelter, credit, or exemption, and work, not to shut them down but to expand them to include everyone else, including ourselves.

The principle should be clear: to support all reductions in taxes, whether they be by lower rates or widening of exemption and deductions; and to oppose all rate increases or exemption decreases. In short, to seek in every instance to re-

move the blight of taxation as much as possible.

One would think that libertarians of all people would get this.

### Libertarians for higher taxes

But some libertarians just don’t get it. They join with conservatives — who have no philosophical objection to taxation — and argue, in the name of simplicity and fairness, that certain tax deductions and credits are “loopholes” that need to be “closed” because they “distort” the tax code, “subsidize” high-income taxpayers, benefit “special interests,” “misallocate” resources, and encourage people to make “economically unwise decisions.” These libertarians would strenuously object if the income tax rates were increased, but at the same time are quite adamant that certain tax breaks should be eliminated even though doing so would accomplish the exact same thing: increase the taxes of some Americans.

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**Tax credits serve to reduce  
the amount of tax owed on one’s  
income.**

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Tax deductions serve to reduce the amount of one’s income subject to taxation. Tax credits serve to re-



duce the amount of tax owed on one's income. Either one allows Americans to keep more of their money and the government to take less of it. Therefore, all tax deductions and credits are good; it doesn't matter whom they benefit, why Congress enacts them, or how much revenue they cost the federal government. Yet, some libertarians have spent an inordinate amount of time reproaching tax deductions and credits, especially the deduction for state and local taxes paid — the SALT deduction. According to the Tax Policy Center:

State and local income and real estate taxes make up the bulk of total state and local taxes deducted (about 60 percent and 35 percent, respectively), while sales taxes and personal property taxes account for the remainder.

State and local taxes have been deductible since the inception of the federal income tax in 1913. Initially, all state and local taxes not directly tied to a benefit were deductible against federal taxable income. In 1964, deductible taxes were limited to state and local property (real and personal property), income, gen-

eral sales, and motor fuels taxes. Congress eliminated the deduction for taxes on motor fuels in 1978, and eliminated the deduction for general sales tax in 1986. It temporarily reinstated the sales tax deduction in 2004, allowing taxpayers to deduct either income taxes or sales taxes, but not both. Subsequent legislation made that provision permanent starting in 2015.

The TCJA capped the SALT itemized deduction at \$10,000 for tax years 2018 through 2025. Prior to the 2018 tax year, all eligible state and local taxes paid during the year, including real estate, personal property, and income or sales taxes, could be deducted. The SALT cap, then, amounts to a tax increase. It is a tax increase on the middle class and the “rich,” but, after all, they are the ones who actually pay income taxes. According to the IRS, the bottom 50 percent of taxpayers (taxpayers with AGI below \$44,269) pay just 3 percent of the income taxes collected, and the top 1 percent pay more income taxes than the bottom 90 percent combined.

Because libertarians maintain that the government is not entitled to a portion of any American's in-

come, and that Americans should be free to keep the fruits of their labor and spend their money as they see fit, libertarians should be saying that no one’s taxes should be increased, and that everyone’s taxes should be decreased.

Tax expenditures don’t cost the government revenue; rather, they allow Americans to keep more of their money. As long as Americans have an income tax, and as long as the chances are slim that the tax rates will be substantially reduced, tax breaks like deductions and credits are the only way that Americans can hang on to more of their money.

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

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**NEXT MONTH:**  
**“There Is No America First  
Case for Supporting Ukraine”**  
*by Laurence M. Vance*

*The citizen of the United States is taught from infancy to rely on his own exertions, in order to resist the evils of life; he looks upon the social authority with an eye of mistrust and anxiety, and he claims its assistance only when he is unable to do without it.*

— Alexis de Tocqueville

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*Progress, far from consisting in change, depends on retentiveness. When change is absolute there remains no being to improve and no direction is set for possible improvement: and when experience is not retained, as among savages, infancy is perpetual. Those who cannot remember the past are condemned to repeat it. In the first stage of life the mind is frivolous and easily distracted, it misses progress by failing in consecutiveness and persistence. This is the condition of children and barbarians, in which instinct has learned nothing from experience.*

— George Santayana

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# George Goschen on Laissez-Faire and the Dangers of Government Interference

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*by Richard M. Ebeling*



**T**he counterrevolution against the classical liberalism of the nineteenth century has been at work for more than 150 years. In the 1840s, 1850s, and 1860s, the triumph of a philosophy of individual rights and liberty, impartial rule of law, private property, freedom of trade and enterprise domestically and in international relations, and attempts to mitigate, if not end, wars between nations had seen great progress, not only in Great Britain and the United States but in other, especially European, countries.

The slave trade had been abolished between Africa and the

Americas in the early decades of the nineteenth century, followed by the abolition of slavery in the British Empire in 1834 and in the United States as part of the outcome of a costly and destructive civil war in the first half of the 1860s. Equality before the law was an ideal increasingly practiced in a growing number of countries, though bigotries and restrictions against ethnic and cultural groups still lingered in many places well into the twentieth century, including in Europe and the United States, often with disastrous consequences.

Mercantilism, the eighteenth-century version of the centrally planned economy, was challenged and abolished or greatly reduced in the middle decades of the nineteenth century in many of the European countries. The practice of free trade not only in Great Britain but throughout the British Empire meant that free movement of goods, investment, and men was a widely practiced ideal that helped globalize the social system of division of labor, benefiting all those participating in international trade. While the United States had alternating periods of free trade versus protectionism, nonetheless, within the continental sweep of the country, from the Atlantic to the Pacific,

freedom of trade, movement of people, and investment were the practiced ideals.

Real standards of living increased dramatically in Europe and, most certainly, in the United States in the nineteenth century. In the period between the end of the Civil War in 1865 and 1900, the time of America's industrial revolution, the real income of Americans rose, on average, by 75 percent. This is even more impressive in that the country's population increased from 31.4 million people in 1860 to 76.3 million in 1900, or a 243 percent increase over a 40-year period. Out of that 44.9 million-person increase between 1870 and 1900, 12 million, or about 27 percent, were immigrants from other parts of the world.

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**Goschen believed that markets, not central banks, should determine interest rates.**

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But despite these dramatic changes and improvements in the political, social, and economic lives of a growing number of people in Europe and the United States, there emerged that counterrevolution against social and economic liberty and limited government. Particularly interesting is the fact that the central tenets, reasons, and ratio-

nales for this counterrevolution have remained essentially the same right up to our own time.

**George Goschen: economist, businessman, and liberal politician**

A guide for understanding their reasons and rationales, along with their emerging influence, may be found in some of the essays written by George Joachim Goschen (1831–1907). If any economists know his name at all today, it would be as the author of *The Theory of the Foreign Exchanges* (1863), a highly readable and clear exposition of the workings of the foreign-exchange market, with a strong emphasis on the importance of leaving the currency markets to the free and competitive international interaction of supply and demand. It was translated into several languages.

Goschen was the son of a German merchant immigrant who had come to Britain from Leipzig. Born in Great Britain, George ended up taking over and successfully running his father's business. He believed that markets, not central banks, should determine interest rates. He also served as a director of the Bank of England for several years, beginning in 1858.

His father was a free-trade liberal, and he passed on these views

to his son. As Thomas Spinner says in, *George Joachim Goschen; the Transformation of a Victorian Liberal* (1973):

Goschen had been in the vanguard of the struggle to destroy aristocratic privilege and to create a liberal state in which each individual would have equality of opportunity and all careers would be open to talent. His belief in a self-regulating market and free trade forced him to reject most proposals for social legislation.

Goschen's "financial liberalism" was soon overshadowed by his "liberal realism." He was repelled by the idea of [unrestricted] democracy, for he had no faith in the lower classes to govern the country and expected to be plundered when they obtained the vote. Democracy, he feared, would lead to [redistributed income] equality and equality would destroy the liberty for which the middle class had fought.

Elected to Parliament as a member of the Liberal Party in 1863, he held various ministerial positions over the years, including as Chan-

cellor of the Exchequer, during which time he reduced the interest expense on the British national debt through effective refinancing, and ran six years of budget surpluses to further bring down the national debt. Goschen forcefully spoke out against religious discrimination and for civil liberties in general. He left the Liberal Party later in his life due to differences with William Gladstone over Home Rule for Ireland, finally aligning with the Conservative Party.

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**Goschen opposed  
all attempts to politically  
homogenize people into social or  
economic "classes."**

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However, he never stepped back in any meaningful way from his long-standing defense of individual liberty, free trade, and limited government. In particular, he considered the liberal ideal to be one that focused on the rights of, and free market opportunities for, the individual. He opposed all attempts to politically homogenize people into social or economic "classes" that would be pitted against each other, a theme he warned against in many of his Parliamentary campaign speeches.

## The dangers to liberty in majoritarian democracy

As another biographer, Arthur D. Elliot, explained in his book *Life of George Joachim Goschen, First Viscount Goschen* (1911), “George Goschen was an ardent Liberal as Liberalism was understood in those days.... Yet in everything that he wrote or uttered there rang the note of an individualism amply sufficient to prove that he could never be accounted a mere ‘item’ ... in Party reckoning.” In other words, political conviction took precedence over unreflective party loyalty, when push came to shove.

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**Deciding what the courses of action the government should follow purely based on electoral majorities should be feared.**

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This was seen in Goschen’s suspicion of the growing acceptance of unlimited democracy, including among members of the British Liberal Party. Deciding what the courses of action the government should follow purely based on electoral majorities should be feared, since that would undermine the sound economic principles and policies of personal liberty and free enterprise. As he expressed it in the late 1870s, “It was the teaching of history that

the reign of numbers [political majoritarianism] endangered not the Throne, not the Constitution, not Property — these are all bugbears — but Political Economy and the teaching that made Englishmen self-reliant.” Goschen was increasingly concerned that, as Elliot puts it, “There was ... far too much government interference with everything, and every new bill [before Parliament] seemed to create an inspector and a [new tax] rate.”

Unlimited majoritarian democracy was the wrong path the British political system was now moving down, including in the Liberal Party. Said Goschen on another occasion in the mid-1880s:

I believe there is no greater temptation, no more seductive influence, to which we in these days ought ever to close our ears than the siren voice which says – “Swim with the stream; let the boat glide; statecraft is no more than the clever use of the pole to keep it from the bank.” That is not my view.... My party seem to breathe an atmosphere of Utopia, and to feel a confidence I cannot share.”

### Government intervention replacing natural liberty

When invited to deliver some lectures, Goschen used the opportunities to discuss the new collectivist direction Great Britain had begun to follow, and he included several of them in his book *Essays and Addresses on Economic Questions, 1865–1893* (1905). Speaking before the British Philosophical Society in 1883, he chose to discuss, “Laissez-faire and Government Interference.” He pointed out to his audience that with every passing day, the arena of individual autonomy and self-responsibility was becoming narrower, as “the sphere of Government control and interference is expanding in ever widening circles.” It was seen in a variety of areas, including communications and finance. But this was only part of it, said Goschen:

What is of far deeper import is its growing interference with the relations between classes, its increased control over vast categories of transactions between individuals, and the substitution in many of the dealings of trade and manufacture, of the aggregate conscience and moral sense of the nation, for the conscience and

moral sense of men as units. The parent in dealing with his child, the employer in dealing with his workmen, the ship-builder in the construction of his ships, the ship-owner in the treatment of his sailors, the house-owner in the management of his house property, the land-owner in his contracts with his tenants, have been notified by public opinion or by actual law that the time is gone by when the cry of “Laissez-nous faire” would be answered in the affirmative. The State has determined what is right and wrong, which is expedient and inexpedient, and has appointed its agents to enforce its conclusions.

“Some of the highest obligations of humanity, some of the smallest businesses of everyday life, some of the most complicated transactions of our industrial and agricultural organizations have been taken in hand by the State. Individual responsibility has been lessened. National responsibility has been heightened.... The attitude of the public towards “Laissez-faire” on the one hand and State action on the other has entirely changed.



## Replacing individual self-interest with collectivist altruism

The question was why these attitudes and views about the individual and the state had changed so dramatically from the not-so-distant past, when the ideal and goal of many in Great Britain was the liberal one of decreased or abolished government involvement in personal, social, and economic affairs. That earlier view, that government paternalism was considered misdirected and damaging to the betterment of most of the people, had changed to a presumption that government knew best and ended up serving special landed and aristocratic interests as the expense of most others in society.

Foremost, Goshen argued, was the growing appeal of

the assertion of the claims of other than material interests ... the public imagination [was] touched by appeals to our higher nature — which supplied the tremendous motive power necessary for passing laws, and put the State and its inspectors in the place of father and mother as guardians of a child's education, labor, and health.... What I wish first to insist on is that the victory

of the principle of compulsion over the principle of natural liberty could never have been gained except by a moral force.

In his lecture on “Laissez-faire and Government Interference,” Goshen never clearly elaborates on what was behind this urge for the presumption of a higher moral force than that of freedom of the individual under the principle of natural liberty. However, he tried to clarify this in a presidential address that he delivered before the British Economic Association 10 years later, in June 1893, entitled “Ethics and Economics.”

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### The critics opposed and ridiculed the presumption of “self-interest” in human conduct.

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The critics of classical political economy and laissez-faire, who were behind much of the growth in government intervention, opposed and ridiculed the presumption of “self-interest” in human conduct and its asserted beneficial effects for the wider social good. Goshen did not deny that some of the classical economists may have formulated the presumption of an “economic man” as guided by material self-in-

terest in ways that easily could be caricaturized and satirized.

But the critics had failed to appreciate that for some analytical exercises, it was postulated for purposes of the mental experiment of deducing theoretical conclusions under hypothesized circumstances for better understanding of real-world situations in which many factors are at work all at the same time. In addition, most of these classical economists had pointed out that “self-interest” meant anything that the human actor considered of value or importance to himself in using means to achieve his ends. Self-interest, therefore, included concern for or consideration of family, friends, and the fostering of valued purposes other than simply material or financial gain.

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**Most of these classical economists had pointed out that “self-interest” meant anything that the human actor considered of value.**

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The misunderstandings and ambiguities sometimes found in the economists’ exposition of the self-interested individual resulted in people “who were only too ready to denounce motives which in themselves did not appear noble.”

In its place, Goschen said, “a strong development of genuine altruism set in. The reaction was against selfishness.” Businessmen, merchants, and manufacturers needed to be reined in, “for the sake of reforming social abuses and securing social benefits.”

Thus, the revolt against political economy and the principle of natural liberty was fundamentally the demand that the interests of the individual be sacrificed for the good of the collective. “It is this development of the [altruist] ethical side of public opinion,” Goschen stated, that “has contributed very unfortunately and unjustly to discredit political economy because of its supposed collision with more considerations.”

### The reality and ethics of economics

These critics and opponents of the liberal market society little understood that it was precisely the recognition and respect for the individual and his liberty that resulted in the unintended outcomes of the wider social betterments that they condemned “capitalism” for neglecting. Said Goschen:

Economics will have to be classed amongst the moral and social sciences.... Thus, from a

broad point-of-view, economics are not to be cried down as a non-moral science moving on a lower plane and with lower motives. They work towards civilization and morality.... Enlightened self-interest may be so utilized as to be found to go hand and hand with motives from which it is believed to be entirely absent.

How might these critics of economic liberalism be classified or labeled? Goschen suggested:

Neither sentimentalist nor philanthropist altogether answers the purpose; let me therefore use the term “emotionalist.” The emotionalist is influenced by the impression made on him by what he sees and feels — the visible, the palpable, the direct. The economist looks beyond — not at the present only, but at the future — and is swayed not only by the visible and the direct, but by the invisible, the more remote. The one is mainly impressed by the fact, the other by the consequences of the fact....

The emotionalist is moved by an immediate impulse at

the sight of poverty to indulge in charitable relief, and that charity is often exercised without discrimination.... But it is the duty of the economist to point out the indirect and invisible effects of such action; and this information is needed in the interests of a wider community than that to which the charity is extended.... The ultimate result of the uncalculated generosity of the emotionalist may be infinitely more disastrous than the evil which in his generosity he tries to cure.... But it is the stern duty of the economist to point out the indirect, invisible effects of the generous charitable impulses.

If the tender treatment of the Poor-Law [Great Britain's nineteenth century welfare program], founded on ethical considerations alone, should diminish the efforts of self-help, a whole class may suffer ultimately from action taken towards individuals. The many — the community as a whole — may be hurt and damaged by faults in the treatment of the few.... Mark that the attitude of the economist is no less ethical than that of the emo-

tionalist — it is more farseeing, more social. It looks to the good of the community. It is called hard, but it is wise, and it serves the general interest.

The same applied no less to such matters as the determination of workers' wages in the marketplace, Goschen argued. Based on a supposed higher "altruistic" ethic, "the standard of higgling in the market is given up," and instead, trade union compulsion and the state will interfere. While couched in the rhetoric of the improving the wages and work conditions of laborers in general, trade unions can influence wages in a segment of the market only by limiting the number of potential workers entering a particular corner of the economy. Said Goschen: "Altruism may thus take up an antagonistic position to the too exclusive association of skilled labor, and protest against the laborers outside its charmed circle being neglected."

### The false view that democratic government is us

In his address on "Laissez-faire and Government Interference," Goschen argued that there were other factors influencing the growth in government interference in the

marketplace and society in general. With the widening democratic participation in political decision-making through an extension of the voting franchise, the general attitude toward who and what the government is changed in people's minds. When the political regime was the rule of the few (monarchy and aristocracy) over the many, "Government interference could be regarded simply as paternal legislation, it excited, not confidence, but distrust," that is, an imposing of the dictates of the king and those around him over how everyone else should live and work and earn, regardless of the wishes of those imposed upon.

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**"Government interference could be regarded simply as paternal legislation, it excited, not confidence, but distrust."**

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However, when those holding political office came to be viewed as "representatives" of those ruled, government was no longer considered as an unwanted "parent" or a "beneficent master" telling all the children-subjects how to live. Instead, "It is invoked as the agent, aye, as the servant, of the people's will. From this point of view the movement is essentially democratic.

Society wants its representatives to act on its behalf. Society demands to control the individual. The movement is distinctly Socialistic.”

Once the state is expected to intervene in one corner of the market, others soon appear insisting that if the government can modify the outcome of the unfettered market for the improvement of one group or “social problem,” then it should equally use its compulsory powers on behalf of others, as well. Soon, government intervention appears as “the only Deus ex Machina for the immediate solution of some political or other difficulty, of which the instant termination is demanded by high reasons of State.”

### **Bureaucrats are happy to extend their powers**

As agents of the wishes of “the people,” Goschen warned, those in government departments and agencies find it easy in their own interests to offer to extend or introduce their regulations, redistributions, and controls over a wider swath of social and economic life. “The successful performance of a certain set of duties by a public department inspires its administrators with the natural desire to extend their sphere of acknowledged usefulness,” Goschen explained,

“No country gentleman covets more earnestly bits of land lying outside of, but adjoining, his estate, than the energetic heads of [government] departments, whose work had succeeded, covet an extension of the limits of their activities.”

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**Those bureaucrats think they are wise enough to do better than leaving it to individuals to take care of and solve these issues.**

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A worse part of this process is that often it is not only a matter of acquiring greater power and authority over people’s affairs but also that those bureaucrats actually think they are wise and knowledgeable enough to do better than leaving it to individuals to take care of and solve these issues. “The more the public puts upon civil servants, the more will servants offer to do for the public.”

**People want more government but hate the effects on themselves**

The more the government intervenes and interferes with the personal, social, and economic affairs of the citizenry, the more many of those people may exhibit what might be called a form of Tourette Syndrome, the wanting and the not wanting of something at the same

time. A call is made for government intervention or prohibition of some conduct or market outcome, but when confronted with the actual actions of government in these areas, many of the very same people object and dislike the policies they themselves have called for. As Goschen explained:

The public demands inspection, but too often denounces the inspectors; the public demands regulations, but chafes at the red tape employed in carrying them out; it legislates for watchfulness on the part of the State over the shortcomings of local authorities, but nothing is more unpopular than the activity of central agents; it demands organizations which require the appointment of vast numbers of clerks, yet the deficiencies of Government clerks, and the expense of their salaries and pension, furnish endless food for popular declamation.

Part of this, Goschen argued, was due to the peculiar assignment of almost divine or superhuman status and capability to “the state.” He asked, what is the state, what is government, into “whose hands

such vast interference with natural liberty is to be confided?” Ultimately, it is merely a group of individuals elected as the representatives of the voters during a certain year and reflecting the views of that electorate on a particular day when the voting ballots were marked. “And this is the body which, stripped of conventional expressions, is to fix new relations between classes, and give a fresh direction to and control the currents of our lives.”

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**Those in government  
are mere imperfect mortals like  
us, with their own interests  
usually in mind.**

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Many presume that individuals pursuing their, respective, self-interests in the exchanges of the marketplace cannot be trusted in terms of their effects on society as a whole, “but while we thus proceed on the policy of distrust [concerning individuals in the private sector], we are to have unbounded confidence in successive decisions of Parliamentary majorities.... But the homely reminder that the active force of society in its ultimate action is nothing more than the result of heated electoral contest drags us down again to earth,” that those in government are mere imperfect mor-

tals like us, with their own interests usually in mind.

This should make us stop before going further in this direction, Goschen warned:

And if a grave mistake should be made, if when the era of State Socialism is further developed, we should find that the legislative and executive bodies are not infinitely freer from the imperfections and shortcomings of our common nature than history gives us any right to anticipate, the nation may regret having exacted almost superhuman duties and superhuman virtues from bodies essentially human. Again, even if we grant an admirable central government, do we not run a serious risk, in a vast number of cases, of weakening individual responsibility to such a degree that what we gain on the one side we lose on the other?"

The further we travel down this road, Goschen feared, the more difficult it becomes to reverse course, and return to a path to liberty: "Once pass a moral condemnation on 'Laissez-faire' in any particular case, and its rehabilitation becomes

an almost hopeless task," he despaired. This meant that all attempts to extend the size and scope of government activity had to be challenged and opposed:

Abstract principles are more and more being abandoned in favor of whatever may at a given moment seem to answer a given purpose, and eternal truths have ceased to command any practical faith. Believe me, there is a danger in the excess to which this skepticism is carried....

Hence it is no less important in democratic than in any other Government that all tendency on the part of public authorities to stretch their interference and assume a power of any sort which can easily be dispensed with, should be regarded with unremitting jealousy....

This habit of mind [of focusing on the immediate and the emotional] appears more than ever dangerous at a time when the nation is embarking on new social questions, and when, if ever, we have need of the steady aid of principles and of the knowledge gained in the world's history as to the

bearing of certain tendencies on the ultimate shape of events....

The dangers in the road of social reconstruction under Government control are so grave that they can scarcely be exaggerated; dangers arising, not only from the serious chance of inefficiency in the methods chosen, but from the transfer of responsibilities, from the establishment of national law in the place of individual duty, from the withdrawal of confidence in the quality of men in order to bestow it on the merits of administrations, from the growing tendency to invoke the aid of the State, and the declining belief in individual power.... We cannot see universal State action enthroned as a new principle of government without grave misgivings.

When George Goschen delivered this address on “Laissez-faire and Government Interference,” almost a century and a half ago, these tendencies in the direction of ever larger and more intrusive government were only starting after the high watermarks of classical liberalism’s successes and triumphs in the

early and middle decades of the nineteenth century. But he saw the implications of where they were leading with a clarity and insight matched only by a few others during that time.

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**The same criticisms leveled against the liberal, free-market society at Goschen’s time are still heard today.**

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The same criticisms leveled against the liberal, free-market society at Goschen’s time are still heard today, though they are cloaked in slightly different rhetoric and emphasis: the materialistic immorality of self-interested conduct and the resulting supposed injustice of market-based incomes; the need to subordinate the selfish desires and actions of the individual for the “higher” altruistic good of the collective society, based on “the will of the people” as expressed through increasingly unrestricted majoritarian democracy; the emotionalism of the moment when undesirable circumstances demand government intervention “now” to solve “social problems,” with little or no thought of the negative or counterproductive longer-term consequences of rushing head-long with political control, regulation, or



redistribution through governmental coercive means; and finally, the shunting aside of the value or importance of the individual's liberty and freedom of choice and voluntary association, without which a good, prosperous, and ethical society is impossible in the long run.

All our current political problems exist due to the disregard for the warnings given by those like George Goschen a century and a half ago against a liberalism that is eating away at the remnants of the free society.

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*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.*

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**NEXT MONTH:**

**“Thomas Nixon Carver on  
the Economics of Conflict  
versus Cooperation”  
by Richard M. Ebeling**

*The powers of the federal government are enumerated; it can only operate in certain cases; it has legislative powers on defined and limited objects, beyond which it cannot extend its jurisdiction.*

— James Madison

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*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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[www.fff.org](http://www.fff.org)

[fff@fff.org](mailto:fff@fff.org)

703-934-6101