
FUTURE OF FREEDOM

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*Liberty, Equality, Fraternity, these three: but the
greatest of these is Liberty.*

— *Benjamin Ricketson Tucker*

FUTURE OF FREEDOM

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

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Please send reprint requests to The Foundation.

The Future of Freedom Foundation

11350 Random Hills Road

Suite 800

Fairfax, VA 22030

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www.fff.org · fff@fff.org

...

703-934-6101



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Understanding Freedom and Faith in Freedom

by *Jacob G. Hornberger*



There are two major obstacles to achieving a genuinely free society in our lifetime: one, a lack of understanding of the genuine principles of freedom, and two, a lack of faith in freedom.

The first obstacle involves principally nonlibertarians. The second obstacle involves everyone, including libertarians.

If someone were to conduct a survey among the American people today in which people were asked if they felt they lived in a free society, I would bet that the vast majority of Americans would respond yes. Sure, Americans complain about how the federal government operates, about the large amount of federal spending and debt, about regulatory mishaps, about the adverse

results of various foreign interventions and wars, and about various other aspects of the welfare-warfare state system under which Americans live. But I believe that most Americans would willingly agree with singer Lee Greenwald's refrain, "I'm proud to be an American where at least I know I'm free."

My favorite quote is by the German thinker Johann Goethe: "None are more hopelessly enslaved than those who falsely believe they are free." That quote perfectly characterizes the plight of the American people. Americans honestly believe they are free, but it just ain't so.

What is freedom?

The first thing we need to do is to define what a genuinely free society is. A free society is one in which everyone is free to engage in any activity he wants so long as he is not violating the rights of everyone else to do the same thing — that is, as long as he isn't initiating force or fraud against others.

A free society entails the exercise of such rights as freedom of speech, freedom of religion, and freedom of association. It also entails the right to keep and bear arms. These three rights and others are enshrined in the Bill of Rights.

It also entails what is known as

economic liberty. Freedom entails the right to engage in any economic enterprise without permission of the state. It entails the right to enter into economic exchanges with anyone in the world, without first securing permission of the government. It entails the right to accumulate unlimited amounts of wealth and the right to decide what to do with it: save, invest, spend, donate, hoard, or squander it.

We do not live in a society that protects the exercise of economic liberty. We live in what is called a welfare state and a government-managed economy in which the state forces people to send their money to the government so that the government can give it to others. The government also regulates economic activity, such as with minimum-wage laws, and tightly controls trade with people in foreign countries. It also manages the monetary system, choosing paper money as a medium of exchange, whose value it has debased since its inception in the 1930s.

We also live under what is called a national-security state, one in which the national-security branch of the government wields omnipotent powers, such as assassination, torture, coups, and foreign interventions and wars. It is a system

that is contrary to the limited-government system on which our nation was founded.

**We do not live in a society
that protects the exercise of
economic liberty.**

Libertarians hold that all of these aspects of America's welfare-warfare state system violate the genuine principles of a free society. Nonlibertarians are falsely convinced that the welfare-warfare-state way of life has instead brought them freedom.

The first obstacle in achieving a free society is the lack of understanding among the American people as to what a genuinely free society entails. Now, granted, if Americans were to see what a free society entails, they might still conclude that they don't really want to be free. They might want to continue living under a welfare-warfare-state form of governmental system. But at least then they would be making a conscious decision rather than one based on a false reality.

A lack of faith in freedom

Since libertarians have an understanding of the importance of economic liberty, social liberty, and

a limited-government republic, it is only libertarians who can lead America to freedom. But they can only do this by standing squarely for freedom and steadfastly making the case for freedom.

Many libertarians have given up on freedom and resigned themselves to making the case for welfare-warfare-state reform. What's wrong with reform? Nothing, if all that one is looking for is an improved form of serfdom. Freedom entails identifying infringements on liberty and removing them. Reform entails leaving infringements on liberty in place and reforming or improving them.

Making the case for reform doesn't cause people to think about the principles of freedom. Instead, it focuses people's attention on how to reform the serfdom under which they live. In the process, the lack of freedom continues.

The only way to achieve a genuinely free society is by arriving at a critical mass of people who understand what freedom is and who are passionately committed to attaining it. In order to find the people who fall within that category, it is necessary to make the case for genuine freedom. Making the case for reform doesn't do that.

Why have so many libertarians

thrown in the towel and resigned themselves to making the case for reform rather than the case for liberty? The answer to that question leads us to the second principal obstacle for achieving freedom — the lack of faith that so many libertarians (and nonlibertarians) have in freedom.

Freedom entails identifying infringements on liberty and removing them.

Why is faith in freedom important for libertarians? Given that libertarians have achieved the breakthrough that enables them to see that we are not free, obviously it is only libertarians who can lead America to freedom. But if libertarians lack a faith in freedom, how can they possibly lead anyone to freedom? Why would nonlibertarians be attracted to a philosophy that its proponents have little or no faith in?

Let's examine some real-life examples of this phenomenon.

Social Security and Medicare

Social Security and Medicare are the crown jewels of American socialism. These two welfare-state programs are based on the socialist principle of using the coercive force

of government to take money from those who own it and give it to those who, the government claims, need it more. The system, proponents say, shows that Americans are good and caring.

Nothing could be further from the truth. Care and compassion come from the willing heart of the individual, not the coercive apparatus of the state. A free society entails everyone having the right to decide what to do with his own money.

Thus, freedom necessarily entails the immediate eradication of Social Security, Medicare, and all other socialist programs.

A free society entails everyone having the right to decide what to do with his own money.

Many libertarians say that the system needs to be reformed, not abolished. Or they say that it must be gradually reduced over the next several years, perhaps even a generation. Or they call for “opt out” plans that entail letting young people “opt out” of the system but continue paying the taxes to fund Social Security and Medicare for those who choose to remain in the system. Or they propose a fascist type of plan that entails forcing people to invest in government-approved re-

tirement accounts.

Why don't these libertarians favor simply repealing these socialist programs? Because they have convinced themselves that freedom won't work. They are convinced that freedom would mean that thousands of people would be dying in the streets.

America lived without Social Security, Medicare, and other socialist programs for more than a century. In fact, America's system of economic liberty led not only to the greatest surge of economic prosperity but also to the greatest outpouring of voluntary charity that mankind has ever seen.

There is no doubt that if Social Security, Medicare, and other socialist programs were to be suddenly repealed today, everyone would be fine. The wealthy don't need the help. Those in the middle would have to adjust, perhaps by returning to work or reducing expenditures. For those truly in need, there would be more than sufficient help from children, grandchildren, church groups, charitable foundations, friends, relatives, physicians, hospitals, and neighborhood groups.

Permit me one example from personal experience. I grew up in Laredo, Texas, one of the poorest cities in the United States. There

was no Medicare or Medicaid. Every day, doctors' offices were filled with people, many of whom could not pay. Nonetheless, there was never an instance where a doctor refused to treat a patient based on inability to pay. They did it out of a sense of moral obligation. That's what happens in a free society.

Immigration

Let's take another example — immigration. For our entire lives, we have lived under a socialist immigration system, one based on the core socialist principle of central planning. Under central planning, the government determines the total number of immigrants that will be permitted into the country, the number of immigrants allocated to each country, the qualifications necessary for entry, the number permitted to work (i.e. “green cards”), and other such things.

It simply cannot be done, at least not without what the famous free-market economist Ludwig von Mises called “planned chaos.” What better term to describe the situation on the U.S.-Mexico border for the last 80 years, at least? Immigration central planning is the cause of America's decades-old, never-ending, ongoing immigration crisis.

The system comes with a mas-

sive police state along the border in order ensure that foreigners do not enter the country illegally or without “an invitation.” This system entails warrantless searches of farms and ranches within 100 miles of the border, highway checkpoints, roving Border Patrol checkpoints, boarding of Greyhound buses to check for people's papers, and the criminalization of hiring, harboring, helping, or transporting immigrants who are here illegally. It is also a system that comes with death, suffering, humiliation, and abuse.

Economic liberty is the solution to the death, suffering, and police state that comes with socialism.

The solution is to eradicate the socialist cause of the problem. In the area of immigration, that means the immediate dismantling of the Border Patrol, the immigration service (ICE), and all restrictions on the freedom of goods, services, and people to cross political borders.

Economic liberty is the solution to the perpetual crisis, death, suffering, and police state that comes with socialism. I repeat what I have been saying for more than 30 years: Economic freedom is the only solution to the immigration morass caused by socialism.

Too many libertarians have lost faith in freedom. They have convinced themselves that freedom simply will not work, at least not in the area of immigration. What they fail to recognize is that the free market and the price system are the best and most efficient regulators of human activity. Think about the United States. It has the biggest open border area in history — open borders *between* the states. In the past few years, countless Californians have flooded into Austin, Texas. Do you see any chaos there? Oh, sure, people have had to adjust to the massive influx of people. But as more people have moved into Austin, the prices have risen, which has induced other people to live further away or even in another part of the country. What you don't see is thousands of Californians at the Texas border clamoring to get into the state, like we see on the U.S.-Mexico border.

**In a free market, everyone
would be free to work.**

Another example: Every day, hundreds of thousands of people cross back and forth between Maryland and my state of Virginia. There are no border guards regulating the flow. No one is checking for terror-

ists, criminals, or people with Covid or other illnesses.

Libertarian proponents of immigration controls also point to the migrant crisis in American cities. What they forget is that the government prevents migrants from working without a “green card.” Thus, the state then feels the need to take care of the people they won't permit to work. In a free market, everyone would be free to work, and the state wouldn't need to be taking care of anyone.

Education

A third example: education. The genuinely free society is based on the separation of school and state — that is, the end of all government involvement in education, just as our ancestors did with religion. Thus, freedom necessarily means making the case for educational liberty.

All too many libertarians have thrown in the towel on this area of statism as well. They have convinced themselves that educational liberty simply will not work — that children would simply not be educated if the state did not maintain its coercive apparatus of mandatory schooling.

Thus, many libertarians have chosen to go down the road to reform with the advocacy of school

vouchers, a reform program that leaves the public-school system intact but uses the coercive apparatus of the state to take money from people to whom it belongs in order to fund the education of children from other families.

Making the case for vouchers is totally different from making the case for educational liberty. Vouchers leaves the socialist educational system intact and purports to make it better through “choice” and “competition.” Educational liberty entails making the much more difficult case of ending all governmental involvement in education.

The drug war

A fourth example of this phenomenon involves the drug war. The government punishes people for ingesting substances that the government disapproves of. Genuine freedom entails the immediate repeal of all drug laws — that is, it involves the right of people to ingest whatever they want, no matter how harmful or destructive.

All too many libertarians have given up in this area as well and have settled for calling for reform, such as the repeal or reform of mandatory-minimum sentences or asset-forfeiture laws or the legaliza-

tion of only marijuana and not the so-called hard drugs. They have convinced themselves that if drugs were legalized, most everyone in society would become drug addicts. Since many addicts would undoubtedly go on Medicaid to seek treatment for their addiction, some libertarians undoubtedly have concluded that we can’t end drug laws until we’ve ended Medicaid. Thus, like with Social Security, Medicare, immigration, and education, they continue supporting a program that brings with it perpetual crisis, chaos, death, suffering, and police-state coercion.

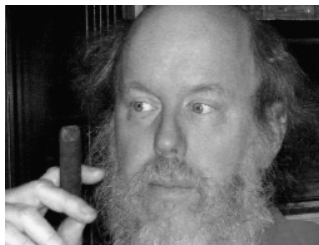
Achieving freedom

Libertarians are the only ones who can lead America to freedom because libertarians have a firm grip on reality when it comes to freedom. But leading America to freedom requires a faith in freedom. If libertarians are to lead America to freedom in our lifetime, it is necessary for libertarians to restore a faith in freedom in themselves.

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

The Never-Ending Federal Surveillance Crime Spree

by James Bovard



Last December, one of the most intrusive provisions in the federal statute book was set to expire. Section 702 of the Foreign Intelligence Surveillance Act (FISA) authorizes the National Security Agency to vacuum up trillions of emails and other data. A bevy of bipartisan members of Congress called for radically curtailing those nullifications of Americans' privacy.

But the effort to put a leash on the federal surveillance failed dismally. Congress voted for a four-month extension of FISA, which will likely be followed in April by a much longer extension. There was a bipartisan congressional conspiracy to entitle the Deep State to continue trampling the Constitution.

In 1978, Congress passed the Foreign Intelligence Surveillance Act to outlaw political spying (such as the FBI had committed) on American citizens. FISA created a secret court to oversee federal surveillance of suspected foreign agents within the United States, permitting a much more lenient standard for wiretaps than the Constitution permitted for American citizens.

The FISA court “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 after Edward Snowden leaked court decisions. The court rubber-stamped FBI requests that bizarrely claimed that the telephone records of all Americans were “relevant” to a terrorism investigation under the Patriot Act, thereby enabling National Security Administration (NSA) data seizures later denounced by a federal judge as “almost Orwellian.” In 2017, a FISA court decision included a 10-page litany of FBI violations, which “ranged from illegally sharing raw intelligence with unauthorized third parties to accessing intercepted attorney-client privileged communications without proper oversight.”

FISA Section 702

The latest controversy involved FISA Section 702, first enacted by Congress in 2008. That section authorizes the National Security Agency to surveil targets in foreign nations regardless of how many Americans' privacy is "incidentally" destroyed. The NSA collects vast amounts of information as part of that surveillance and then permits the FBI to sift through its troves. The Electronic Frontier Foundation warned more than a decade ago that Section 702 "created a broad national-security exception to the Constitution that allows all Americans to be spied upon by their government while denying them any viable means of challenging that spying."

The latest controversy involved FISA Section 702, first enacted by Congress in 2008.

Professor David Rothkopf explained in 2013 how Section 702 worked: "What if government officials came to your home and said that they would collect all of your papers and hold onto them for safekeeping, just in case they needed them in the future. But don't worry ... they wouldn't open the boxes until they had a secret government court order ... sometime, unbe-

knownst to you." Actually, the law in practice is much worse.

A license for lying

From the beginning, federal agencies brazenly lied about the number of Americans whose privacy was ravaged. In 2014, former NSA employee Edward Snowden provided the *Washington Post* with a cache of 160,000 secret email threads that the NSA had intercepted. The *Post* 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 American 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 perils are compounded because, in practice, the FBI has a blank check for perjury in the name of Total Information Awareness. In 2002, the FISA court revealed that FBI agents had false or misleading

claims in 75 cases, and a top FBI counterterrorism official was prohibited from ever appearing before the court again. Three years later, FISA chief judge Colleen Kollar-Kotelly proposed requiring FBI agents to swear to the accuracy of the information they presented; that never happened because it could have “slowed such investigations drastically,” the *Washington Post* reported. So FBI agents continued to have a license to exploit FISA secrecy to lie to the judges.

**The FBI exploited FISA
to target 19,000 donors to the
campaign of a candidate.**

An abuse of power

In 2018, a FISA ruling condemned the FBI for ignoring limits on “unreasonable searches.” As the *New York Times* noted,

F.B.I. agents had carried out several large-scale searches for Americans who generically fit into broad categories ... so long as agents had a reason to believe that someone within that category might have relevant information. But [under FISA] there has to be an individualized reason to search for

any particular American’s information.

The FBI treated the FISA repository like the British agents treated general warrants in the 1760s, helping spark the American Revolution.

But Congress reauthorized Section 702 in 2018 regardless of the perpetual abuses of that power. Subsequent reports revealed that the congressional vote of blind confidence was misplaced. But Congress did oblige the feds to publicly disclose how often the FBI unjustifiably violated Americans’ privacy by snooping in the NSA catch-all archives.

The FBI exploited FISA to target 19,000 donors to the campaign of a candidate who challenged an incumbent member of Congress. An FBI analyst justified the warrantless searches by claiming “the campaign was a target of foreign influence,” but even the Justice Department concluded that almost all of those searches violated FISA rules. Apparently, merely reciting the phrase “foreign influence” suffices to nullify Americans’ rights nowadays. (In March, Rep. Darin LaHood (R-IL) revealed that he had been wrongly targeted by the FBI in numerous FISA 702 searches.)

Warrantless searches

In April 2021, the FISA court reported that the FBI conducted warrantless searches of the data trove for “domestic terrorism,” “public corruption and bribery,” “health care fraud,” and other targets — including people who notified the FBI of crimes and even repairmen entering FBI offices. If you sought to report a crime to the FBI, an FBI agent may have illegally surveilled your email. Even if you merely volunteered for the FBI “Citizens Academy” program, the FBI may have illegally tracked all your online activity. In 2019, an FBI agent conducted an unjustified database search “using the identifiers of about 16,000 people, even though only seven of them had connections to an investigation,” the *New York Times* reported.

Alas, there was no bureaucratic repentance.

As I tweeted after that report came out, “The FISA court has gone from pretending FBI violations don’t occur to pretending violations don’t matter. Only task left is to cease pretending Americans have any constitutional right to privacy.” FISA court Chief Judge James Boasberg lamented “apparent wide-

spread violations” of the legal restrictions for FBI searches but shrugged them off and permitted the scouring of Americans’ personal data to continue.

Alas, there was no bureaucratic repentance. The feds revealed in 2022 that “fewer than 3,394,053” Americans’ privacy had been zapped by FBI warrantless searches using Section 702. Why didn’t the feds use an alternative headline for the press release: “More than 320,974,609 Americans not illegally searched by the FBI?” That report was issued by the Office of Civil Liberties, Privacy, and Transparency of the Office of the Director of National Intelligence. But there was scant transparency aside from a raw number that raised far more questions than it answered.

Almost two million of those searches involved an investigation of Russian hacking. Yet there aren’t that many hackers in the United States. The State Department’s Global Engagement Center presumed that anyone whose tweets agreed with a position of the Russian government should be banned by Twitter for being a Russian agent. Did the FBI use a similar “catch-all” standard to justify pilfering two million Americans’ email and other online data?

Exemption from the Constitution

In May 2023, a heavily redacted FISA court decision revealed that the FBI continued exempting itself from the Constitution. For each American that the FISA court authorized the FBI to target, the FBI illicitly surveilled almost a thousand additional Americans. The FBI admitted to conducting 278,000 illicit searches of Americans in 2020 and early 2021 (the period covered by the FISA court ruling released in May 2023).

The FBI conducted illegal secret searches of the emails and other data of 133 people arrested during the protests after the killing of George Floyd in 2020.

The FBI conducted 656 warrantless searches to see if they could find any derogatory information on people they planned to use as informants. The FBI also routinely conducted warrantless searches on “individuals listed in police homicide reports, including victims, next-of-kin, witnesses, and suspects.” Even the Justice Department complained those searches were improper.

The FBI seems to have presumed that any American suspected of supporting the January 6, 2021, Capitol ruckus forfeited his constitutional rights. An FBI analyst exploited FISA to unjustifiably

conduct searches on 23,132 Americans citizens “to find evidence of possible foreign influence, although the analyst conducting the queries had no indications of foreign influence,” according to FISA Chief Judge Rudolph Contreras. The FBI also routinely conducted warrantless searches on “individuals listed in police homicide reports, including victims, next-of-kin, witnesses, and suspects.”

Even the Justice Department complained.

For 20 years, FISA judges have whined about FBI agents lying to the court. As long as the FBI periodically promises to repent, the FISA court entitles them to continue decimating the Fourth Amendment. Chief FISA Judge Contreras lamented: “Compliance problems with the querying of Section 702 information have proven to be persistent and widespread.” The FBI responded to the damning report with piffle: “We are committed to continuing this work and providing greater transparency into the process to earn the trust of the American people and advance our mission of safeguarding both the nation’s security, and privacy and civil liberties, at the same time.”

The FBI crime wave

FBI officials stress that any violations of Americans' privacy is "incidental." Since the FBI didn't intend to violate Americans' rights, it was a no-fault error — or millions of no-fault errors. There is no chance that police will adopt the same standard for absolving drunk drivers who did not intend to kill anyone they crashed into. Even when a media star such as Tucker Carlson may have been pulled into the 702 mire, the system manages to whitewash itself.

The House Intelligence Committee acts like a wholly-owned subsidiary of the Deep State.

The FBI's perpetual crime wave created a hornet's nest on Capitol Hill. Rep. Andy Biggs (R-AZ) asked: "How much longer must we watch the FBI brazenly spy on Americans before we strip it of its unchecked authority?" Rep. Mike Garcia (R-CA) declared, "We need a pound of flesh. We need to know someone has been fired."

House Republicans, led by House Judiciary Chairman Rep. Jim Jordan (R-OH), pushed a bipartisan reform of 702 named the Protect Liberty and End Warrantless Surveillance Act, which would have

required the FBI to get a warrant from a federal judge for most of its queries to the NSA database. Jordan's proposal would have also sharply reduced the number of FBI officials with access to the NSA trove. Jordan's bill included the Fourth Amendment Is Not For Sale Act, which "stops law enforcement from buying data that should require a court order," a scandal tagged in a *New York Post* op-ed headlined "Feds are buying your life with your tax dollars."

Congressional impotence

FISA epitomizes the mirage of constitutional checks and balances in our times. When Congress returns to FISA with the short-term authorization, the House will consider a FISA "reform" bill the Intelligence Committee unanimously approved. The House Intelligence Committee acts like a wholly-owned subsidiary of the Deep State. Unfortunately, these are the members of Congress with special access to federal dirt — and they have largely chosen to ignore the crimes committed by the spies they champion and bankroll.

Former Justice Department lawyer Marc Zwillinger is one of a handful of FISA court amici allowed to comment on cases or poli-

cies in the secret court. He issued a public warning that the House Intelligence bill expands the definition of “electronic communication service providers” covered by FISA compliance obligations to include “business landlords, shared workspaces, or even hotels where guests connect to the Internet.”

In other words, the FISA expansion could affect your next visit to Comfort Inn — and you thought Wi-Fi service was already bad! Former Justice Department lawyer Elizabeth Goitein warns, “Hotels, libraries, coffee shops, and other places that offer wifi to their customers could be forced to serve as surrogate spies. They could be required to configure their systems to ensure that they can provide the government access to entire streams of communications.” The bill could also cover any repairman who works on such equipment. That bill should be titled, Biden Big Brother Better Act.

The FISA reauthorization was included in the National Defense Authorization Act of 2024, a 3000-page “must pass” bill that Congress considered in December. Sen. Mike Lee (R-Utah), who led the opposition to the bill in the Senate, urged

fellow senators not to “trust any bill so large that it has to be delivered by handcart.” But to no avail.

The tyranny of the FISA court

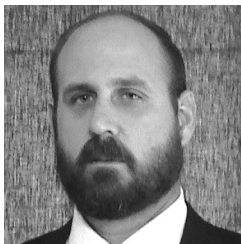
The FISA court has perpetually dismally failed to defend Americans’ constitutional rights. Washington must finally admit that there is no secret “doing God’s work” clause in the Constitution that entitles FBI agents to trample Americans’ privacy and liberty.

Will Congress show more gumption when the short-term FISA reauthorization expires in April? When FISA was up for renewal in 2012, I tweeted, “Only a fool would expect members of Congress to give a damn about his rights and liberties.” Unless Congress puts me to shame, FISA should be renamed the “‘Trust Me, Chumps!’ Surveillance Act.”

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, his new book, Last Rights: The Death of American Liberty, and nine other books.

The Case for Libertarian Internationalism

by Laurence M. Vance



Libertarians and conservatives share a common enemy. Whether it is described as liberalism, progressivism, collectivism, or socialism; whether its adherents term themselves liberals, progressives, Democrats, or democratic socialists — the agenda is the same: paternalism, universal health care, free college tuition, more gun-control laws, social justice, green energy, environmentalism, climate-change alarmism, affirmative action, government-mandated family leave, government-funded child care, more antidiscrimination laws, privileges for organized labor, an ever-increasing minimum wage, increased taxes on “the rich,” easier access to welfare with fewer work requirements, and abortion on de-

mand (at taxpayer expense for low-income women). The result of all of these things is a larger and more intrusive government and increased government regulation of the economy and intervention in society.

Conservatism

Although libertarians and conservatives may share a common enemy, this does not mean that the two groups are ideological cousins — no matter what President Ronald Reagan (1911–2004) thought. In a 1975 *Reason* magazine interview, Reagan said: “If you analyze it I believe the very heart and soul of conservatism is libertarianism.... The basis of conservatism is a desire for less government interference or less centralized authority or more individual freedom and this is a pretty general description also of what libertarianism is.” The reality, of course, is that conservatism desires less government interference, less centralized authority, and more individual freedom in just certain areas, only on select issues, and concerning just some subjects. Conservatives are big on reforming government programs or replacing them with other government programs instead of repealing them lock, stock, and barrel. Just because there is some overlap in the desires

of conservatives and libertarians and in the progressive policies that they oppose doesn't mean that conservatism and libertarianism are two sides of the same coin.

Regardless of how many times they recite their mantra, conservatives don't follow the Constitution in many areas.

The other problem with conservatives is that they often say the same things as libertarians but with a somewhat or entirely different meaning. Consider the conservative mantra of fidelity to the Constitution, federalism, limited government, private property, less government, lower taxes, less regulations, individual freedom, fiscal conservatism, traditional values, the free market, free enterprise, and a strong national defense.

Libertarians certainly believe that the federal government should actually follow its own Constitution and the federal system of government put in place by the Founders. Limiting the government, lowering taxes, and reducing regulations are music to the ears of libertarians. Individual freedom and private property are the twin pillars of libertarianism. There is nothing inherent in libertarianism that is in opposition

to fiscal conservatism or traditional values. Free enterprise and the free market is the cry of every libertarian. And libertarians undoubtedly believe in the legitimacy of defense against aggression.

But regardless of how many times they recite their mantra, conservatives don't follow the Constitution in many areas. They believe in federalism except when they don't. The only limited government they seek is a government limited to control by conservatives. They don't accept the freedom of individuals to do anything that's peaceful. They don't believe in the inviolability of private property. They think traditional values should be legislated by government. Fiscal conservatives they are not. They don't yearn for free enterprise and a free market in everything. And conservatives con-found national defense with national offense.

The conservative mantra is simply a ruse to persuade grass-roots conservatives to continue to vote Republican in order to keep those evil Democrats out of office.

Conservative internationalism

In the January/February issue of *Foreign Affairs* magazine, published by the Council on Foreign Relations (CFR), appeared an article by

CFR member Kori Schake titled: “The Case for Conservative Internationalism: How to Reverse the Inward Turn of Republican Foreign Policy.” Schake — a Republican who endorsed Joe Biden for president — had a long career in the federal government, holding numerous positions in the State Department and Defense Department, as well as serving on the National Security Council (NSC) under President George W. Bush. She is currently a senior fellow and director of foreign and defense policy studies at the American Enterprise Institute (AEI), a conservative think tank, where her research areas are national security strategy; NATO, Alliances, and U.S.-led international order; and threats to the liberal international order.

Schake believes that “Republicans’ commitments to these principles have weakened dramatically.”

In her article, Schake begins by bemoaning the “disorder” of the Republican Party, which is “especially evident — and dangerous — in the realm of foreign policy.” She explains what things were like before the Republican Party went astray:

For decades since 1952, the Republican Party had a fairly clear international vision: promote American security and economic power while supporting the expansion of democracy around the world. That meant providing for a strong military, cooperating with allies to advance shared interests, and boosting U.S. power in international institutions. It meant advancing free trade, ensuring fair international competition for U.S. companies, and promoting the rule of law in immigration policy. And it meant opposing authoritarianism, especially when autocrats directly challenged U.S. interests.

She believes that “Republicans’ commitments to these principles have weakened dramatically.” Most of this is the fault of Donald Trump, who “whiplashes between a wish to project U.S. power abroad and isolationism” and “has vowed to withdraw from NATO, end imports of Chinese goods, deploy the U.S. military onto American streets to fight crime and deport immigrants, and ‘drive out’ ‘warmongers’ and ‘globalists’ from the U.S. government.” But “other conservative

leaders — such as Florida’s Governor Ron DeSantis and the entrepreneur Vivek Ramaswamy — express outright hostility toward sustaining the United States’ international commitments.” Schake also points out that Republican politicians are split over U.S. aid to Ukraine and that there has been “an apparent isolationist turn” among GOP constituents. She even references a 2023 Civiqs Daily Tracking poll that “found that 77 percent of registered Republican voters agree that the United States should become less involved in solving problems overseas.” She concludes that “it does not appear to be an auspicious time for traditional Republican internationalism to regain its influence over the GOP” and acknowledges that “it might not even seem urgent that Republicans develop a clear foreign policy at all.” After all, in an August 2023 *Wall Street Journal* poll of likely Republican voters, “foreign policy had sunk to GOP voters’ lowest priority among 14 policy positions.”

Nevertheless, Schake believes that “foreign policy should be an urgent priority.” To strengthen her case, she links her conservative internationalism with a strong U.S. economy:

The world is growing more dangerous, and foreign policy bears directly on the state of the domestic economy and, thus, Americans’ very livelihoods. Extending U.S. power abroad — and U.S. influence in international institutions such as NATO — deters foreign aggression that might otherwise disrupt the U.S. economy.

The United States needs a strong and vibrant Republican Party. To make a more coherent case for how it would solve the country’s problems, the party will have to clarify its foreign policy focus. Traditional conservative internationalism remains the best way to protect U.S. national security and steward the economy.

Americans “need Republicans to advance a theory for what is happening in the world and how the party intends to protect the country and secure Americans’ prosperity.” And “no such theory can be developed without a clear foreign policy.”

At the heart of Schake’s “clear foreign policy” is increased U.S. military spending because of the “U.S. government’s neglect of the

military.” Although President Biden’s “\$842 billion budget request” for the Department of Defense (DOD) was “the largest such request in U.S. peacetime history,” and “represented a 3.2 percent increase in nominal spending,” because of inflation, “the request amounted to a real reduction in defense spending for the second year in a row.” (Only in the mind of a conservative internationalist is an increase in defense spending actually a cut.) So, “unless the U.S. government radically revises its willingness to fund defense, it will fail to deter its adversaries and could very well lose its next war.”

**Conservatism
is at its worst when it comes to
issues relating to foreign affairs
and the military.**

Schake’s “clear foreign policy” also includes “continuing, even increasing, U.S. assistance to Ukraine,” and there is a “strong conservative case” that can be made for doing so because “60 percent of U.S. assistance to Ukraine goes to U.S. companies that make the weapons sent to Kyiv.” In addition to putting more restrictions on China, the United States should rejoin the Trans-Pacific Partnership; “engage in more

meaningful trade talks with Indonesia, the Philippines, Switzerland, Taiwan, and the United Kingdom”; negotiate and secure “the ratification of other trade treaties”; aid “countries fighting to preserve their liberty”; and “properly regulate immigration” because “immigration policy has a crucial connection to foreign policy and to the United States’ economic health.”

The conservative internationalism advanced by Schake is nothing short of a foreign policy of managed trade, interventionism, and militarism. Conservatism is at its worst when it comes to issues relating to foreign affairs and the military.

Libertarian internationalism

The opposite of conservative internationalism is not isolationism. This is just how conservative advocates of an interventionist and militaristic foreign policy smear their opponents. If the United States actually did isolate itself from every other country, then it would refuse to have allies, to practice diplomacy, to participate in the Olympics, to make treaties, to issue visas, to send mail to or receive mail from foreign countries, to allow imports and exports, to accept foreign students at its universities, to permit cultural

exchanges, to exchange diplomats, to allow emigration and immigration, and to extradite criminals. It is countries like North Korea and Myanmar that are isolationist countries.

No libertarian advocate of a noninterventionist foreign policy wants the United States to avoid engagement with the rest of the world. All libertarians (and others who are truly noninterventionists) want is no bombings, no invasions, no occupations, no foreign wars, no preemptive strikes, no destruction of infrastructure, no peacekeeping missions, no enforcing UN resolutions, no overseas U.S. military bases, no policing the world, no garrisoning the planet, no assassinations, no imperialism, no meddling, no regime changes, no nation building, no security commitments, no spreading democracy at the point of a gun, no searching for monsters to destroy. Since when does not supporting an aggressive, belligerent, interventionist, and meddling foreign policy mean that you are an isolationist?

Libertarians believe in internationalism just like conservatives claim they do. But their idea of internationalism is quite different.

Libertarianism internationalism favors peace and friendship

with all nations. No sanctions and embargoes should be imposed against any country. The United States should not seek to impose its values on other nations or use foreign aid to bribe the governments of other countries to do its bidding.

Libertarian internationalism favors unilateral free trade.

Libertarian internationalism favors neutrality. The United States should not take sides in civil wars within countries or wars between countries. The United States should not enter into entangling alliances. The United States should not give military support to one country engaged in war with another. The United States should not concern itself with who controls the shoals, reefs, and rocks in the South China Sea or which flag will be hoisted on a small piece of land thousands of miles away.

Libertarian internationalism favors unilateral free trade. Schake bemoans President Biden's "protectionist economics" and "buy America" restrictions — ideas that Republicans are increasingly adopting. But then she faults him for failing "to recommit to ratifying the United States' accession to the Trans-Pacific Partnership" and allowing

“Beijing the benefits of free trade without requiring it to play by the rules.” She bemoans “the consequences of unequal trade with China” and maintains that “trade deficits with China cost the United States 3.7 million jobs” between 2001 and 2018. Many conservatives talk about free trade, but their support of trade organizations, trade agreements, trade treaties, “fair trade,” and trade restrictions shows that they believe in government-managed trade, not actual free trade.

Libertarian internationalism favors the free movement of people. Although conservatives give lip service to the movement of goods, they openly want to restrict the movement of people when they support things like travel bans to Cuba and immigration checkpoints far from the border.

Libertarian internationalism is the foreign policy of the Founders. Take, for example, Thomas Jefferson:

- We wish not to meddle with the internal affairs of any country, nor with the general affairs of Europe.
- I am for free commerce with all nations, political connection with none, and little

or no diplomatic establishment.

- Peace, commerce, and honest friendship with all nations — entangling alliances with none.

In addition to the warning in his Farewell Address against “permanent alliances with any portion of the foreign world,” George Washington also said: “Observe good faith and justice toward all nations. Cultivate peace and harmony with all.”

Contrasts

There are a number of contrasts that can be pointed out between conservative internationalism and libertarianism internationalism.

Conservative internationalism is interventionist; libertarian internationalism is noninterventionist.

Conservative internationalism wants all military operations on the table; libertarian internationalism wants to limit the military to defensive actions only.

Conservative internationalism believes in managed trade; libertarian internationalism believes in free trade.

Conservative internationalism believes that the United States should police the world; libertarian

internationalism believes that the United States should only police itself.

Conservative internationalism puts the interests of the American government first; libertarian internationalism puts the interests of the American people first.

Conservative internationalism seeks ever-increasing defense budgets; libertarian internationalism sees no need for the United States to spend more on defense than the next 10 countries combined.

Libertarian internationalism wants U.S. troops brought home and bases on foreign soil closed to project peace.

Conservative internationalism believes that the U.S. Navy should sail around the world; libertarian internationalism believes that our two vast oceans should be our first line of defense, as Thomas Jefferson once pointed out.

Conservative internationalism wants the United States to go abroad “in search of monsters to destroy”; libertarian internationalism wants the United States to be “the well-wisher to the freedom and independence of all.”

Conservative internationalism wants an empire of U.S. troops and

bases around the world to project military power; libertarian internationalism wants U.S. troops brought home and bases on foreign soil closed to project peace.

Conservative internationalism believes in U.S. hegemony; libertarian internationalism believes in harmony.

Conservative internationalism wants the United States to dominate the UN; libertarian internationalism wants the UN to serve only as a forum for dispute resolution.

Conservative internationalism believes in using the CIA for nefarious purposes; libertarian internationalism believes that the mission of the CIA should be intelligence gathering only, if it is to exist at all.

Conservative internationalism has room for sanctions and embargoes; libertarian internationalism demands free commerce.

Conservative internationalism is nationalistic; libertarian internationalism is cosmopolitan.

Conservative internationalism tolerates no dissent; libertarian internationalism has room for an individualistic foreign policy.

Conservative internationalism results in distrust and hatred of the United States; libertarian interna-

tionalism results in reliance on and admiration of the United States.

Conservative internationalism is always on the lookout for new enemies to justify U.S. military build-ups; libertarian internationalism minds its own business.

Conservative internationalism supports restricting the overseas travel of Americans; libertarian internationalism supports the free movement of Americans.

Conservative internationalism wants the United States to enter into entangling alliances; libertarian internationalism wants the United States to remain neutral.

Conservative internationalism is just a smokescreen for an interventionist foreign policy with all the trimmings.

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. Visit his website at: www.vancepublications.com.

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“Ludwig von Mises and the Austrian Theory of Money, Banking, and the Business Cycle, Part 2”

by Richard M. Ebeling

Ludwig von Mises and the Austrian Theory of Money, Banking, and the Business Cycle, Part 1

by Richard M. Ebeling



One hundred years ago, in 1924, the Austrian economist Ludwig von Mises issued a revised German-language edition of his 1912 book *Theorie des Geldes und der Unlaufsmittel*. Ninety years ago, in 1934, there appeared an English-language edition under the title *The Theory of Money and Credit*. Over the more than a century since Mises's book first appeared, the political and institutional circumstances of much of the world have gone through dramatic changes, yet the theoretical and policy analyses and insights of *The Theory of Money and Credit* have withstood the test of time.

When the first edition was published, the major countries of the world, including Mises's Austro-Hungarian homeland, had monetary systems based on the gold standard. In 1912, two years before the beginning of the First World War, many Europeans and North Americans were still living in the afterglow of the classical-liberal epoch of the nineteenth century. Governments were still relatively limited in size and scope. Taxes were fairly low, with accompanying modest levels of government spending. Those same governments, in general, mostly respected a wide array of civil liberties and personal freedoms. Freedom of trade and enterprise was the normative standard, even if some of those governments, especially in Imperial Germany, had reintroduced various protectionist barriers and were intervening in a variety of domestic economic activities. Yet, at the same time, the far-flung British Empire was administered as a global free-trade zone welcoming buyers and sellers and investors with few if any limits based on their nationality.

The monetary system before and after World War I

The central banks of these European countries (the United States did not have a comparable national

central bank in the form of the Federal Reserve System until 1914) all generally followed the “rules” of the gold standard. Bank notes and bank deposits were viewed and treated as “money substitutes,” that is, claims to the “real” money of gold and silver. Discretionary monetary manipulations by central banking authorities were generally frowned upon and not excessively practiced. If prices in general significantly rose for a period of time, it was usually due to significant increases in the world supply of gold, not the result of politically motivated paper-money inflations. However, the rationales and calls for “activist” monetary policies were increasingly for purposes of “social policy.”

When the revised second German edition of *The Theory of Money and Credit* appeared in 1924, the world was a radically different place from what it had been in 1912. Many of those major countries had gone through the four years of the First World War (1914–1918), and some had politically disintegrated, with the German, Russian, and Austro-Hungarian empires disappearing from the map of Europe. The prewar liberal institutions and beliefs concerning personal and economic freedom had been weakened, if not shattered. Gold re-

demption for paper currencies had ended among the belligerent nations in 1914 so their governments could, respectively, resort to the monetary printing presses to cover their huge war expenses.

Gold redemption for paper currencies had ended.

In the immediate postwar years of the early 1920s, destructive hyperinflations were experienced in places like Germany, Austria, and Russia. Half-hearted attempts were made to restore gold-based currencies that were mere shadows of the prewar monetary system. In addition, dictatorships had come to power in the form of Marx-inspired communism in Russia under Lenin and the Bolsheviks and in the form of fascism in Italy under the leadership of Mussolini (who coined the term “totalitarianism” to express his conception of the role and power of the state). An assortment of authoritarian regimes came to power in a number of other countries.

Ten years later, in 1934, when the English-language edition of *The Theory of Money and Credit* was published in Great Britain, the world had changed even more. The major industrial countries were in the throes of the Great Depression

following the stock market crash of October 1929, with worst of the rising unemployment and falling production experienced in the United States and Germany, though the severity of the depression was not much less felt in Great Britain and France and many other places. The gold standard had been abandoned, either de jure or de facto, virtually everywhere, with paper monies in their place as government policy tools to try to “fight” the depression.

Also, in 1933, Hitler and the Nazi Party had come to power in Germany, with dictatorial control rapidly imposed on all facets of German life and society. In the United States, Franklin Roosevelt had become president and soon imposed his own version of a fascist-like economic system on the United States in the form of New Deal centralized economic planning (which partially came to an end through a series of Supreme Court decisions in 1935 and 1936 that declared some New Deal programs to be unconstitutional).

Economic principles and the theory of money

In the preface to the 1934 English edition, Mises said that the monetary and banking institutional circumstances certainly had

changed from the times when the first and second editions of his book had appeared in 1912 and 1924, respectively. But he argued:

Ten years have elapsed since the second German edition of the present book was published. During this time the external apparatus of the currency and banking problems of the world has completely altered... [But] amid this flux, the theoretical apparatus which enables us to deal with these questions remains unaltered. In fact, the value of economics lies in its enabling us to recognize the true significance of problems, divested of their accidental trimmings. No very deep knowledge of economics is usually needed for grasping the immediate effects of a [policy] measure; but the task of economics is to foretell the remoter effects; and so to allow us to avoid such acts as attempt to remedy some present ill by sowing the seeds of a much greater ill in the future.

Economists had been intensely analyzing monetary and banking theory and policy issues since at least the middle of the eighteenth

century. Some of them were among the most famous economists of their time, including David Hume, Adam Smith, David Ricardo, John Stuart Mill, and others like Jean-Baptiste Say, Henry Thornton, Nassau Senior, and John E. Cairnes, to name just a few of the prominent ones.

But virtually all of them built their ideas on the “classical” labor theory of value, that is, that the value of any good — including a commodity such as gold or silver — ultimately derived its long-run value in the marketplace based on its costs of production, reducible to a quantity of labor time and effort that had gone into the extraction of resources and the manufacture of the finished good.

Virtually all of them built their ideas on the “classical” labor theory of value.

After the emergence of the subjective theory of value, especially with the publication of Carl Menger’s *Principles of Economics* (1871) and its elaboration by his “Austrian” followers, Friedrich von Wieser and Eugen von Böhm-Bawerk in the 1880s and 1890s, the labor theory of value was replaced by the theory of (marginal) subjective value. Ultimately, the value of

any good was derived from its “utility” or usefulness in satisfying a human want or desire. The “utility” of any particular unit of a specific quantity of a good was based on the wants it satisfied in descending order of importance.

The means of production (land, resources, labor, capital) received their value from their “indirect” usefulness in enabling a desired finished good to be manufactured into the final form that resulted in the desired consumption satisfaction. In turn, the marginal value of any specific unit of such means of production was derived from the value of the marginal unit of the final good produced relative to its utility to being used in some alternative line of production.

Menger had explained the origin of money as a medium of exchange in his *Principles of Economics* (1871) and in his *Investigations into the Methods of the Social Sciences* (1883). He demonstrated that money was not a creature or a creation of the State; it emerged “spontaneously” over a long period of time as people attempted to overcome the difficulties of direct barter exchange. In his famous monograph on “Money” (1892), Menger extended his analysis to trying to analyze the demand to hold money

based on its marginal valuation in acts of exchange.

The origin of money and its value through time

But it really was not until Mises's *Theory of Money and Credit* that there was an especially thorough and satisfying exposition of the demand for money and its purchasing power, or value, in the marketplace. Mises adopted Menger's theory of the origin of money: individuals in search of opportunities for gains from trade may discover that while Sam has what Bill wants, Bill does not possess what Sam would take in trade to give up what is in his possession. Even if there is what economists have come to call a double coincidence of wants (each has what the other desires in a trade), the characteristics of the goods in question may preclude their division into relative amounts reflecting a set of agreed upon terms of trade without one or both of these goods losing their desired qualities (for example, dividing a horse in half ends its usefulness for riding or pulling a wagon).

Over time, individuals discover that some goods are more valuable in terms of the fairly wide demand for them or their relative ease of divisibility without losing their de-

sired qualities, or their convenience in being transported to where trades may occur, or the durability of their qualities and useful characteristics over time. Historically, those goods that have demonstrated the greatest combinations of such attributes have tended to be more frequently utilized as a media of exchange, until only one or two have become the ones most widely used for money.

Money, increasingly, therefore, is on one side of every exchange.

Money, increasingly, therefore, is on one side of every exchange. People trade the good they possess for a sum of the money, and then turn around and use that money to purchase all the other goods they desire from all the other individuals participating in the expanding social system of division of labor. As a result, again over time, the good used as money derives its market value from two sources: from its original usefulness as some good used for consumption or production and its now additional usefulness as a medium of exchange. As time passes, its usefulness and value for as a medium of exchange may overshadow and perhaps finally completely supersede its usefulness

and value as a consumption or production good.

Then its primary or even singular value is simply as a market-chosen means of exchange. Its continued use is now based on its social institutionalization as money and people's estimates of its value in market transactions based upon its observed value for exchange purposes. The link in following money's value backwards would be traceable to the day when that good was first also used as money, the day before which it simply was considered useful and valuable as a consumption or production good. While money's historicity explains how and why it had a value for exchange purposes in the past, its value is determined by people's subjective (marginal) valuations concerning its anticipated usefulness and value in the exchange opportunities today and in the future. Mises's analysis of the value of money through and back in time became known as the Regression Theorem.

The meaning of the value of money and economic calculation

Another particular quality of the money-good in the marketplace is that unlike other goods bought and sold, money has no single price. With money on one side of every

exchange, all traded goods and services tend to have one price, their respective money price. That is, how many units of money to buy or sell a hat, or purchase a house, or pay for a particular meal in a restaurant. Money becomes the unit of account, with the relative values of all goods expressed in the single common denominator of their respective money prices. This makes possible and facilitates the ease of "economic calculation," the valuation and appraisal of the relative values of individual goods and combination of goods for purposes of determining "more expensive" and "less expensive," and of profit or loss.

Unlike other goods bought and sold, money has no single price.

However, due to money's unique place in the nexus of exchange, money has as many prices as goods against which it trades. This is precisely because money remains as the only good that directly trades for everything else offered on the market. Money may be thought of as the hub of a wheel of exchange, with each of the spokes being the individual goods against which money is being traded, with all the spokes connected by the same unit

of exchange. If we then ask, what is the value, or general purchasing power, of money, the answer is the array, or set, or network of relative prices between money and all the other goods against which it is trading at any moment in time.

Money may be thought of as the hub of a wheel of exchange.

Mises was critical of the now common attempts to “measure” the value of money through the construction of price indices, such as the Consumer Price Index (CPI). Every such index involves creating a selected “basket” of goods considered representative of the purchasing habits of some “average” household or buying unit to which are assigned “weights” to the various goods in the basket (that is, the relative amounts of each purchased on a regular basis), and which is then tracked to determine the cost of buying that “basket” over a given period of time. If the cost of the basket has increased (decreased) over that period, it is said that the value of the monetary unit has decreased (increased) by a certain percentage and that the society has experienced price inflation (price deflation) to that degree over that time period.

Understanding the reason for

Mises’s critical view of index-number methods for trying to measure changes in the value or purchasing power of money gets us to a crucial and central aspect of his whole theory of how monetary changes influence the market process. The focus on a single price index number for an averaged and summarized set of individual goods and their prices in that “basket” easily creates the impression that changes in the purchasing power of money occur uniformly and seemingly simultaneously.

Mises was an adherent of what is generally referred to as the quantity theory of money. That is, all other things held the same, any general rise or fall in the value or purchasing power of money has its basis in either a change in the total quantity of money in the economy or in a change in people’s willingness to hold a certain average monetary cash balance to facilitate their desired transactions over a period of time (often referred to as money’s “velocity,” that is, the number of times a given quantity of money “turns over” to facilitate a given number of transactions over a period of time).

Mises argued that if prices, in fact, increased (decreased) simultaneously and proportionally, that is,

at the same time and by the same percentage, monetary changes would have no or few “real” effects on the relative price, wage, production, and output relationships in the market. For instance, suppose the price of a pair of shoes was \$10 and the price of a hat was \$20; then their relative price relationship would be two pairs of shoes traded for one hat in the marketplace. If now a 10 percent increase in the quantity of money resulted in a proportional rise the price of shoes to \$11 and the price of a hat to \$22, the relative price relationship between shoes and hats would still be two pairs of shoes for one hat, even though in absolute terms the price of both was now higher. Monetary changes would be “neutral” in their effects on the “real” relationships between prices and goods in the marketplace.

The nonneutrality of monetary changes

However, this was and is not the way changes in the quantity of money impact and influence prices or the relative supplies of goods in the market process, Mises insisted. Money, instead, was “nonneutral” in its effects. Mises, of course, was not the first economist to point this out. Richard Cantillon (1680–1734) drew attention to it in his *Essay on the Nature of Commerce in General*

(1755), as did David Hume (1711–1776) in his famous essay “Of Money” (1752). An especially detailed analysis of money’s nonneutral effects was given by John E. Cairnes (1823–1875) in his essays on the impact of the Australian gold discoveries in the 1840s on global prices over time in his *Essays in Political Economy* (1873).

There is no such thing as
“helicopter money.”

But Mises made the nonneutrality of money a centerpiece of his analysis in *The Theory of Money and Credit* and in his later expositions in *Monetary Stabilization and Cyclical Policy* (1928) and in *Human Action, A Treatise on Economics* (1949). There is no such thing as “helicopter money” that falls from the sky and reaches the pockets of each member of the society at the same time and in the same amount. New or additional quantities of money are introduced or “injected” into the market at some particular point(s) as additional cash holdings now available, first, to some individuals before others.

Suppose there is an increase in the gold supply, as Cairnes analyzed in the case of the Australian gold discoveries. The newly mined gold

appeared first in the pockets of the prospectors who brought that gold to the coastal towns of Australia. It was used to increase the demand for the variety of particular goods and services these miners wished to buy, with the prices of these goods rising first in the face of an increased monetary demand for them.

To meet the new demand, a portion of the newly discovered gold was exported to Great Britain and other European countries in exchange for increased supplies of manufactured goods now wanted in those Australian towns, with European prices rising, in turn, in a particular sequence. To expand production for those export goods and the greater consumer demands of the European exporters who now had the financial wherewithal to increase their own demands for desired goods, some of the additional gold in the hands of Europeans was exported to other parts of the world in exchange for greater supplies of resources and raw materials in an attempt to increase the supply of manufactured goods. Resource and raw material and goods prices began to rise in a certain sequence in other parts of the world to meet the new demand.

Slowly but surely, the gold dis-

coveries in Australia affected global prices, first in the Australian coastal areas, then in various parts of Europe, followed by rising prices in other corners of the world. Many, if not all, prices were eventually impacted throughout the world, Cairnes argued, but in a particular temporal sequence reflecting who had the new supplies of gold first, second, and third and the patterned effect this had on relative prices, wages, profits, and productions. The final effect of this process was a generally higher “level” of prices in the world economy, but this had come about neither simultaneously nor proportionally.

The final effect of this process was a generally higher “level” of prices.

If one follows the “microeconomics” of the “macroeconomic” effect of changes in the quantity of money, there is no way that prices in general can be rising other than through the sequential process by which new quantities of money are introduced into the hands and demands of one group of people, then another group of people, followed by another and another. It is only then that through the rising demands for first some goods, then other goods, and, then, still other goods that, cu-

mulatively, prices in general will have gone up in some uneven and sequential pattern.

The monetary injection points and their nonneutral impact

Mises emphasized that there is no rigid and mechanical process about all this because it all depends upon the historical and institutional circumstances of how the change in the quantity of money is introduced. The sequence outlined above with an increase in gold supplies “injected” into the global economy via, at first, the spending patterns of Australian gold miners, will be different from a fiat-money system in which paper currency is printed and used by a government to cover, say, war expenses.

As Mises explained, in this alternative scenario, the new money enters the economy as a greater government demand for military armaments and accompanying war material. The demands for and the prices of war manufactures will tend to rise first. Their profit margins increase at the start, followed by the wages and resource prices of the factors of production they increase to satisfy the government’s greater demands for the means needed for war. The higher relative revenues and incomes of those

working in and drawn into war-related productions in the economy now increase their money demands for other desired goods, bringing about rises in another set of prices and demands for the things they wish to buy. And so on, until, again, prices in general in the economy may now be higher, but it will have been brought about in its own particular nonneutral temporal sequence of rising prices and wages and changes in the relative productions of various goods and services.

The new money enters the economy as greater government demand.

Another element in this non-neutral monetary process, Mises argued, was an inescapable modification and redistribution of income and wealth. The very fact that some demands and prices and wages rise before others necessarily improves the real relative income positions of some in the society and reduces the real relative incomes of others. Those who experience higher prices and wages for their goods and services earlier in this temporal sequence have higher money incomes to spend before many of the prices of the goods they want to demand have increased in price. Hence, they

have more money to spend for goods whose prices have not yet increased or not by as much as their own. This represents a real increase in income for as long as the prices they receive from the goods and services they sell continue to rise more and before the prices the goods and services they buy.

Others in society do not do as well. Given the temporal sequence in which the demands and prices of various goods are rising during the monetary expansion, those individuals and groups who experience higher and rising prices for the goods and services they regularly buy before the prices and wages for the goods and services they sell rise equally or more experience a decline in their real relative incomes. These latter members of society lose during the monetary inflationary process, while those in the earlier groups and sectors of the economy gain from the on-going inflation. Those on fixed incomes or pensions are, clearly, the most obvious victims of monetary inflations.

Monetary deflations are equally non-neutral in their effects

Mises was equally clear that monetary contractions, or “deflationary” processes, were just as

nonneutral in their effects on prices, wages, profits, and incomes. As he explained in *The Theory of Money and Credit*:

Monetary appreciation [falling prices], like monetary depreciation [rising prices] does not occur suddenly and uniformly throughout a whole community, but as a rule starts from single classes and spreads gradually.... The first of those who have to content themselves with lower prices than before for the commodities they sell, while they still have to pay the older higher prices for the commodities they buy, are those who are injured by the increase in the value of money. Those, however, who are the last to have to reduce the prices of the commodities they sell and have meanwhile been able to take advantage of the fall in prices of other things, are those who profit from the change.

This is why Mises considered it futile and counterproductive to try to compensate for the effects of a prior monetary inflation by following it by a monetary deflation. The deflation merely brings in its wake

its own nonneutral effects different from and in no way compensating for the losses that particular individuals may have suffered during the monetary inflation. Or as Mises expressed it in a later essay on “The Non-Neutrality of Money” (1938):

[Some] suggest methods to undo changes in the purchasing power of money; if there has been an inflation they wish to deflate to the same extent and vice versa. They do not realize that by this procedure they do not undo the social consequences of the first change, but simply add to it the social consequences of a new change. If a man has been hurt by being run over by an automobile, it is no remedy to let the car go back over him in the opposite direction.

Mises emphasized, as we saw, that how monetary expansions (or contractions) work their way through the marketplace depends on the particular institutional and historical circumstances in which the monetary change occurs. But, in fact, the monetary and banking institutional setting when Mises

published and revised *The Theory of Money and Credit* and wrote his later expositions, as in *Human Action*, remained fairly much the same, and remains so today. That is, monetary and credit expansions occur through banking systems overseen and fundamentally controlled by central banks.

Given this institutional arrangement of modern monetary and banking systems, Mises applied his theory of the nonneutrality of money to understand and analyze the processes through which inflations and recessions, the booms and busts of the business cycle, are brought about. And, furthermore, what institutional changes would have to be introduced if the causes and consequences of the business cycle were to be eliminated or at least greatly reduced.

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.

Unheralded Resisters in Nazi Germany: The Edelweiss Pirates, Part 3

by Wendy McElroy



In his essay “Youthful Rebellion as Legitimate Resistance Against the Third Reich,” history professor John Charles Marsland II described the acceleration:

By 1942, HJ [Hitler Youth] leaders [in Dusseldorf] could not cross the street without incident and many stopped attending their meetings out of fear of molestation. The EP [Edelweiss Pirates] insulted uniformed soldiers or party functionaries and pushed HJ leaders off their bicycles, robbing them of their badges and daggers of honor.... That autumn, Pirates shot one HJ leader and stabbed another.

Official reports complain that due to EP activities, HJ members — take their lives in their hands when they go out on the streets — and cannot perform their duties in EP districts.... The attacks became so frequent and damaging that the HJ could no longer act as Hitler’s representatives or enforcers in the communities the EP inhabited. In this small way, the *Edelweißpiraten* not only resisted but also enjoyed a measure of success.

Violence increased. The groups raided army camps to steal weapons and explosives. In Cologne, the head of the Gestapo in Cologne was assassinated. Then, in 1944, an escapee from a concentration camp named Hans Steinbrück established the *Ehrenfeld*, or Field of Honor Group, in bombed-out Cologne. The approximately 100 members included other former prisoners, Jews, and Edelweiss Pirates. The group stockpiled weapons, stole goods, and frequented the black market with the goal of damaging the Nazi infrastructure. The Nazis arrested Steinbrück and other members of the *Ehrenfeld* group.

On November 10, 1944, the Nazis hanged 13 *Ehrenfeld* members in

Cologne, none of whom received a trial. At least six of them were Edelweiss Pirates, including 16-year-old Barthel Schink. Schink was later celebrated as a freedom fighter, with the street next to where he died named in his honor. Yad Vashem, Israel's official memorial to victims of the Holocaust, recognized Schink as "Righteous Among the Nations" for risking his life to hide Jews. The Edelweiss Pirates were finally receiving recognition.

Nevertheless, they remained obscure for many years. There are reasons, apart from the working-class status to which Koch alluded.

One is them: the Allies and the Edelweiss Pirates had a rocky history that pre-dated the occupation. During the war, the Allies hadn't aligned with the Edelweiss Pirates as they had with other resistance groups, like the maquis in France. The Pirates *did* distribute the Allied leaflets, and they assisted Allied soldiers who escaped from detainment camps. But the groups were neither pro-American nor pro-British. They were anti-Nazi, anti-authority. The Allies' Psychological Warfare Division (PWD) existed to support anything that could destabilize the Third Reich. In a report, the PWD described the Edelweiss Pirates: "it is the enemy of our ene-

my; it is not our friend." One reason for this negative appraisal was the burglary and looting committed by some of the groups.

Edelweiss Pirates assisted the Allies by intimidating hold-out Nazi resisters and identifying war criminals.

Nevertheless, as the war moved toward its end, Edelweiss Pirates assisted the Allies by intimidating hold-out Nazi resisters and identifying war criminals. After the war, some offered to continue exposing law-breakers and to go on patrols in exchange for official approval from the Allies. The Allies refused.

The Pirates were still seen as criminals. They were also viewed as erratic because they wouldn't reliably take orders from those in command, which included the Allies and the Communists (Soviet Union). Moreover, the substance of the groups was changing, and not for the better, as original Pirates withdrew and newcomers joined. The article "Were They Anti-Nazi Resisters or Juvenile Delinquents?" explained: "Remnants of Nazi forces drifting from town to town, including SS soldiers [Schutzstaffel, the political police of the Nazi Party], joined the groups, imposed

structure on them, and used them to terrorize communities and resist occupying forces. One theory is that the dissolved groups were ‘real’ *Edelweisspiraten*, while those that remained were rowdies and malcontents taking advantage of the name. By early 1946, occupation forces arrested hundreds of so-called Edelweiss Pirates.”

**The Edelweiss Pirates
were shoved off the pages of
history books.**

The Edelweiss Pirates also ran counter to the official narrative. The Allies promoted World War II as “the just war” because Nazi Germany was allegedly populated by those who were pure evil, those who cooperated with pure evil, and those who chose cowardly silence. The narrative of audacious teens who had fought the Nazis even before the war did not fit the Allies’ story. Meanwhile, the German opponents of Nazism who had gone into exile or hidden their politics did not like to admit that they’d left the real resistance to others, let alone to a scattered network of working-class riff-raff.

The Edelweiss Pirates were thus shoved off the pages of history books. Their reintroduction was

due to former members, like Fritz Theilen. After his retirement, Theilen and two other surviving Pirates traveled to schools to talk about their experiences during the war. In 1984, Theilen published his memoirs, *Edelweisspiraten*. Its content led to several legal battles, all of which Theilen won, not only legally but also in terms of recognition.

Germany now acknowledges the Edelweiss Pirates as a resistance movement. A plaque erected at the site of the 1944 hangings in Cologne calls them “fighters against war and terror.” In 2004, Niko von Glasow released his film *Edelweisspiraten*, which helped to bring the Pirates to the attention of a broader world. Pieces of music, books, essays, and articles. A stage and a radio play did the same. In April 2011, Theilen and the four other survivors were presented with the Order of Merit of the Federal Republic of Germany by Cologne’s governing mayor.

Debate still surrounds the status of the Edelweiss Pirates. Were they resistance fighters, criminals, juvenile delinquents, or all three? Through a tangle of questions, one answer is clear. The Pirates were so complex and varied that they defy easy classifications.

The question should not ob-

scure the most important aspect of the Edelweiss Pirates' story. Whatever their motives, the Pirates were average people who said "NO!" to Nazi control. The producers of the *Edelweißpiraten* film understood this when they explained, "the Edelweiss Pirates were no absolute heroes, but rather ordinary people doing extraordinary things." This should provide encouragement to the world. If impoverished 14-year-

olds can stand up to Hitler year after year, then there is hope for us all.

Wendy McElroy is an author for The Future of Freedom Foundation, a fellow of the Independent Institute, and the author of The Reasonable Woman: A Guide to Intellectual Survival (Prometheus Books, 1998).

As a matter of general principle, I believe there can be no doubt that criticism in time of war is essential to the maintenance of any kind of democratic government ... too many people desire to suppress criticism simply because they think that it will give some comfort to the enemy to know that there is such criticism. If that comfort makes the enemy feel better for a few moments, they are welcome to it as far as I am concerned, because the maintenance of the right of criticism in the long run will do the country maintaining it a great deal more good than it will do the enemy, and will prevent mistakes which might otherwise occur.

— Robert A. Taft

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