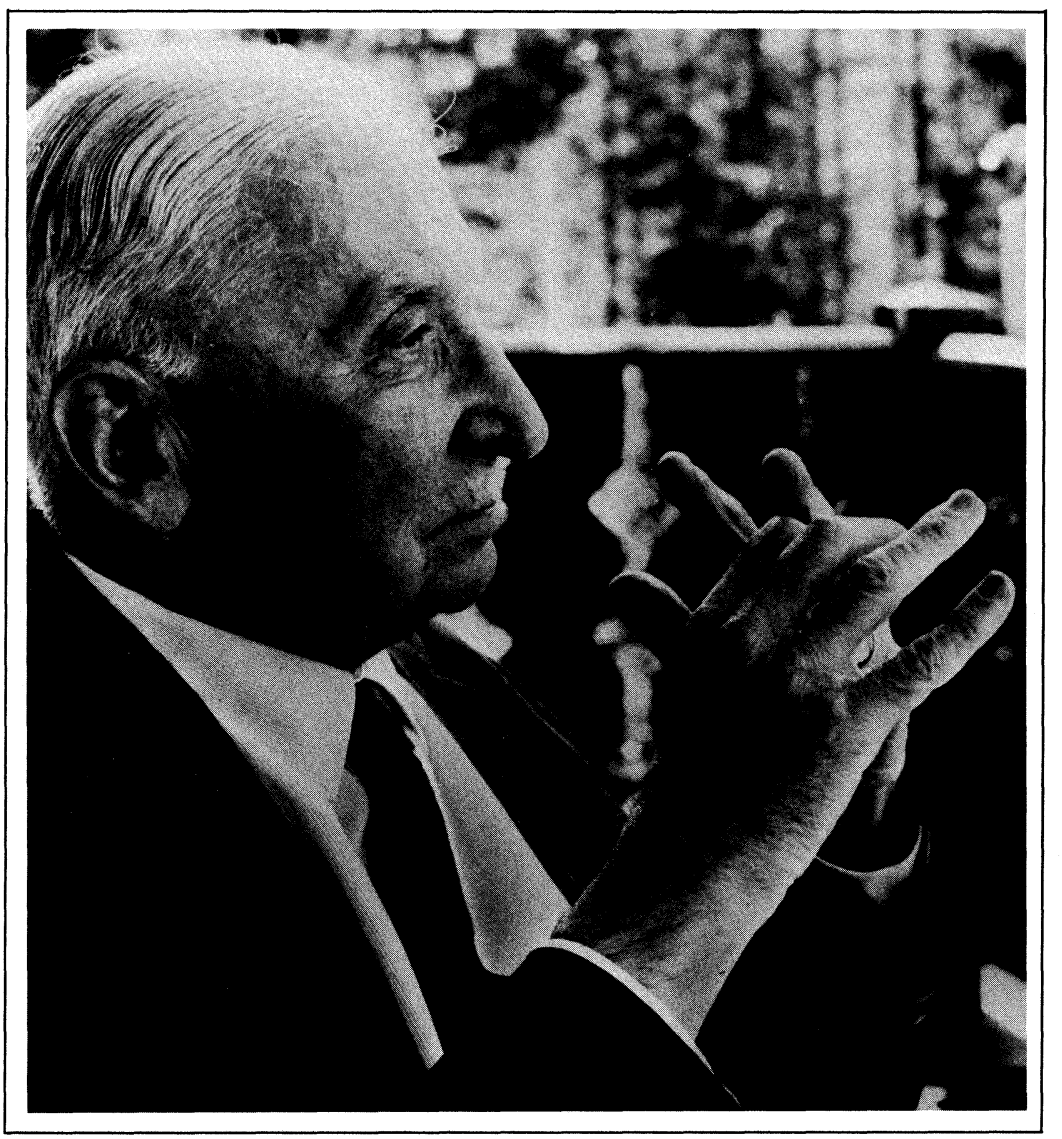
Libertarian Review

January/February 1978 $1.25

Notes and Recollections

Excerpts from the Memoirs of Ludwig von Mises



Gloria Sturzenacker: Obedience to Authority

Christopher Weber: The Shattered World Economy

Daniel Shapiro: The Neoconservatives

Letters

Conservative power

Your lead editorial in the September issue reveals a shocking lack of understanding of how public policy is made.

You suggest the lopsided votes by which the U.S. House and Senate passed Jimmy Carter's new Department of Energy prove the "hopeless ineptitude" of conservatives in both houses. You say conservatives "are utterly incapable of mounting an effective battle against *any* new plan to further shackle the American economy."

You suggest that conservatives "ought to get the hell out of American public life, and admit that they are a dead end . . ."

Several energy battles have been lost because the cooperative relationship between business and conservative movement groups (which together won smashing victories in the labor and election law areas) hasn't yet been created in the energy field.

If conservatives followed your advice, you would be put out of business in less than a year. George McGovern, Ted Kennedy, Clifford Case and their fellow foes of the free market in both houses of Congress have enough bills already in the hopper to take over all economic activity except small farm plots.

If your despised conservatives withdrew from the battle, left wing legislation and administrative directives would crush everything in their path, and your chances of replacing leftists in government with "pure" libertarians would be nil.

Here are some propositions you should consider:

1) "Pure" libertarians are greatly outnumbered by self-identified conservatives who share most of your preferences for the free market. You need them as allies.

2) "Pure" libertarians have less influence on public policy than your numbers would warrant. Your activities are often counterproductive because you haven't learned how to market your ideas.

3) The current level of government encroachment on personal rights didn't develop in one fell swoop, and any reversal will be an incremental process also. To advance the cause of freedom, you should first target those issues where you have the best chance to win, that is, those in which you would have the most allies.

Consider Marxism. Have Marxists gained power across the world because their philosophy is correct? Of course not. Despite their demonstrably wrong ideas, despite all their bloody terror and totalitarianism, they still attract idealistic converts. Why?

The reason is that dedicated Marxists pay much more attention to organizational technology than they do to such questions as how their monstrous state apparatus will eventually wither away. They study how to win. They think they owe it to their philosophy to be as technologically proficient as possible. They'll ally themselves with even their bitter enemies if they see how it will logically advance their cause. They try never to get mad except on purpose.

Consider also the idealistic Buddhist monks who helped discredit and undermine the embattled South Vietnamese government. The new regime makes the old Saigon government look like Galt's Gulch. Where are those monks now? Buried in mass graves or in Marxist reeducation camps. They were dumb. They didn't understand how to act in their own self-interest.

Morton C. Blackwell
Editor
The Right Report

This month's lead editorial replies to Mr. Blackwell's letter.

A note to our readers

As you probably have noticed by now, this issue carries a date of January-February 1978. We have combined these *two* issues into one for two principal reasons: **Libertarian Review** had fallen significantly behind schedule, and this lateness was exacerbated further by the fact that we have recently moved our offices to San Francisco.

Thus, we combined two months' magazines to put **LR** back on schedule. To atone for this omission, we are extending each of your subscriptions by two months—two months of what promises to be **LR's** most exciting year ever. For in 1978, we will be introducing a variety of stimulating new regular features to our pages. And **LR** will have a new look, redesigned by Roger Black, art director of **Rolling Stone** magazine.

Among the new items we will carry are a series of essays on great libertarian thinkers and also essays that are classics of libertarianism, *Liberty's Heritage*, which begins this issue; the acerbic observations of Murray N. Rothbard, every month; up-to-date commentary on the activities of the libertarian movement, also in a monthly column; an occasional media column; more in-depth interviews; and a regular collection of pointed notes about the foibles of the Left and Right (and thus why libertarians are neither).

We hope you will find these additions to **LR** as provocative and penetrating as they promise to be. We apologize for our prior lateness and for the solution we have employed, but hope the 1978 **LR** will more than compensate for these problems.

Marshall E. Schwartz
Executive Editor

Libertarian Review

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ARTICLES

DEPARTMENTS

Washington Watch

One year of Jimmy Carter
by Bruce Bartlett

It's difficult to know where to begin an assessment of the Carter administration's first year in the seat of government because even now so little is known about what really makes Jimmy Carter tick. Here in Washington there is great disquiet about this issue among congressmen, senators, bureaucrats, lobbyists, newsmen, and almost anyone else involved with the government. In particular, Washington hostesses are miffed because neither Carter nor any of his top staff (sometimes referred to as the Georgia Mafia) will attend any of their parties. Curiously, this peculiar sidelight underlines the Carter enigma, because in Washington, as almost nowhere else, a tremendous volume of critical business is conducted on the party circuit.

From a libertarian point of view, the inability of Jimmy Carter and Co. to meld into the Washington style has certain advantages, because it has diminished Carter's ability to push legislation through Congress. Given the kind of bills and programs Carter has proposed thus far, we are thus presented with a great blessing indeed. In fact, some of the very worst legislation this country has ever seen has been halted, defeated, and otherwise blocked from passage by a combination of congressional, consumer and business interests. Briefly, a list of some of the major Carter initiatives and their status includes the following:

Social Security—The president recently signed into law a bill to refinance the Social Security system with $227 billion in new taxes over the next decade. His first proposal was to use general revenues to make up the $6 trillion-plus deficit currently drowning the Social Security system in a sea of red ink. But the Congress chose to maintain the illusion that Social Security is an "insurance" system and raise taxes on workers and employers more steeply. In reality, of course, Social Security is not an insurance system at all but a vast con job, a transfer payment from those currently working to those who have retired. Since the Carter administration chose to ignore this fundamental weakness of the system, the increase in taxes is not likely to do anything except slow down the economy even further.

Energy—The much publicized "moral equivalent of war" has been reduced, almost singlehandedly by Senator Russell Long, to a war of nerves. Most of Carter's energy package has been scuttled by the Senate (leaving us with a handful of Carter's little energy pills), with the only major questions to be settled being how much natural gas prices will rise and who will get to use the revenues garnered through the tax on crude oil. Unfortunately, from a libertarian viewpoint, no energy bill at all would be better than anything which might eventually emerge from Congress, although the changes made by Congress in the president's original proposal are probably for the better.

Cargo Preference—The House of Representatives defeated this blatant $240-million-a-year payoff by the administration to the maritime unions, which would have required that 9.5 percent of imported oil be transported in U.S.-flag ships.

Consumer Protection Agency—Industry pressure thus far has inhibited passage of this legislation, which would establish another layer of regulation on the economy. Chances are that this latest bureaucratic boondoggle will not even be brought to a vote this year.

Instant Voter Registration—Once again, pressure on Congress has forestalled approval of this legislation. Most analysts now feel this measure would increase greatly the chances for voter fraud, and the bill likely will be buried for the duration of this Congress.

Economic Stimulus—The infamous $50 tax rebate was withdrawn by the administration under heavy pressure from economists and the Congress itself. Nevertheless, the same kind of thinking which gave birth to this proposal continues to flourish at the White House as the administration searches for ways to combat an unemployment level obstinately stuck at about seven percent.

Minimum Wage—The gargantuan in-

(continued on page 36)

Crosscurrents

by Walter E. Grinder

• Reprinting the Classics

One of the frustrations of being a student of libertarianism is the fact that many of the classic works of libertarian thought have long been out of print. Thus you have had to rummage in dusty stacks of major municipal or university libraries in order to unearth copies of these seminal contributions to the philosophy and economy of liberty.

To the relief of all of us with such a penchant, Liberty Press and Liberty Classics—the publishing arm of the Liberty Fund, Inc. (7440 N. Shadeland, Indianapolis, Indiana 46250)—has been reissuing these important works in expertly designed and printed editions, under the direction of David Franke, a long-time editor at Arlington House. Liberty Fund is the same organization that produced a film on Adam Smith to commemorate the 200th anniversary of the publication of *The Wealth of Nations*. So it is hardly surprising that among the first books reprinted in the series were three by or about Smith himself: his lesser-known but immortal *The Theory of Moral Sentiments;* a selection of his insightful writings on a wide variety of topics, *The Wisdom of Adam Smith;* and E.G. West's fine biography, *Adam Smith: The Man and His Works.*

To discuss the complete series to date would occupy this entire magazine, so I'd like to mention briefly the three which I consider to be most outstanding—two of which are reviewed at length later in this issue of *LR.*

First is *Essays on Individuality,* edited by Felix Morley (382 pp., first published in 1958, $8 hardcover), which is like a table spread with a veritable smorgasbord of delectable intellectual entrees. It's hard to choose, but I think my three favorite essays from the collection are biologist Roger J. Williams' "Individuality and Its Significance in Human Life"; sociologist Helmut Schoeck's "Individuality vs. Equality" (the basis of Schoeck's more recent brilliant treatise, *Envy: A Theory of Social Behavior*); and Nobel Laureate F.A. Hayek's "The Creative Powers of a Free Civilization." This piece by Hayek is a continuation of his investigations into the role of ignorance, socio-economic knowledge, the evolution of law, and the coordinative role of the price system. It formed the basis of the theoretical sections of his *The Constitution of Liberty* and of his later *Law, Legislation and Liberty.* This volume also includes the thesis essay of Milton Friedman, *Capitalism and Freedom,* as well as essays by Richard Weaver, John Dos Passos, Arthur Ekirch and others. It is worth far more than its price to any libertarian.

A second classic Liberty Press volume is W.H. Hutt's long out-of-print and too often forgotten *The Theory of Idle Resources* (reviewed in this issue by Gerald O'Driscoll). This work is one of the greatest anti-Keynesian tracts of all time—better, I think, than Hutt's later *Keynesianism: Prospect and Retrospect.* Hutt examines every definition of unemployment imaginable. With unassailable logic he concludes that no resource is ever unnecessarily unemployed unless its price is in some manner held artifically high. Hence, although there was *never* a time when all resources are employed—wouldn't that be madness!—resources tend to be employed where and *when* they will most efficaciously satisfy consumer needs. The market (i.e., consumers and entrepreneurs, through the price system) will allocate resources to their most effective uses, which at any moment just might entail a period of "idleness." In any case, the free market will bring about the optimum degrees of use and idleness of resources (land, labor and capital). Any interference with the process will, of course, lead to a less than optimal use of nature's resources.

This great classic was first published in 1939, and has been revised and updated in the Liberty Press edition with Hutt's new introduction. It is a key source to study in order to argue effectively with Keynesians and others who believe that massive unemployment is endemic to the free market.

Third is Hilaire Belloc's *The Servile State* (reviewed in this issue by John McCarthy). This great and relatively unknown classic holds a place of particular fondness in my own heart, as it was one of the key half-dozen books that were crucial in my own early intellectual development. And it was one of those works on which I cut my intellectual teeth in libertarian theory.

I can remember back in the late fifties my emotional high in reading the then recently-published *Atlas Shrugged* by Ayn Rand. Along with F.A. "Baldy" Harper's *Liberty: A Path to Its Recovery,* Henry Hazlitt's *Economics in One Lesson,* and the articles in the magazine *The Freeman,* this work served as my introduction to libertarian thought. But my Randian emotional high swiftly paled into virtual insignificance when, in following the recommendations of Harper and Hazlitt, I read—within a period of several months—a number of books which provided the basis for a far more sophisticated libertarianism. The intellectual nourishment I received from these books never superseded my visceral commitment to libertarianism; yet, it served to complement and support my journalistic understanding, and thus laid the groundwork for as solid a comprehension of libertarianism as I think it is possible to have. I think so highly of this little group of books—and I am so certain that they remain today an excellent introduction into libertarianism—that I list them here for anyone interested in discovering the roots and developments of libertarianism. There is no special order in which they should be read.

John T. Flynn's *As We Go Marching,* even to this day, taught me more about the American system than any other book. F.A. Hayek's *The Counter-Revolution of Science* introduced me to the Austrian view of the "spontaneous order" of society, the theory of institutions, and the deficiences of philosophical "constructive rationalism." Hayek's *Individualism and Economic Order* dealt further with institutions and spontaneous order and also showed the impossibility of socialist economic calculations. Ludwig von Mises' *Human Action* put all of Hayek's insights in order for me and, even more, provided an introduction to money and the Austrian theory of the business cycle. This may be the greatest work I ever have studied.

There are two shorter essays, which also served as firm building blocks in this foundation-laying period, that should be mentioned. First, Murray N. Rothbard's seminal work (and I think his most important contribution to economic theory), "Toward a Reconstruction of Utility and Welfare Economics," proved to me that *not any* governmental intervention into the socio-economic exchange system (society) could improve the general welfare. Second, Lysander Spooner's *No Treason: The Constitution of No Authority* demonstrated the lack of legitimacy of the U.S. Constitution

and, by implication, of any nonindividually contracted social arrangement.

Finally, there were two books which took me straight to a perfect understanding of the nature of the state as an exploitative, antisocial institution. The first of these was Albert Jay Nock's great *Our Enemy the State.* The second was Belloc's *The Servile State.* Belloc's book may be the most perceptive and certainly the most prophetic of this select group. He saw, perhaps better than anyone other than Vilfredo Pareto, the true nature of the system that would emerge from a fusion of the capitalist state, the corporate-financial sector, and the combined rise of welfarism and strong labor unions. Needless to say, I am delighted to have this great book back in circulation. I'm sure you will also find Robert Nisbet's introduction most useful.

• Canada Defends the Undefendable

Quest: Canada's Urban Magazine is Canada's largest controlled-circulation periodical, with 700,000 delivered free in selected urban areas. The December 1977 issue includes one of the best journalistic presentations of the libertarian philosophical position I yet have seen.

In an article entitled "Vile Bodies We Should Love," author Richard Lubbock not only takes seriously *Defending the Undefendable* by Walter Block (an Austro-libertarian who teaches economics at Rutgers University), but he uses the book as a point of departure from which to paint a very favorable portrait of the libertarian movement in America.

I have long been a critic of Block's book, not on philosophical grounds (because I agree with probably 90 percent of its assertions), but because I am afraid it will alienate readers to the point where they will not take its message seriously—and hence become a counterproductive effort. For instance, some of Block's "heros" in the book are pimps, litterers, counterfeiters, dope peddlers, prostitutes, stripminers, blackmailers, and so on *ad nauseum.* As it says on the book jacket, "Something to offend everyone."

Well, it clearly did not offend Mr. Lubbock, whose presentation of Block's arguments shows that not only did he understand Block but that he could render the essence of Block's position even more clearly and more succinctly than did Block himself.

This has been a major breakthrough for libertarianism, but I'm not sure how we can capitalize on it. At the end of this article, the editors included the following: "Are Block's arguments outrageous? Or do they make sense? Let us know what you think and we'll publish a selection of your letters. Write to: The Editor, *Quest,* 2300 Yonge St., Toronto, Ontario M4P 1E4."

I suggest it would be helpful for all of those who have read the Block book to write in. All those who have not should both write and ask for a reprint of the article and read Walter Block's very provocative, very interesting, and very offensive book (Fleet, 256 pp., $9.95).

F.A. Hayek

• O'Driscoll Coordinates Hayek

Most of *Libertarian Review's* readers are aware of the publisher Sheed, Andrews and McMeel (6700 Squibb Road, Mission, Kansas 66202) and their series of books on Austrian economic theory, entitled "Studies in Economic Theory." The series includes Murray Rothbard's *America's Great Depression;* I.M. Kirzner's *The Economic Point of View; The Economics of Ludwig von Mises,* edited with an introduction by L.S. Moss; *The Foundations of Modern Austrian Economics,* edited with an introduction by E.G. Dolan; and *Capital, Interest and Rent: Essays in the Theory of Distribution* by Frank A. Fetter, edited with an introduction by Rothbard. I recommend them all.

There have been two recent additions to the series. *Capital, Expectations, and the Market Process: Essays on the Theory of the Market Economy,* by Ludwig M. Lachmann, is edited and introduced by this writer. This collection brings together four decades' worth of essays by this first-rate Austrian economist. Second is *Economics as a Coordination Problem: The Contribution of Friedrich A. Hayek* by Gerald P. O'Driscoll, Jr., the country's foremost authority on Hayek and a young professor of economics at Iowa State University. Although I recommend the Lachmann book, you will note that I have a vested interest in pushing it, so I'll concentrate on O'Driscoll's brilliant presentation of the economic contributions of Hayek.

Hayek's work spans almost seven decades. Until now it has never been set in sequential order for the reader to investigate in an orderly fashion.

O'Driscoll traces Hayek's development from his work on money and business fluctuations in the twenties and early thirties, to his concentration on prices, information and economic knowledge, and the socialist calculation debate throughout the 1930s, and then on to Hayek's return to the business cycle and capital theory in the late thirties and early forties. Throughout these years, O'Driscoll finds the central theme of Hayek to be price as a coordinative mechanism, and hence economics as a problem of coordination.

This is must reading for anyone interested in Austrian theory in general and a great starting place for those specifically interested in understanding Hayek's contributions to the discipline of economics.

Liberty's Heritage

Patriotism
by Herbert Spencer

Were anyone to call me dishonest or untruthful he would touch me to the quick. Were he to say that I am unpatriotic, he would leave me unmoved. 'What, then, have you no love of country?' That is a question not to be answered in a breath.

The early abolition of serfdom in England, the early growth of relatively free institutions, and the greater recognition of popular claims after the decay of feudalism had divorced the masses from the soil, were traits of English life which may be looked back upon with pride. When it was decided that any slave who set foot in England became free; when the importation of slaves into the Colonies was stopped; when twenty millions were paid for the emancipation of slaves in the West Indies; and when, however unadvisedly, a fleet was maintained to stop the slave trade, our countrymen did things worthy to be admired. And when England gave a home to political refugees and took up the causes of small states struggling for freedom, it again exhibited noble traits which excite affection. But there are traits, unhappily of late more frequently displayed, which do the reverse. Contemplation of the acts by which England has acquired over eighty possessions—settlements, colonies, protectorates, etc.—does not arouse feelings of satisfaction. The transitions from missionaries to resident agents, then to officials having armed forces, then to punishments of those who resist their rule, ending in so-called 'pacification'—these processes of annexation, now gradual and now sudden, as that of the new Indian province and that of Barotziland, which was declared a British colony with no more regard for the wills of the inhabiting people than for those of the inhabiting beasts—do not excite sympathy with their perpetrators. Love of country is not fostered in me on remembering that when, after our Prime Minister had declared that we were bound in honour to the Khedive to reconquer the Sudan, we, after the re-conquest, forthwith began to administer it in the name of the Queen and the Khedive—practically annexing it; nor when, after promising through the mouths of two colonial ministers not to interfere in the internal affairs of the Transvaal, we proceeded to insist on certain electoral arrangements, and made resistance the excuse for a desolating war.[1] Nor does the national character shown by a popular ovation to a leader of filibusters, or by the according of a university honour to an arch-conspirator, or by the uproarious applause with which undergraduates greeted one who sneered at the 'unctuous rectitute' of those who opposed his plans of aggression, appear to me lovable. If because my love of country does not survive these and many other adverse experiences I am called unpatriotic—well, I am content to be so called.

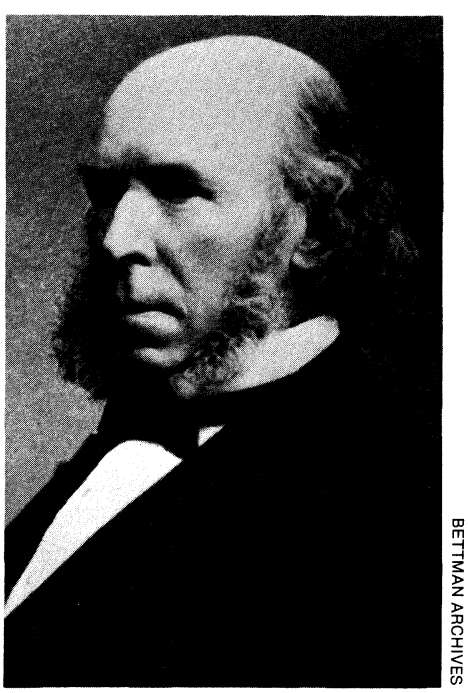
To me the cry—'Our country, right or wrong!' seems detestable. By association with love of country the sentiment it expresses gains a certain justification. Do but pull off the cloak, however, and the contained sentiment is seen to be of the lowest. Let us observe the alternative cases.

Suppose our country is in the right—suppose it is resisting invasion. Then the idea and feeling embodied in the cry are righteous. It may be effectively contended that self-defence is not only justified but is a duty. Now suppose, contrariwise, that our country is the aggressor—has taken possession of others' territory, or is forcing by arms certain commodities on a nation which does not want them, or is backing up some of its agents in 'punishing' those who have retaliated. Suppose it is doing something which, by the hypothesis, is admitted to be wrong. What is then the implication of the cry? The right is on the side of those who oppose us; the wrong is on our side. How in that case is to be expressed the so-called patriotic wish? Evidently the words must stand—'Down with the right, up with the wrong!' Now in other relations this combination of aims implies the acme of wickedness. In the minds of past men there existed, and there still exists in many minds, a belief in a personalized principle of evil—a Being going up and down in the world everywhere fighting against the good and helping the bad to triumph. Can there be more briefly expressed the aim of that Being than in the words—'Up with the wrong and down with the right?' Do the so-called patriots like the endorsement?

Some years ago I gave expression to my own feeling—anti-patriotic feeling, it will doubtless be called—in a somewhat startling way. It was at the time of the second Afghan war, when, in pursuance of what were thought to be 'our interests', we were invading Afghanistan. News had come that some of our troops were in danger. At the Athenaeum Club a well-known military man—then a captain but now a general—drew my attention to a telegram containing this news, and read it to me in a manner implying the belief that I should share his anxiety. I astounded him by replying: 'When men hire themselves out to shoot other men to order, asking nothing about the justice of their cause, I don't care if they are shot themselves.'

I foresee the exclamation which will be called forth. Such a principle, it will be said, if accepted, would make an army impossible and a government powerless. It would never do to have each soldier use his judgment about the purpose for which a battle is waged. Military organization would be paralysed and our country would be a prey to the first invader.

Not so fast, is the reply. For one war an army would remain just as available as now—a war of national defence. In such a



BETTMAN ARCHIVES

Herbert Spencer

[1] *We continue to hear repeated the transparent excuse that the Boers commenced the war. In the far west of the U.S., where every man carries his life in his hand and the usages of fighting are well understood, it is held that he is the aggressor who first moves his hand towards his weapon. The application is obvious.*

war every soldier would be conscious of the justice of his cause. He would not be engaged in dealing death among men about whose doings, good or ill, he knew nothing, but among men who were manifest transgressors against himself and his compatriots. Only aggressive war would be negatived, not defensive war.

Of course it may be said, and said truly, that if there is no aggressive war there can be no defensive war. It is clear, however, that one nation may limit itself to defensive war when other nations do not. So that the principle remains operative.

But those whose cry is—'Our country, right or wrong!' and who would add to our eighty-odd possessions others to be similarly obtained, will contemplate with disgust such a restriction upon military action. To them no folly seems greater than that of practising on Monday the principles they profess on Sunday.

Herbert Spencer (1820-1903) was a leading advocate of classical liberalism during the nineteenth century, who upheld the ideals of individual liberty in both foreign and domestic spheres. His essay "Patriotism," is reprinted from *Facts and Comments* (1902), and will illustrate Spencer's radicalism. It is re-published in *Libertarian Review* as part of a new feature which will appear from time to time—Liberty's Heritage.

Editorials

The conservative movement

In recent months, a great deal has been written and said about the relationship between libertarians and other political groups in the nation: from liberals to conservatives, from neoconservatives to the antiwar left. This is a healthy discussion, as far as libertarians are concerned, for the very complexity of the task of achieving individual liberty requires that there be "competing strategies." *Libertarian Review* has said some harsh words about both liberals and conservatives in recent months, and we will continue to assail them in the future, both to make the differences between their points of view and that of libertarianism crystal clear, and to pressure our political opponents as much as possible on issues where they are wrong.

But some thoughtful points are raised by Morton Blackwell, editor of *The Right Report* and an associate of Richard Viguerie, in his letter published in this month's *LR*. Given the nature of Mr. Blackwell's comments and of the editorial to which he is responding ("Abolish the Department of Energy," September 1977), we had best take up the issue of the relationship of libertarianism to the conservative movement in some detail. This is perhaps more important for libertarians to consider at this juncture than for conservatives, because for the time being, at least, the libertarian movement is *smaller* than the conservative movement; and, for reasons we shall consider shortly, it must avoid at all costs being subordinated to the conservative movement in the way, by and large, that the infant libertarian movement of the 1950s and 1960s had been.

The problem with the conservative movement today, as for the past quarter of a century, is that it represents a peculiar combination of views, an outlandish conflation of issues which would advance individual liberty one moment, on one front, and restrict it somewhere else the next moment. Conservatism represents, in fact, a conflation of issues which, taken together, not only amounts to an incoherent position, but one which in reality is profoundly inimical to the triumph of libertarian ideals. This must be made clear: Not only are conservatives *opposed* to liberty in a great many areas, but the particular way in which conservative positions are woven together will in the long run *itself* impede the achievement of their valid ends. Ironically, it may only be by means of a sharp separation between the two movements that libertarian goals can be achieved in the long run.

Those who take seriously the achievement of libertarian goals must think in terms of a generation. That means that if liberty is to be achieved, it will have to be done by the young, by the generation which shall by then have attained its maturity. And the plain fact is that if conservatives have succeeded in doing nothing else today, they have succeeded brilliantly in driving a wedge between the free market, private property position and the youth of America. By combining an advocacy of private property and the free market with an opposition to civil liberties (through their support of victimless crime laws, government spying, and the national security state) and a hawkish, interventionist foreign policy, they have created a deadly package deal from which most intelligent young people have recoiled in horror. And justifiably so! But the sad thing is that the young have thus thrown out private property and the free market, along with war and the suppression of civil liberties. That is a tragedy of historic proportions, and it will not be an easy thing to correct. Nonetheless, that is what must be done.

If American youth is to be reached, it can only be by means of a ruthless honesty about the issues, not by public manipulation of reactionary emotions and fears. If young people are to be turned away from the traditional left and toward a libertarian perspective, it must be because *tolerance* reigns there, not conservative intolerance. Issues such as the choice of lifestyles must be depoliticized at all costs; a true humanism requires of us a *full* respect for individual differences and individual rights. But such a position is anathema to the right-wing today. Thus if the youth of America is to be reached, it will only be over the dead body of the American right, when the sinister coalition of issues which it represents and symbolizes has been smashed to bits.

During the past quarter of a century, the American right has continually cheered foreign interventionism, applauded militarism and roared for ever-greater armaments budgets to counter the communist menace. It was the most militant, unflinching supporter of escalating ("winning") the war in Vietnam. It was an ardent defender of the draft. It has been elated by the prospect of suppression of the rights of those with diverse lifestyles, inspired by violations of rights of privacy of those whose sexual orientation or drug consumption they disapprove of. In the areas of civil liberties, conservatives today are quite simply against the right of privacy, with all its rich implications. Because they insist on negating individual self-ownership in these realms, the conservatives have lost the youth constituency, driving the next generation into the camp of the left. If conservatives had set out to erect a strategy which would alienate the young, they could not have done a better job.

It is in fact only by emphasizing the principles of self-ownership and all its consequences that headway can be made among this crucially important segment of the population. For all their lives, the young have been told by both establishment liberalism and conservatism that self-ownership (in the form of civil liberties) and private property are a contradiction. It is that separation which must be brought to an end.

There is no question that establishment liberalism hates self-ownership as much as it hates private property in other areas. But the conservative movement is schizophrenic, defending private property in some areas while

being blind to it in others. It tears itself apart in front of the public, precisely because every time it attacks self-ownership in the form of civil liberties, it belies the static, ad hoc and *unprincipled* property rhetoric which it continually expounds.

The libertarian movement, on the other hand, by its emphasis on the totality of self-ownership in all its manifestations, including the deprived ownership of material goods, is totally consistent, unreservedly a spiritual movement based on a rigorous and far-reaching set of moral values. The libertarian movement alone, by standing for man's self-ownership and for economic freedom, stands for the totality of human nature, centering on man's spiritual nature *and* material attributes.

As in the nineteenth century, when classical liberalism was successful because it gave primacy to mind or soul (taking for granted the material benefits which would flow therefrom), only the modern libertarian movement is capable of regaining today the hegemony which classical liberalism once had—and of gaining the absolute freedom which the classical liberal proponents of self-ownership had been in the process of achieving.

The prospects for liberty are today great indeed—but only if issues and alliances can be redefined, and incoherent package deals crushed, replaced by a consistent ideology of individualism, private property and the free market. But that must entail nothing less than opposition to the conservative movement.

In the past decade, libertarianism has issued its declaration of independence from the left and the right. We have asserted our right to an independent ideology. But we were never really confused with the left, even when we took identical positions on social issues or foreign policy questions, because our position on these issues obviously flowed from our commitment to the values of individualism, private property and a free market. At the same time, we have always had the problem of being confused with conservatives, when we spoke out on economic issues, because of conservative rhetoric. We must now resolve to defend tenaciously the independence of our position from both.

But are not some conservatives our allies? Of course—there are specific issues on which we agree, and there are also some conservatives authentically concerned with liberty. But usually they are quiet about all but economic issues. Whether out of an authentic lack of interest in noneconomic liberties, or a concern only over their own interests (seen all too narrowly), whether out of deference to the conservative money men, who bankroll their organizations and publications, or out of a fear of provoking their chosen constituencies—among the most reactionary elements in this country—they have been all too selective, all too silent.

Too often, when they should have spoken out, they have not done so. They have refused to defend publicly not only civil liberties (and to challenge a mindless jingoism) but also simple human decencies. They have sat still, while uttered around them, in their name, have been the grossest slurs against human dignity, the most shameless scapegoating of minorities.

Because they do not speak out, because they have no sense of indignation or justice, there is operating today in the conservative movement a sort of Gresham's Law: Bad leaders drive out good. The worst have risen to the top in the conservative movement. The best have been silenced.

The result is that the conservatives' constituency is never spoken to honestly, but rather is continually manipulated by everything from direct mail campaigns to political demagogues. This constituency, which has an authentic and genuine fear of big government encroaching on their lives, is talked down to. Leaders who should elevate them do not. So this constituency is never told of the real need for tolerance, for respect of the rights of those they may despise. It is never told that it should let peaceful people be. It is never taught that scapegoating of minorities is wrong. It is never taught that freedom of association is a valuable thing, or that people have a right to different lifestyles.

The result is that this conservative constituency, helpless and enraged as it is, beaten down by the bone-crushing level of taxation, on the edge of a nation-wide tax revolt, is made to think that its *real* oppressors—the tax collectors and the bureaucrats and militarists they support—are somehow necessarily connected with social, racial and sexual minorities. It is upon this alleged link that the conservative demagogues are attempting to build a route to political power.

The heart-rending truth is that this conservative constituency does have legitimate concerns, which liberals have arrogantly ignored. But these concerns are not addressed by conservative leaders with either the intellectual weight or the moral consistency that they demand. The conservative leadership, which prates endlessly about "morality," stubbornly refuses to adhere to the moral principles underlying self-ownership and individual liberty. The "moral decay" of this country—particularly in the political sphere—is thus caused in no little measure by those conservatives who use authentic moral concerns as manipulative devices to rouse and mobilize a political constituency. Individual liberty and the libertarian ideals upon which this nation was founded are invoked when it is profitable to do so, and ignored when it is not. Ronald Reagan is only the most prominent political symbol of this unfortunate combination: of rhetorical courage and political cowardice, of verbal principles and practical evasions. It is not a combination likely to lead this country forward to individual liberty. It is nonetheless a combination intrinsic to the conservative movement. That is the tragedy of modern conservatism.

Both in the realm of intellectual leadership and political action, conservatives prove themselves corruptible. They have demonstrated that they are unequal to the needs of the hour and to the requirements of the coming generation.

Only by proudly proclaiming our right to our own ideology and the independence of our own movement, by leaping over the contradictions of left and right alike, can we achieve victory for liberty in our time.

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Notes and Recollections

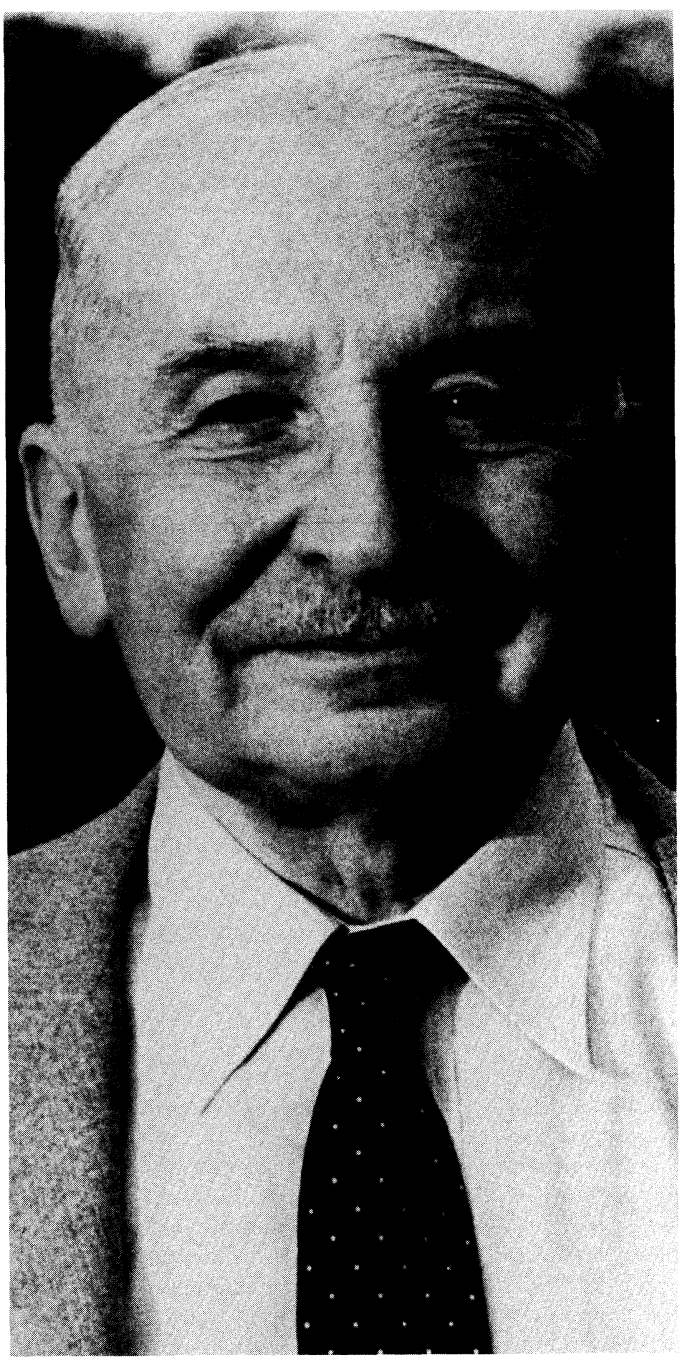
Excerpts from the memoirs of Ludwig von Mises

Ludwig von Mises was one of the greatest economists of all time, a defender of laissez-faire capitalism with few historical peers, and the last great giant of classical liberalism. Born on September 29, 1881, Mises was educated in Vienna, and after receiving his doctorate at the University of Vienna in 1906, went on to publish an astonishing number of pathbreaking, passionate works assailing interventionism and socialism. He contributed more than any other single individual in history to the construction of the "Austrian School" of economics, including in the corpus of his works such instances of his genius as *Human Action, Socialism, The Theory of Money and Credit,* and *Theory and History.* But those works only scratch the surface of his immense scholarship. The scope of issues covered in Mises' works range from his rigorous defense of methodological individualism to his innovations in business cycle theory, and his demonstration of the impossibility of rational economic planning under socialism. Emigrating to the United States in 1940, Mises taught at the Graduate School of Business at New York University from 1945 until his retirement in 1969. He died on October 10, 1973.

Libertarian Review is proud to publish, for the first time, selections from the memoirs of Ludwig von Mises, *Notes and Recollections,* which he completed in 1940. *Notes and Recollections* was translated from the German by Hans Sennholz, and is being published with an afterword by Dr. Sennholz and a prologue by Mrs. Margit von Mises, selections of which are also included here. The publisher is the Libertarian Press, and the work should be available in early March.

Libertarian Review extends its gratitude to Mrs. von Mises and to Frederick Nymeyer of Libertarian Press for permission to publish these brief excerpts from Ludwig von Mises' *Notes and Recollections.* The work, identical in format and price to Mrs. von Mises' earlier memoirs, *My Years with Ludwig von Mises,* will sell for $9.95. The work can be ordered from either Libertarian Press (P.O. Box 218, South Holland, Ill. 60473), or from Laissez-Faire Books (206 Mercer St., New York, NY 10012), which also carries Margit von Mises' *Years.* (Please include 75c for postage and handling.)

Only brief excerpts of a rich work are being published here, and for the sake of continuity and clarity, a few passages have been rearranged.



Ludwig von Mises

Foreword

"I set out to be a reformer, but only became the historian of decline . . ." —Ludwig von Mises

WHEN MY HUSBAND, LUDWIG VON MISES, wrote these words in December 1940, he evidently felt very depressed; but as Notes and Recollections *indicate, he had not completely despaired about the possibility that the world might yet heed his warnings. Though the book is slim in size, its thoughts are weighty.*

The dark mood in which Ludwig von Mises wrote these Notes and Recollections *is to be understood in part by the circumstances through which they came to life.*

On August 2, 1940, my husband and I landed at a pier in New Jersey. We had left Europe in the midst of a bloody, destructive war. Leaving Geneva was not easy for him. He had spent six happy years there, teaching at the Institut Universitaire des Hautes Etudes as Professor of International Economic Relations. He had become well known all over Europe, and the fame of his books had reached the United States will before he set foot on these shores.

The day we arrived in the United States was hot and humid. Behind us were four weeks of traveling, four weeks of anxiety, of heartache and apprehension. We were admitted on a nonquota visa; but we had no home or family here to greet us. Like many other immigrants, we were to experience difficult times before we once again felt firm ground beneath our feet. Our belongings, among them his valuable library, had been packed and shipped before we left. Now they were lying somewhere en route, and we were not sure that we would ever see them again. Moving from one small hotel to another, with only savings to live on, and no teaching position offered that might interest him—such was the background when in the autumn of 1940 my husband sat down to write, as he originally planned, an autobiography.

At the end of December he finished his writing, without having had the benefit of his books for reference. On a bleak December afternoon he showed me the manuscript, and I remember my first impression. I felt immediately, without fully understanding it, that this was a most significant document. But I also realized that it was not an autobiography. An autobiography is the "history of a person's life," Webster's says, "written by himself." While this manuscript gives a clear image about my husband's intellectual development, the ideas for his books, his work and his activities until 1940, it reveals almost nothing about his family or his background.

Two years later, when we finally had an apartment of our own, my husband gave me the handwritten manuscript, which by then was neatly put into two black hardcover folders. "They are yours," he told me, "take good care of them."

It was some time after his death on October 10, 1973 that I remembered the two hardcover folders. I took them out of the closet and read them again and again. I was spellbound. Now I understood what treasure Ludwig von Mises had given me in 1942, when I was not yet ready to see the full historic importance of this manuscript.

—Margit von Mises

Mises's early development

THE FIRST SOURCE OF POLITICAL AND historical knowledge for me was the *Gartenlaube,* the periodical of provincial German folk. This was in 1888. I was then not yet seven years old and devoured the articles with insatiable fervor.

When I graduated from high school, the problems of economic, legal, administrative, and social history appeared more attractive to me than political history. Therefore I decided to study law rather than history, which I earlier had in mind as an undergraduate.

When I entered the [University of Vienna in 1900] I saw no possibility of an economic science. Economic history, I was convinced, must use the means and methods of the historical disciplines and can never yield economic laws. And besides economic history there was nothing in economic life, so I believed, that could be made the object of scientific analysis. At the beginning of my university career, there was no more consistent follower of historicism than I!

It was my intense interest in historical knowledge that enabled me to perceive readily the inadequacy of German historicism. It did not deal with scientific problems, but with the glorification and justification of Prussian policies and Prussian authoritarian government. The German universities were state institutions and the instructors were civil servants. The professors were aware of this civil-service status, that is, they saw themselves as servants of the Prussian king. If, on occasion, they used their formal independence to criticize government measures, their criticism was no stronger than the grumbling that could be generally heard in any circle of officers and officials.

Such study of "economic state science" necessarily repelled young people with intelligence and thirst for knowledge. Instead, it strongly attracted simpletons. Indeed, it was not difficult to visit archives and put together a historical thesis from a bundle of official reports. This led to the majority of professorships being held by men who, according to the evaluation yardsticks of independent professions, should be rated as intellectually limited. We must bear this in mind in order to understand how men like Werner Sombart [1863-1941; economic historian] could acquire great reputation.

At the time, historicism was at the zenith of its career. The historical method was believed to be the only scientific method for the sciences of human action. Economic history was the science in fashion. In the German-speaking world [Gustav von] Schmoller [1838-1917; leader of the Younger Historical School of economic analysis] was adored as the great master of "political economy." And from all over the world ambitious young men flocked to his seminar.

One characteristic that displeased me was the school's relativism, which degenerated, through many of its adherents, to a blind glorification of the past and its institutions. While many fanatics for progress had condemned as bad and damnable everything that was old, these pseudo-historians rejected everything that was new, and they glorified the old. At that time I did not yet understand the significance of Liberalism. But to me, the lone fact that Liberalism was an achievement of the eighteenth century, and that it was not known in former times, was no cogent argument against it. I could not understand how they could justify "historically" and "relatively" whatever was in fact tyranny, superstition, and intolerance. To me it was insolent falsification of history to elevate the sexual mores of the past to models for the present. But the worst transgressions occurred in the areas of church and religion, in which Catholics and Protestants alike diligently suppressed that which they did not like. Equally offensive were the writings in Brandenburg-Prussian history, from the "Great" Elector to the "Great" King.

It was not quite clear to me how an argument against private property could be derived from the fact that in the distant past there had been community property in land. Nor could I understand why monogamy and family should be abolished because there had been promiscuity in the past. To me such arguments were nothing but nonsense.

On the other hand, I also failed to comprehend the opposite point of view frequently and largely held by the same people: that anything in the course of development was always progress—higher development—and therefore morally justified.

The German universities

The impression I gained of the professors of the "economic state sciences" and sociology at German universities was not favorable. True, there were a number of sincere, educated men who were genuinely desirous of scientific inquiry. But most of them were not.

That these men were no economists we must not hold against them. They did not know the economic literature, had no conception of economic problems, and suspected every economist as being an enemy of the State, as non-German, and as protagonists of business interests and of free trade. Whenever they examined an economic essay, they were determined to find deficiencies and errors. They were dilettantes in everything they undertook. They pretended to be historians, but they scarcely looked at the collaborative sciences, which are the most important tools of the historian. The spirit of historical research was alien to them.

Ludwig and Margit von Mises

They were unaware of the basic mathematical problems in the use of statistics. They were laymen in jurisprudence, technology, banking, and trade techniques. With amazing unconcern they published books and essays on things of which they understood nothing.

It was much more serious that they were always ready to turn with the wind. In 1918 most of them sympathized with the Social-Democrats; in 1933 they joined the Nazis. If Bolshevism had come to power, they would have become communists.

Werner Sombart was the great master of this set. He was known as a pioneer in economic history, economic theory, and sociology. And he enjoyed a reputation as an independent man, because he had once aroused Kaiser Wilhelm's anger. Professor Sombart really deserved the recognition of his colleagues because to the greatest degree he combined in his person all their shortcomings. He never knew any ambition other than to draw attention to himself and to make

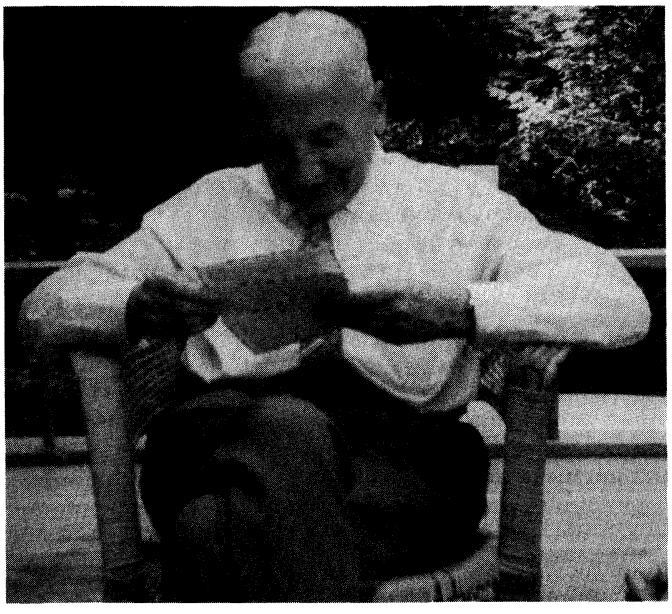
money. His imposing work on modern capitalism is a historical monstrosity. He was always seeking public applause. He wrote paradoxes because he could then count on success. He was highly gifted, but at no time did he endeavor to think and work seriously. Of the occupational disease of German professors—delusions of grandeur—he had acquired an elephantine share. When it was fashionable to be a Marxian, he professed Marxism; when Hitler came to power, he wrote that the Fuhrer receives his orders from God!

Mises and statism

When I entered the university, I, too, was a thorough statist (interventionist). With great fervor I threw myself into the study of economics and social policy. Initially, I devoured without much criticism all the writings of the social reformers. When a social measure had failed to achieve the desired result, the reason could only be that it was not radical enough. In liberalism, which rejected social reform, I perceived an obsolete world view that was to be opposed vigorously.

My first doubts about the excellence of interventionism came to me when, in my fifth semester, Professor Philippovich induced me to research housing conditions and when, in the following semester in the seminar on criminal law, Professor Loffler asked me to research the changes in law regarding domestic servants, who at that time were still subject to corporal punishment by their employers. It then dawned on me that all real improvements in the conditions of the working classes were the result of capitalism; and that social laws frequently brought about the very opposite of what the legislation was intended to achieve.

It was only after further study of economics that the true nature of interventionism was revealed to me. But in contrast to my fellow students I was [always] consciously anti-Marxian.



Carl Menger

When I first arrived at the University, Carl Menger was close to the termination of his teaching career. The idea that there was an Austrian School of Economics was itself hardly recognized at the University, and I myself was not at all interested in it at that time.

Around Christmas, 1903, I read Menger's *Grundsatze der Volkswirtschaftslehre (Principles of Economics)* for the first time. It was the reading of this book that made an "economist" of me.

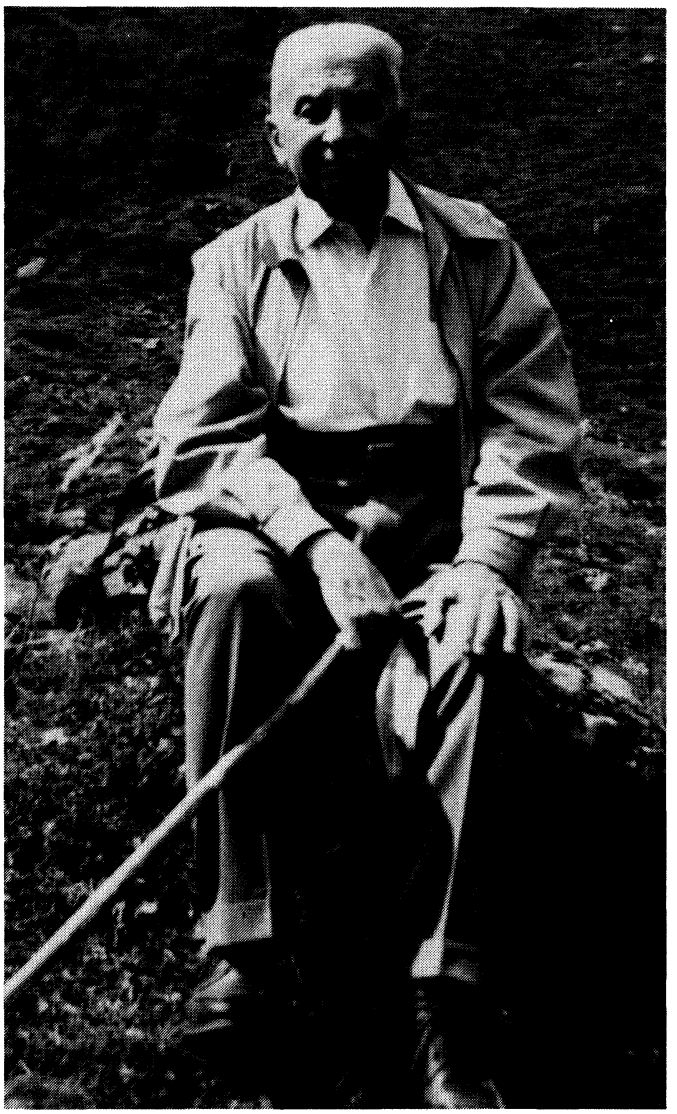
Personally I met Carl Menger only many years later. He was then already more than seventy years old, hard of hearing, and plagued by an eye disorder. But his mind was young and vigorous. Again and again I have asked myself why this man did not make better use of the last decades of his life. The fact that he still could do brilliant work if he wanted to do so was shown by his essay, *"Geld"* ("Money"), which he contributed to the *Handworterbuch der Staatswissenschaften (Encyclopedia of State Sciences).*

I believe I know what discouraged Menger and what silenced him so early. His sharp mind had recognized the destiny of Austria, of Europe, and of the world. He saw the greatest and most advanced of all civilizations [nineteenth and twentieth century Western Europe] rushing to the abyss of destruction. He foresaw all the horrors which we are experiencing today [1940, World War II]. He knew the consequences of the world's turning away from true Liberalism [not the contrary Leftist so-called liberalism in the United States] and Capitalism. Nonetheless, he did what he could do to stem the tide. His book *Untersuchungen uber die Methode der Socialwissenschaften und der Politischen Oekonomie insbesondere (Problems of Economics and Sociology,* translated by Francis J. Nock and edited by Louis Schneider) was meant as a polemic essay against all those pernicious intellectual currents that were poisoning the world from the universities of "Great Prussia." The knowledge that his fight was without expectation of success, however, sapped his strength.

Keynes reviews Mises

John Maynard Keynes reviewed my book [*The Theory of Money and Credit,* German edition] in the first issue of the *Economic Journal* that appeared after the outbreak of the war. He gave it some praise: "the book is not to be denied considerable merit, . . . the book is 'enlightened in the highest degree' possible." But in general Keynes was greatly disappointed.

To him the book was "not constructive" and "not original"; there is "no lift in the book." And he added: "One closes the book, therefore, with a feeling of disappointment, that an author so intelligent, so candid and so widely read should, after all, help one so little to a clear understanding of the fundamentals of the subject." Sixteen years later Keynes admitted that his knowledge of the German language was rather poor. "In German," he wrote, "I can only



clearly understand what I already know—so that new ideas are apt to be veiled from me by the difficulties of the language."

It was not my fault that Keynes found my book neither original nor constructive, and that it could not guide him to a clear understanding of the problems.

Socialism and interventionism

Occasionally I entertained the hope that my writings would bear practical fruit and show the way for policy. Constantly I have been looking for evidence of a change in ideology. But I have never allowed myself to be deceived. I have come to realize that my theories explain the degeneration of a great civilization; they do not prevent it. I set out to be a reformer, but only became the historian of decline.

In my publications on social cooperation I have spent much time and effort in dispute against socialists and interventionists of all varieties and stripes. My objective—namely, the discrediting of contrary-to-purpose reform proposals—necessitated this effort.

The objection has been raised that I failed to consider the psychological aspect of the organizational problem. Man has a soul, and this soul is said to be uncomfortable in a capitalist system; furthermore, there is a willingness to suffer reduction in living standards in exchange for a more satisfactory labor and employment structure for society.

It is important, first, to determine whether this argument—let us call it the "heart [or emotional] argument"—is incongruent with the original argument, which we may call the "head [or intellectual] argument," still being promoted by socialists and interventionists. The latter socialist argument endeavors to justify its programs with the assertion that capitalism reduces the full development of productive capabilities; production is less than the potential. Socialist production methods are expected to increase output immeasurably, and thereby create the conditions necessary for plentiful provision for everybody. Marxism is completely founded on this head argument. Before Lenin, the Marxists never mentioned that the transition to socialism would lower the standard of living of the masses during the transition period. The Marxists announced immediate improvement in the material situation of the masses, even if occasionally they added that the full blessings of socialist production methods would be reaped only in the course of time. But because of criticism leveled at socialist programs—that they fall far short of promises—the socialists have felt compelled to use the heart argument as an additional reason for adopting socialism.

To judge the heart argument, it is of course important to inquire into the extent of the reduction in economic well-being brought about by adopting a socialist production system. Since this loss cannot be ascertained objectively and measured precisely, the argument between the adherents and opponents of socialism is said to be insoluble scientifically. Economics is said to be unable to settle the dispute.

However, I dealt with this problem in a way that discredits the use of the heart argument. If the socialist system leads to chaos because economic calculation is impossible, and if interventionism cannot attain the objectives proclaimed by its advocates, then it is pure trifling to arrive at these illogical systems via the heart argument. I have never denied that emotional arguments explain the popularity of anti-capitalist policies. But unsuitable proposals and measures cannot be made suitable by such psychic nonsense. If it is true that men cannot tolerate capitalism for psychological *[seelisch]* reasons, then of course capitalism will fail.

I have been reproached that I have overrated the role of logic and reason in life. According to my critics, there is in *theory* an either/or. Life actually, they insist, requires compromises. What appears in scientific analyses to be irreconcilable is transformed in real life into an acceptable situation. Politics, they say, will find a way of blending conflicting principles. The solution may be called illogical, irrational, and senseless, but it can be fruitful. And this alone matters.

But these critics are mistaken.

My Years with Ludwig von Mises

Margit von Mises

Illustrated

MISES—MAN AND INSTITUTION

- Mises reads Nixon—accurately
- Mises' advice to students who are required to read socialist literature in school
- Reflections on the American middle class
- Mises on Schumpeter
- The Mont Pelerin Society
- The famous NYU seminar. Ayn Rand attends
- Mises foretells the fate of Britain
- The story of *Human Action*. Mises' view of his masterwork
- The only television show Mises watched
- Per Mises: the one question you should never ask an economist
- Advice to young men from Boehm-Bawerk
- Why Mises did not want to come to America
- Mises learns a trick from Henry Hazlitt
- Leonard Read and the Foundation for Economic Education
- Mises as dictator: what he would have done
- A banquet for Mises—but somebody forgets to invite him
- The greatest invention of the century, as Mises sees it
- Mises' *Socialism*: the impact
- The secret of Mises' remarkable memory and vigorous health
- Narrow escape: the Nazis move into Austria, confiscate Mises' library
- Help for fledgling economists Hayek and Haberler
- First impressions of America
- The one job that would have made Mises happy
- Why Mises never wrote an autobiography
- The one human weakness that Mises could not forgive
- Mises writes for the *New York Times*—for $10 an article
- The auto accident. Margit makes a vow
- Famed economist "changes" his mind about Mises
- Albert Hahn on the difference between Mises and other economists
- Mises' only hobby
- Mises' place in history: Hans Kelsen's big worry
- Mises on the difference between plagiarism and research
- Mises' "contribution" to socialism
- Mises despairs for liberty
- The meeting of Hazlitt and Mises
- The Misesian litmus test for a scholar's importance
- What Mises thought about Rothbard's *Man, Economy and State*
- Mises: thoughts on women
- Mises' dream of a serious libertarian journal. The two periodicals that came closest to his ideal
- Fascinating correspondence from Mises to Hayek

Ludwig von Mises was one of the century's intellectual giants. In an era of growing collectivism he stood out as the most influential and profound of the free-market economists. He was the mentor of other giants like Nobel Laureate F. A. von Hayek, Hans Sennholz, Wilhelm Roepke, Jacques Rueff, Murray Rothbard, Luigi Einaudi and Ludwig Lachmann. Three years after his death at 92, interest in his thought is soaring as the conventional economic wisdom crumbles.

But if Mises is an institution, the keystone of Austrian School economics, what of Mises the man? In the preface to this delightful memoir, his wife of thirty-five years writes:

"My husband was a very reserved person. While he was kind and friendly to all, he was extremely self-restrained and uncommunicative about his own life and affairs. . . . His feelings belonged only to me. I have reason to believe that I am the only person who really knew him.

"That is why I have written this book. . . . By telling the story of our life together, I shall try to reveal Ludwig von Mises as he really was: a great thinker, a great scholar, a great teacher—but still a lonely man with a great need for love and affection."

Here, then, is Mises the man. "Lu." An institution humanized. With wit and Old World grace, Mrs. von Mises tells of the early years, the flight from Nazi tyranny, the difficult first years in America, the story behind the classic *Human Action*, the famous NYU seminar, the last years.

Mrs. von Mises also gives us fascinating glimpses of the many major figures whose lives touched her husband's, often with Sennholz, Boehm-Bawerk, Schumpeter, Rueff, Rothbard, Einaudi, Roepke, Otto von Hapsburg, Ayn Rand, Rebecca West, Sylvester Petro, Hans Kelsen, Andre Maurois, Ralph Raico, Gottfried Haberler, Percy and Bettina Greaves, Henry Hazlitt, Leonard Read, Israel Kirzner, Lawrence Fertig, Fritz Machlup, Bruno Leoni, William Peterson, Frederick Nymeyer, Lawrence Moss, Ilse Mintz, Anthony Fisher, Albert Hahn and Philip Cortney.

An extra dimension is added to this illuminating memoir by two never-before-published tributes: one to Mises by Hayek, the other to Hayek by Mises.

The Shattered World Economy

by Christopher Weber

After two years of deceptive calm, conflicts in the international monetary system have once again erupted. All the familiar signs are there: new lows for the dollar against Switzerland's franc, seemingly every day, outrageously large U.S. balance of trade deficits, a spate of "competitive" devaluations, new dangers of a trade war, and soaring precious metals prices.

Moreover, the world has split into no less than four distinct and warring factions. In addition to the old set of opponents—industrial vs. developing economies—a new pairing of combatants has emerged: high-inflation vs lower-inflation nations. Every country, in fact, seems to have a special program to push, usually at the expense of every other country.

Much of this division has come about since the 1973 collapse of the post-war, Bretton Woods system of fixed exchange-rates.

With that demise, the current system of floating rates took its place. This system is not the result of a carefully constructed plan, but actually represents the *absence* of any plan: The old order collapsed, and no one had anything new to offer. Floating rates thus are best seen as simply the absence of fixed rates.

Christopher Weber writes frequently on economic and financial issues for a wide variety of publications, including ERC's "World Market Perspectives."

No one has been completely happy with such a situation since its advent. The commodity producing countries charge that constantly fluctuating exchange rates wreak havoc with all their calculations; countries with severe balance-of-payments problems clamor for more handouts from richer nations in the form of inflationary credits created out of thin air by the International Monetary Fund.

Floating rates are less than universally popular among the industrialized nations. While all currencies are inflating, some are inflating faster than others. Italy, for instance, had a 25 percent price-inflation jump last year, but neighboring Switzerland's price level rose just slightly more than one percent. With floating rates, as internal inflation drives down a currency's value on international markets, more of this currency is needed to buy the same products from countries with lower inflation rates. More simply put, prices of imported goods rise—and the cost of imports often makes up 25-35 percent of a nation's price level.

It cannot be too strongly emphasised that the international monetary order has completely unravelled. Indeed, it might be said that there has been a complete turnabout from conditions prevailing a century ago. Then, along with fewer government regulations, the gold standard brought a well-regulated order to the international monetary and economic mechanism. Today, while currency controls and unbacked government paper abound, a situation exists internationally that those uninitiated to libertarianism could justifiably label "anarchy." As each meeting of the International Monetary Fund reveals, economic interests are as disparate as the countries voicing them.

The impaired world currency system has obstructed world trade, and history shows that trade wars are often precursors to wars of a more brutal type. Several nations have been accused of keeping down the value of their currencies in order to protect their export markets. Japan, for example, has come under fire for not allowing the yen to rise as much as it should against the dollar—which would make Japanese products more expensive in the U.S. Other countries have been suspected of engineering devaluations with the implicit purpose of keeping their export markets competitive.

It should come as no surprise, then, that President Carter has been bombarded with the pleas of American business interests lobbying for all sorts of tariffs. Industries as diverse as steel, shoes, chemicals, and bathroom tiles are pressing their demands, some of which are unprecedented in scope. American steel interests have long contented themselves with trying to keep out only Japanese and European steel. But these days they are even including *Indian* steel in their clamors. Carter continually has compromised here, and an increasingly protectionist Congress may well prevail against cooler heads in the end. Ohio's Democratic Rep. Charles A. Vanik, chairman of the House trade subcommittee, reports that "a third of the Congress is isolationist [in matters *economic*—not, it must be stressed, military]. They don't even believe in trade."

And so battles are raging in both the monetary and trade arenas which threaten to shatter completely the already cracked world economy. This situation has been long in the making, and before we can try to predict any future occurrences, we should first look backwards and see how we got into this mess.

A world money

The last time an essential unity prevailed in world monetary affairs was in the decades just before World War I, a unity fostered by the international gold standard. Since a great deal has been written about the many advantages of that order, we shall only summarize them here.

Briefly put, the Western world had but one money—gold. National currencies only existed as various weights of gold. For instance, twenty dollars and one gold ounce were roughly the same thing. The paper "dollar" only existed for the convenience of not having to lug around the weighty metal. Anyone could exchange $20.67 for a gold ounce, and the supply of paper was kept rather strictly to the gold it represented. Prices remained stable or even declined. Thus, the gold standard worked well for all trade, domestic and foreign. It "greased the wheels" of what Albert Jay Nock called "social power," the voluntary actions of mankind. It put a severe crimp on "state power," on government's ability to inflate. For if any state went too far in issuing more of these paper "weights of gold" than the actual amount of gold on hand, the suspicious holders of that currency would claim their gold. Thus the natural laws of the marketplace limited inflation and worldwide monetary disorder.

With the outbreak of war in 1914, Western governments abandoned the gold standard *en masse*. Facing the massive costs of financing that war which wreaked havoc on Western civilization, governments in Europe turned to printing money to pay for the war effort, forcing the end of the gold standard, and the end of world monetary stability. They ceased exchanging gold for paper, and what had been merely the symbol began to be passed off as the real thing. Gold, which had been "the people's money," a commodity standard which evolved throughout centuries of trade, was shoved aside more and more in favor of paper currencies that could be manipulated and inflated at will.

The time between the world wars saw the world experiment with a set-up in which the dollar and the pound replaced gold. All currencies were reckoned in terms of these two, which were in turn convertible into gold. And with the 1944 Bretton Woods agreement, the dollar alone became the world's currency.

The Bretton Woods system

While it strove to restore the currency stability of the old gold standard, the new system placed its trust in the judicious restraint of the U.S. government rather than in the laws of the marketplace. It therefore contained within itself the seeds of its own destruction.

No sooner had Washington gained the power to treat paper like gold than an outright "dollar imperialism" was foisted upon the world. As other nations were flooded with dollars, the natural market tendency was for a decline in the dollar's exchange rate. However, the Bretton Woods rules

called for stable currency values: No currency was allowed to either rise or fall more than one percent. The Swiss franc, for example, was, at the time of the agreement (1944), fixed at 22.9 cents; it could go no lower than 22.7 cents and no higher than 23.1 cents. If the franc threatened to break these limits, the Swiss central bank was obliged to enter the exchange market and either buy or sell francs to hold its currency within the narrow margin. As the franc was usually bumping against the *upper* limits of this margin, Swiss authorities were usually selling francs and buying dollars. Most other governments were doing the same, especially those whose currencies were not inflating as much as the dollar was. But all of these nations were soothed with the promise that the dollar was indeed "as good as gold", and

European countries moved to support the dollar in the only way they could: by buying it.

that any foreign holder of dollars, individual or government, could present American currency to the U.S. Treasury at any time to collect one ounce of gold for 35 of their dollars. Many, of course, took advantage of this opportunity. The U.S. government continued inflating the dollar, and our gold supply plummeted from a peak of 701 million ounces in 1949 to 296 million ounces in March 1968.

European countries moved to support the dollar in the only way they could: by buying it. They inflated their own currencies by doing this, printing more to buy the unwanted dollars. Predictably, those nations who had managed their own monetary affairs most conservatively were the ones hardest hit by the American action. Switzerland, that paragon of monetary restraint, now madly printed francs to pay for all dollars shunned by Swiss commercial banks. Switzerland's money supply soared 22 percent in 1971 alone. (Ironically, Switzerland had never signed the Bretton Woods agreement, but chose nevertheless to continue to adhere to the strictures—to its own great detriment—long after the system's founder and chief beneficiary, the United States, had broken *its* commitment.) Switzerland could not be expected to continue this suicidal policy forever; as we will see later, it was Swiss action which finally brought the injustice of the post-war system to an abrupt end.

From March 1968 to August 1971, the political world pretended that the dollar was still convertible, and for most of that time, the monetary scene was placid. This was due in part to the moderate lessening of American inflation during the recession of 1969-70. But after that brief respite, the printing presses again slid into high gear. The results were predictable. By early 1971, astute financial observers began to sense the imminent collapse of the dollar. One of the signs they saw was the lowering of American interest rates compared to European ones. When any nation inflates, money becomes cheaper, at least in the beginning, and therefore easier to borrow. The interest rate charged by banks to borrowers of money declines, and the interest rate paid by banks to depositors of money also declines. Money then flows out of those low-interest rate countries into countries where it can enjoy higher returns. During the beginning months of 1971 the outflow of funds from New York to European money markets accelerated. This forced most European currencies hard against their upper ceiling. Because Germany in particular had maintained a very tight credit stance—a low inflation rate—the mark was besieged with an unprecedented flood of buyers. Events now began to move swiftly.

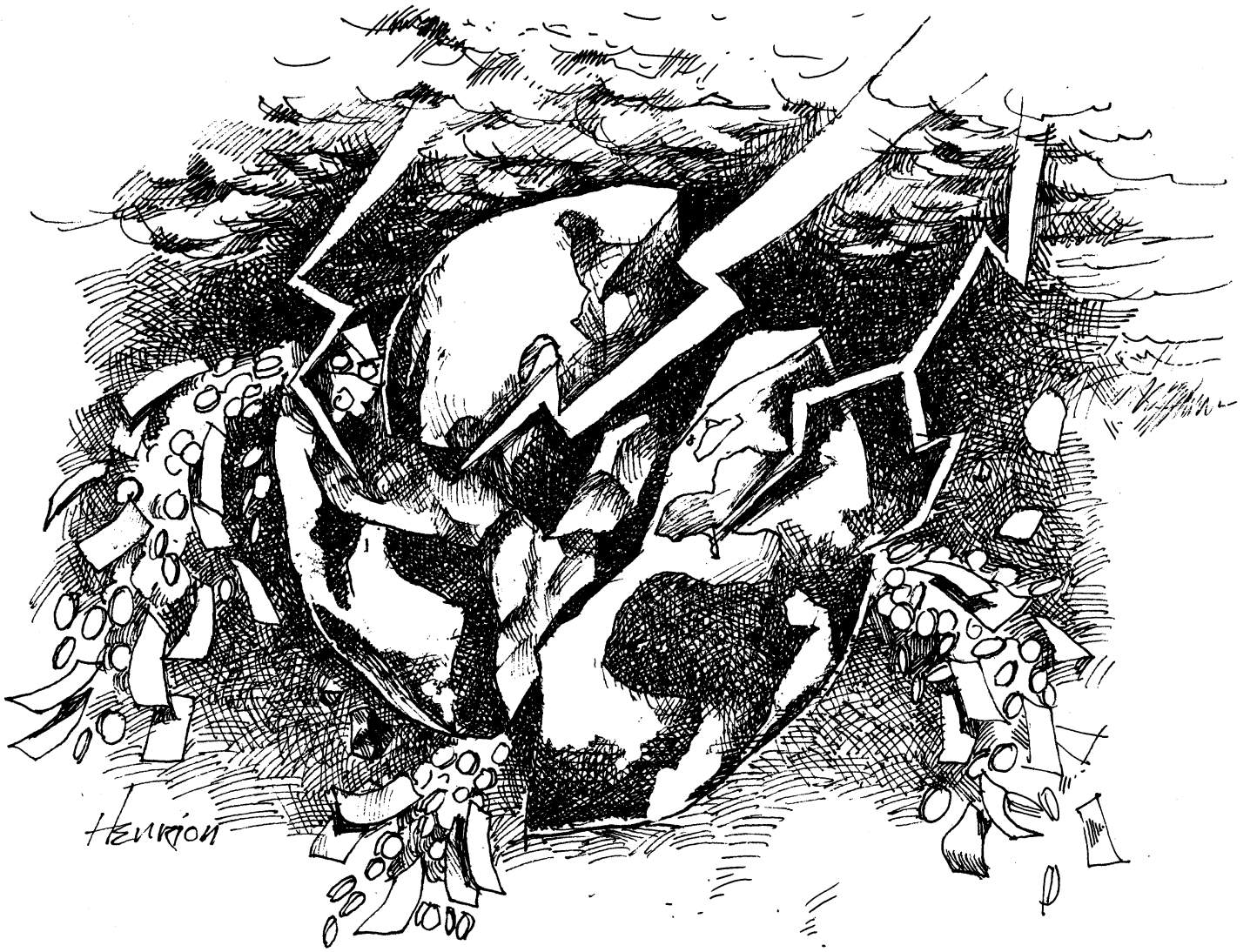
In early May, on the heels of a joint report by major German economic institutes that the mark should either be inflated or revalued upward, massive speculation hit that currency. Dollars poured into Germany and the Bundesbank was forced to buy them in mounting volume—more than $1 billion on May 3-4 and a further $1 billion during the first 40 minutes of trading on May 5. At that point the German central bank gave up the struggle, withdrew from the market, and let the mark float. Neighboring countries, afraid of seeing now-homeless dollars careen across their own borders, were quick to join Germany.

The following weekend the central banks of the Netherlands, Switzerland, Belgium, and Austria likewise ceased support operations and set their currencies afloat. In the cases of Austria and Switzerland, revaluations of 5 to 7 percent were also realized. Not surprisingly, the newly-floated currencies continued appreciating, most of them rather sharply. There were rumblings inside the Nixon administration—especially in John Connally's Treasury Department—that the gold "window" ought to be slammed unequivocally shut.

It is important to realize that while other governments theoretically could redeem their dollars for gold, most handled the U.S. Treasury with kid gloves: Only a golden trickle left Washington. Some nations, such as Germany, did this because they were obliquely threatened with U.S. troop pullbacks, but there were others who sincerely believed that their sacrifices were going toward the maintenance of the world monetary order.

As in any unnatural economic imbalance, speculators had jumped into the fray and began betting against the dollar. The reasons for their position were justified by every piece of economic news emerging from the United States by mid-1971. Each monthly figure was worse than its predecessor; the nation had slipped into severe trade and payments deficits.

On August 6, a congressional subcommittee report concluded that the dollar had become overvalued and called outright for an exchange rate realignment. That same day more than $1 billion in gold or other reserve assets were drained from the treasury, and over that next week almost $4 billion fled the country. With all those dollars flooding foreign central banks, it was only a matter of days before the treasury's gold window was host to a long line of creditors,



and rumors abounded that the window was about to be closed, occasioning a further deluge of claimants.

During the week ending Friday, August 13, the U.S. Treasury borrowed almost $3 billion in foreign currency to try to halt the dollar's decline (by buying dollars with that currency). But it soon became obvious that the anti-dollar forces had too much strength.

President Nixon responded by declaring international bankruptcy. In a televised address on Sunday, August 15, 1971, he announced that no more gold would be given in exchange for dollars. There were now absolutely no checks on the ability of the United States to inflate.

Nixon's speech to the world that night was a cunning attempt to lay the burden of guilt for this assault upon the shoulders of America's trading partners, who had maintained, Nixon astonishingly asserted, "unfair exchange rates." The cause of the problem had indeed been inequitable exchange rates, but not in the way that Nixon meant. The injustice of this statement is unsettling even six years after it was made. By attempting to blame nations which had for years done violence to their own economies by supporting the dollar, he committed an act which alone should have qualified him for impeachment.

It is interesting to trace the immediate reactions of one of those "unfair" partners, Japan. Unlike Western Europe, whose exchanges were closed when news of the announcement came, it was Monday morning in the Far East. Trading was already underway when Nixon stepped before the cameras. Paralyzed by the news, the Japanese nevertheless kept their foreign exchange market open—not only for the rest of the day, *but for two weeks afterward.* As the European markets had sensibly remained closed, Tokyo became a dumping ground for anyone who wanted to get rid of dollars. During those two weeks the Bank of Japan absorbed $4.5 billion. Finally, on August 28, they threw in the towel and joined the other currencies in floating.

The European markets had remained closed, stunned and confused by the president's action. But they could not remain shut forever, and after efforts to decide upon a common course of action failed, they opened on August 23 on an

uncoordinated basis. Even though they all continued to adhere officially to their pre-August 15 parities with the dollar, virtually all of them stopped defending the upper limits of their exchange rates.

In the months that followed, the spotlight turned on the United States as other nations waited for an American move. Their view was the understandable one that since the United States had thrown the monetary system out of kilter, it was up to the America to make the first move.

No government ever had the power handed to the U.S.: having its paper money treated like gold.

American officials finally revealed a plan whereby most other currencies would be revalued upward against the dollar; no mention at all was made of the United States *de*valuing its dollar by raising the official price of gold. This overture naturally struck America's trading partners as still one more affront. When the director of the IMF, Pierre-Paul Scheitzer, suggested that the U.S. might share in this realignment by a minor increase in the gold price, he was immediately moved onto the "most wanted" list on the Nixon administration's enemy list. But the Europeans were intransigent; the American plan made no headway.

The "greatest agreement"

Massive runs continued on the dollar, belying Nixon's August 15 claim that a dollar cut from gold would "never again be subject to international speculation." By mid-December—four months later—the dollar had declined by 12.5 percent against the mark, 12.3 percent against the yen, and had even lost ground to the lire and the pound, falling by 5.4 percent and 4.1 percent respectively. The world monetary situation not only continued in disarray, it seemed to be getting worse.

On December 18, 1971, the Smithsonian agreement was announced. For the first time in the post-war era, the dollar was devalued by raising the official gold price from $35 to $38 an ounce (8.6 percent). But gold convertibility was not restored, so the devaluation meant little.

Nixon's aim was to recreate an international order with fixed exchange rates—but without gold. He referred to this as "the greatest monetary agreement in the history of the world," but it was clear that no system would break down faster than a system of fixed rates fixed to nothing: neither to gold nor to anything else.

Nixon's "greatest monetary agreement" was smashed on the shoals of economic reality barely fourteen months later, for the dollar and pound sterling continued to be drastically overvalued in terms of the other industrialized nations' currencies and, most importantly, in terms of gold. The lack of confidence in the dollar sent gold prices vaulting to $90 an ounce, almost tripling the formerly sacred $35 figure. There continued to be periodic flights from the dollar.

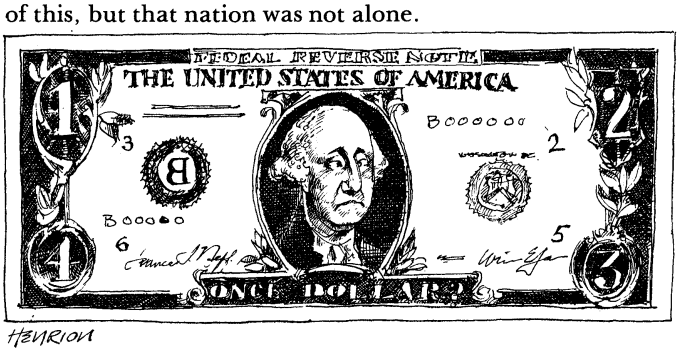
Finally, on January 24, 1973, the Swiss government stopped supporting the dollar. Other governments quickly followed: They had all had enough. One month later, the entire fixed-rate order collapsed. The actual story of how it happened would be a dreary repetition of the tales recounted above: billions of unwanted dollars reluctantly bought; another frantic but fundamentally ineffective dollar devaluation, in an unsuccessful attempt to restore tranquility; and, ultimately, closures of the world exchange markets. When those markets reopened, they did so without fixed rates. And the absence of fixed rates meant, logically, *de facto* floating rates.

Floating rates had not really been adopted; rather, fixed rates had been abandoned.

The crime of Bretton Woods

The massive crime committed by the American government by means of fixed rates has generally gone unnoticed. No government in history had held the kind of power handed to the United States in 1944: having its paper money treated like gold. But this action overlooked the stark reality that paper was not gold, that gold could not be printed wildly the way paper could. The world has reaped the ill effects of this mistake it had sown, and will continue to do so in the future. But the sad truth is that too few fathom the causes: mistaking paper for gold, for the caprices of the state for the natural laws of the marketplace. Too few realize that the effect of the Bretton Woods regime was to subsidize American consumers at the expense of foreigners. For a long time, America prospered at the expense of her trading partners.

For years, the dollar's value had been artificially high, and therefore actually bought more than it should have been able to buy. This meant that foreign products were available to Americans at bargain prices. This left foreign consumers less to enjoy. Moreover, the foreigners had to pay more for their own goods, thanks to American "exporting" of inflation by, in effect, forcing foreign central banks to print more of their own currency to absorb the unwanted, overvalued dollars they accepted. Switzerland's 1971 inflation rate of 22 percent is perhaps the most graphic example of this, but that nation was not alone.



HENRION

It would be wise for anyone who wants to know what the future holds in international money affairs to remember this history of crime on the part of the United States. The many victims will not soon forget.

The dirty float

Since March 1973, there haven't been as many frantic currency crises as before. Rather, floating rates have caused a fairly constant withering away of some currency values and a fairly constant appreciation of some others. And those currencies which still maintain fixed rates among themselves, such as Common Market currencies, have been the victims of actual devaluation. The trials of the Scandanavian currencies, especially the Swedish krona, have been the most prominent. Under fixed rates, a tremendous pressure would periodically build up against a certain currency, and after vain efforts were made to defend unrealistic exchange rates, a much-publicized devaluation would take place, in terms of a specific percentage decrease—something, in short, that could be easily understood by the average citizen.

Perhaps this present system is, then, more dangerous than the old "public crisis" one. The fairly quiet shift in values conceals the fact that nothing has fundamentally changed: The world monetary order is still floating in a sea of paper. Moreover, floating carries with it special problems. It is rarely "clean," rarely the effect of honest market forces reflecting the facts. Currencies almost never settle to their natural levels without some government intervention to make them artificially higher or lower.

Charges have been made against a number of nations for keeping their currency prices lower than their internal economic conditions warrant, in order to put a competitive shine on their exports. Other nations have threatened to counter this tactic with tariff regulations. We could be seeing the makings of the ugliest trade war since the "dirty thirties."

It is not hard to see who benefits from floating rates: the same people who benefit from any depreciating currency. Inefficient domestic producers are happy to see dollars buying less of the better-grade foreign products. As these goods become more expensive, domestic consumers are forced to lower their standards of living and patronize the lower-quality domestic concerns. Export firms also benefit from a cheaper currency: Their products now become more attractive to foreigners. Further, when gold convertibility still characterized the fixed-rate system, there was a strong limit on the inflation powers of any government. This was the balance-of-payments discipline: An increased outflow of gold abroad sounded a warning to governments to curb their inflation.

But now, governments have only the depreciation of their currencies as a limit to their inflations. And there are numerous special interests which favor just such a depreciation. Finally, an obvious problem with floating rates is the difficulties it creates for anyone who tries to calculate the future of businesses dealing internationally. As mentioned before, the inability to calculate has caused problems for whole nations, such as the commodity-producing ones.

A solution: gold

The classical gold standard had many advantages, not the least of them being that the world had a single money. Trade and exchange went smoothly because all currencies were different amounts of the same thing, gold. One of the major reasons for the enormous economic achievements of the United States has been that it is made up of a large geographical area where the same currency is in use everywhere. And, not accidentally, there have been neither monetary crises nor devaluations between New York and Florida. The very thought is absurd. But imagine what would happen if each state had its own currency, and each of those currencies were set afloat against one another. It would be to New York's advantage, in order to make her "exports" more attractive, to cheapen its "york" relative to Florida's currency, the "orange." Florida might retaliate with a tariff, and a trade war would be on. In short, what would happen in such a fantastical setting is exactly what is happening *now,* when the world's 128 nations are each issuing currencies which are unrelated in origin to one another. There is much more chaos now than there would be if one money were being used, a money that could not be created at the will of politicians.

As of this writing, the dollar is setting record lows against a number of currencies. The Swiss franc, which not so long ago was worth 22 cent, is now valued at 44 cents. But no value moves in a straight line; by the time you read this the difficulties which attend the dollar now may well have abated. But as long as the fundamental facts remain present, it will be only a temporary recuperation. It is important to keep your eye on the longer time frame, and on those factors which influence what happens in the long run. The lessons of the past are helpful in establishing those factors. And looking over this short history, one lesson seems apparent: In the long run, the market decides everything. State actions may attempt to perpetuate unnatural systems, at great harm to consumers, but the unchanging truths of economic law will cause those systems to break down.

For decades now, governments all over the world have been exacerbating the problem, victimizing their citizens, promoting economic nationalism and protectionism. They have been fiercely resisting the only change which would truly bring peace to the world monetary system: a move toward gold, a commodity used and respected everywhere.

Libertarians and those others concerned with world peace and economic justice should speak out. We must agitate systematically against continual monetary exploitation. We must denounce those responsible for such victimization. We must demand an end to inflationary monetary policies. We must demand that states get their hands off money, the lifeblood of the world economy.

Then we must get to work dismantling that international system of state control over the means of production, that suffocating scheme of taxation and regimentation, of regulation and hegemony, which has for so very long fostered poverty, crippled progress, and tormented mankind.

The Neoconservatives

by Daniel Shapiro

Daniel Patrick Moynihan

While they haven't exactly become a household word, the group of intellectuals who have been dubbed "neoconservatives" are here to stay. *The New York Times* and *Newsweek,* in their recent articles discussing whether America was turning to the "right," mentioned this group as symptomatic of the disillusionment with liberalism;; the *Nation* and other left-wing periodicals have denounced them; right-wing sources like *National Review* and the *Wall Street Journal* have hailed them. Clearly they are making an impact. Their journals, *The Public Interest* and *Commentary,* have made a strong impression on the intellectual world and their advice and recommendations have reached the White House at times. As informed libertarians who wish to stay abreast of social trends it behooves us to assess the neoconservatives. What is the significance of their ascendancy? Are they friend or foe in the struggle for liberty?

A great variety of people have by now been labeled neoconservatives, but in this examination, we shall focus only on five of the leading figures: Irving Kristol, Daniel Bell, Daniel Patrick Moynihan, Nathan Glazer, and Norman Podhoretz. I suspect most of the readers of *LR* are familiar with these gentlemen; but in any event, brief and selective biographical sketches are in order.

Glazer, Bell and Kristol all went to the City University of New York (CUNY) about the same time, in the late 1930s. All three subsequently drifted back and forth between academia and publishing. Daniel Bell, born in 1919, was an assistant editor for the *New Leader* for a while in the 1940s, went on to be labor editor for *Fortune* from 1948 to 1958, subsequently taught sociology at Columbia (where he was chairman of the department for a while), and now teaches at Harvard. He authored and edited numerous books, the most important for our purposes being *The New American Right* (editor), *The End of Ideology,* and, recently, *The Cultural Contradictions of Capitalism.*

Nathan Glazer, born in 1923, was an assistant editor at *Commentary* in its early days, worked at Doubleday for a while, taught sociology at Berkeley, and now teaches at Harvard. He coauthored, with David Reisman, *The Lonely Crowd,* a famous study of the American character, and also coauthored, with Daniel Patrick Moynihan, their famous study on ethnicity, *Beyond the Melting Pot.* He wrote a book

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Daniel Shapiro, a graduate student in philosophy at the University of Minnesota, was active in the antiwar and antidraft movements, and has been active in libertarian circles for many years.

attacking the New Left *(Remembering the Answers),* and most recently penned a widely recognized attack on affirmative action *(Affirmative Discrimination).*

Irving Kristol, (born in 1920) was also an assistant editor of *Commentary* for a while. From 1953 to 1958 he edited *Encounter,* an English left-wing, anticommunist journal which was one of several publications that received CIA funds. He was a vice president and senior editor at Basic Books for a good number of years, and has taught at New York University, where he was professor of urban values. He is now a resident scholar at the American Enterprise Institute, a right-wing think tank. Daniel Bell and he coedited two anthologies of essays, most of which originally appeared in *The Public Interest:* one on capitalism, the other on the student revolt. Kristol's most important book is *On the Democratic Idea in America.*

Podhoretz and Moynihan are slightly younger men. Norman Podhoretz was born in 1930 and went to school at Columbia and Cambridge, England. He wrote for *Commentary, Partisan Review,* and a few other magazines in the 1950s; since 1960 he has been editor of *Commentary.* He wrote his autobiography in 1967, *Making It.*

Daniel Patrick Moynihan (born in 1927) went to CUNY and Tufts. He has since shifted back and forth between politics and Harvard (except for two years when he taught at Syracuse). He worked for the Kennedy, Johnson, Nixon, and Ford administrations, and is now senator from New York. His work in government brought him attention and notoriety: He helped to draft the famous Economic Opportunity Act of 1964, which launched the War on Poverty, and under Nixon was the chief architect of the proposed "guaranteed annual income."

He was the author during the Johnson administration of an extremely controversial report suggesting the instability of the black family was the main reason for its problems; his memo to Nixon in 1970 suggesting the whole race issue was reaching hysterical proportions and could use a period of "benign neglect" also earned him a measure of fame—or infamy, depending on one's perspective. His aggressive defense of what he took to be "American interests" while he was ambassador to the United Nations from June 1975 to early 1976 also brought him quite a bit of attention. Moynihan has shown a flamboyant streak which has always boosted him into the limelight. Besides *Beyond the Melting Pot,* he also wrote *Maximal Feasible Misunderstanding,* a story of why the poverty program failed; *The Politics of a Guaranteed Income,* his account of the struggle over the Family Assistance Plan; and *Coping: On the Practice of Government,* a collection of essays written over the years.

Moynihan has been a consistent supporter over the years of big labor and of the Henry Jackson wing of the Democratic Party. Concentrating in recent years on foreign policy issues, he has been, along with Podhoretz, the most prominent member of the group Frances FitzGerald dubbed "the warrior intellectuals"; FitzGerald has also called him, with some justice, "Kissinger's Agnew," and "the candidate from *Commentary.*" In 1976 he was elected as senator from New York, after running on a platform whose foreign policy planks "out-Buckleyed James Buckley," to use Isidore Silver's phrase. Some former supporters of Senator Henry Jackson are now privately talking of eventually running Moynihan for president.

Glazer, Bell, and Moynihan are empirical social scientists; Kristol could be fairly described as being in the mold of classical political philosophy; Podhoretz's main concerns have been literary and cultural, lately, however, focusing almost exclusively on foreign policy. All are Jewish except Moynihan, who is Irish; all know one another. But what they all have in common which shaped their experiences are three things: they were all born into quite poor homes and achieved significant upward mobility; the failure of communism and socialism was a central experience of their lives; and the phenomenon of McCarthyism played a large role in shaping their political experience.

Neoconservatism "is only a tendency, not a 'movement,' " as Kristol points out; thus a definitive analysis of "their" philosophy is hazardous. Indeed, given their anti-ideological bent, it would be misleading to present their ideas in a systematic fashion, one following logically from the next. Rather, the neoconservatives emphasize certain clusters of themes; in what follows I will discuss these themes, with the understanding that *most* neoconservatives would assent to *most* of these ideas in varying degrees.

The "bourgeois character"

For the neoconservatives, the moral glue which held the United States together for a good part of its history—until about fifty years ago—is what Kristol calls "bourgeois character" or "republican morality," what Bell calls "civitas," and what we usually call "the Protestant work ethic." Whatever you call it, the point is that self-discipline, the restraint on private appetite, the willingness to sacrifice and work for the common good, all put a damper on self-interest.

Such a damper made it possible for citizens to work for the public good when it is crucially necessary. Such a mechanism of transcending our "baser selves" also served to justify the social order. Those who were self-disciplined and productive got ahead in the world; bourgeois character paid off, or at least so it was believed. Such a belief enabled the masses of people to accept their lives stoically—lives which were usually filled with a great deal of frustration. The bourgeois character was that which provided the social system with legitimacy and gave authority to societal institutions such as government, the market, etc.

But the neoconservatives believe such character is fading fast today, victim of the success of capitalism. For modern capitalism releases the forces of self-interest and appetite. The success of the system makes restraint much less necessary: Economic growth and progress make it easier to satisfy one's wants and desires. Kristol and Bell both point to installment buying and mass consumption as evidence of this: What's the use of restraint if the economic system is constantly pressuring you to let go? "Consumption society," writes Bell, "with its emphasis on spending and material possession, is undermining the traditional value system with its emphasis on thrift, frugality, self-restraint, and impulse

renunciation." Such "freeing of self-interest" is supported by the cultural hedonism which arises in modern bourgeois society. Intellectuals and cultural leaders have for a long time been stressing antibourgeois values such as irrationalism, satisfaction of all desires and fantasies, and the glorification of instinct. The message is that renunciation and self-control are pointless and silly. Who would have the desire to work for the public good in such a milieu? Even the modern defenders of capitalism, Kristol notes (he is referring to Hayek and Friedman), defend the unlimited pursuit of private interest as a right, thus being blissfully unaware that such a defense further undermines any attempt to maintain a well-ordered society where men can work for the "public good."

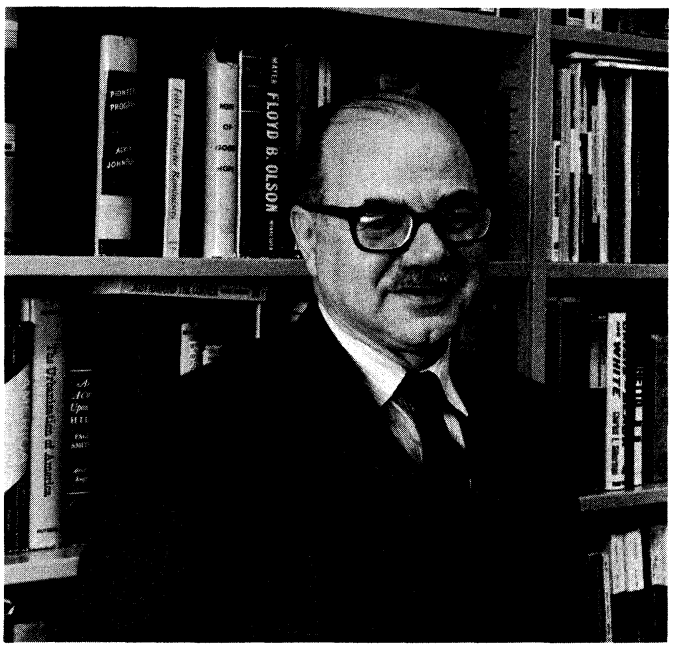
The rise of the New Left in the 1960s exemplified this point. We see capitalism producing a mass of middle- and upper-class children who revel in attacking the system which benefits them. The "sensibility of the sixties" (Bell's phrase) was a testimony to the undermining of bourgeois character; hedonism and nihilism reigned supreme. For the most part, the neoconservatives viewed the New Left *not* as raising legitimate issues—"the radical thinking of the late 60's was almost completely misguided," said Glazer—but saw it as a symptom: a symptom that capitalism was morally bankrupt.

The decline of bourgeois character has gone so far that the West is now faced with the ascendancy of an "adversary culture" (a Lionel Trilling phrase the neoconservatives have adopted). Where there had previously been a strong friction in the West between a culturally-advanced elite that struggled against bourgeois society, now the culture of the entire society had become virulently antibourgeois. Antibourgeois sentiment had become "massified," to use an awkward but useful neologism. The universities, media, and intellectual leaders in general had become inundated with themes that were actively hostile to the common man's bourgeois values; such an active attack on the society could only increase the alienation and frustration of the average man already bothered by a seemingly senseless polity. Nothing bothered the neoconservatives more than the fact that a hostile cultural and intellectual elite could infiltrate the society with increasingly nihilistic and apocalyptic messages that basically said, "America stinks."

"It was one thing," thundered Podhoretz, "to be critical of American society, institutions, and foreign policy, and another to be nihilistically dismissive." To the neoconservatives who had worked hard to get where they were, it must have seemed almost like a bunch of rich spoiled kids who had no sense of America's worth.

Thus the neoconservatives felt that history was repeating itself. In the 1950s they saw McCarthyism as resulting from the frustrations of certain groups (such as the nouveau riche and insecure ethnic groups) suffering from "status anxiety," groups that could incite the common people to feel angry toward intellectuals. The neoconservatives did not believe that McCarthyism represented genuine grievances against the bureaucratic welfare state; they analyzed the problems away and defended American society—meaning consensus welfare state politics—as essentially sound.

Not only had the rise of cultural hedonism produced a mass, antibourgeois culture; even worse, the "freeing" of bourgeois restraint was producing a plague of instability in the Western democracies. For once the restraints of self-discipline are released, demands accumulate in the political sphere: If people expect more goods and services in the private sector, shouldn't the same apply as well in the public sector? Politicians are loathe to deny such demands and tend to promise extravagant programs; thus we get the phenomenon of "rising expectations" or "rising entitlements" which can only cause trouble.



Daniel Bell

The revolution of rising expectations was furthered by something Kristol dubbed the "New Class," sort of the political analogue of the adversary culture. This consists of academicians, leftist students, civil servants, social workers, most intellectuals—all those who have a material or spiritual vested interest in an expansion of the public sphere and in declaring war on the private sector. Their hostility to bourgeois culture pushes them to feed the flames of rising expectations and thus create a clientele of state-supported dependents.

Thus the decline of bourgeois character was the key to understanding the troubles neoconservatives saw in America in the sixties and seventies: the decline of bourgeois self-discipline led to a cultural hedonism, which spilled over into an adversary culture and a clamorous revolution of rising expectations fueled by a New Class determined to increase the numbers feeding off the public trough. No wonder the common man felt alienated and frustrated; no wonder the polity was becoming increasingly unstable and losing its legitimacy. And yet there was hope, for the common people had not yet been taken in by these assaults by antibourgeois intellectuals: "We are not yet a corrupt people," announced Kristol, "and there still exists a large reservoir of sobriety, of self-discipline, and even a willingness to sacrifice for the common good."

This might seem to raise an odd puzzle. If it is capitalism's economic success which ruined the bourgeois virtues of self-discipline and self-retraint by its feverish stimulation of appetite, and it was bourgeois society which was the soil for the sprouting of cultural hedonism and its antibourgeois intellectuals, doesn't this mean there is something wrong with capitalism? Wouldn't that make the neoconservatives also as anticapitalist as their opponents? No. The neoconservatives do not dislike the market per se; they rather—within limits—like it, in fact. The market creates powerful incentives, diffuses responsibility, and thus doesn't politicize (= destabilize) society. Further, it helped raise standards of living to new heights. As Kristol put it recently, capitalism, modified by some welfare state reforms, regulations, and redistribution of wealth, (more on this later), is "the best of all available worlds." Kristol and the neoconservatives want a modified, welfare-state capitalism, securely anchored, not "adrift" on the sea of antibourgeois hedonism.

But how then to tie it down? One way *not* to do is by ideology, which the neoconservatives vigorously attack.

The anti-ideological motif

"Most of the hysteria, much of the stupidity, and a good part of the bestiality of the twentieth century", Kristol writes, results from ideological movements. Why? Ideologies are responsible for two evils: They create turbulence and instability by exciting men and offering them extravagant goals, and, secondly, ideologies simplify. "Any issue that becomes ideological becomes distorted," insists Bell. Neoconservatives link ideology with utopianism and radicalism: Ideologies promise much, incite men to action, and end up doing more harm than good. The world is too complicated for such simplicity; political progress is made by dispassionate, hard, careful work, not by political "movements." Thus, the neoconservatives dislike the utopian-ideological cast of mind that runs through at least part of American politics. "It is an American fault to insist on extravagant goals," complains Moynihan, "as if to set out to achieve anything less than everything suggests a lack of sincerity, manliness, or both."

But there are deeper reasons for the neoconservative anti-ideological turn of mind. What we have here is, as Robert Bartley noted in the *Wall Street Journal,* "a somewhat ironical alliance of empirical social scientists and classical philosophy." Bell, Glazer, and Moynihan are by training skeptical of grand theories: One should tackle problems one at a time, and investigate solutions empirically to see if they "work"; a priori speculation is *verboten.* Kristol believes that ideology is a mistake of modern political philosophy, which prevents a genuine, disinterested, philosophical examination of political life.

But much more important is the fact that their past political experiences have made these men hostile to ideologies. Most of the neoconservatives were fierce ideologues in their youth: socialists, communists, Trotskyists, more often than not. They have taken their idea of ideology from that period of their own lives and thought. "I accept a Marxian analysis of ideology," writes Bell. "I quit being a radical and a socialist," adds Kristol, "because, upon reflection, and with greater experience of the world, I concluded that political radicalism was, more often than not, inherently self-defeating and that socialism . . . was intrinsically utopian."

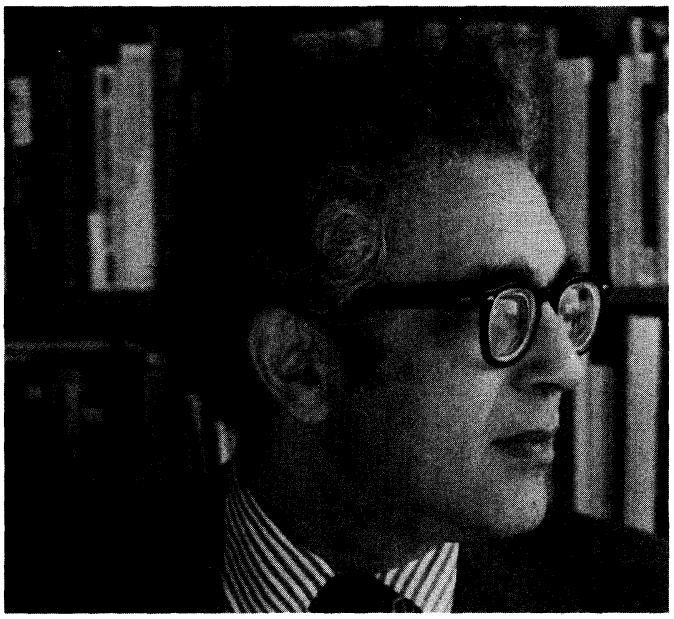
In short, the neoconservatives are disillusioned radicals. Such an experience was bound to make them suspicious of ideological movements and make them determinedly, one might say *militantly,* "realistic"—in the narrow sense of that term. As Bell acknowledged, they lost their innocence early; politics for them has become an arena where one should be *responsible,* which meant anti-ideological. This is a rephrasing of Bell's discussion in *The End of Ideology,* a work where he quietly celebrated that, after McCarthy, the ideological temper in America seemed to have faded away.

When Bell, in 1960, said, "Few issues can be formulated any more, intellectually, in ideological terms . . . Politics offer little excitement," when Glazer in 1968 chastised the New Left, saying, "From the point of view of the heroism of the past, it is a gray world we are entering," one suspects they are looking at ideologies the way adults look at their youthful excesses.

Indeed, this is made explicit at certain points. Kristol's "Memoirs of a Troskyist" *(New York Times Magazine,* Jan. 23, 1977) compared joining a radical movement when one is young to falling in love. And in the opening issue of *Public Interest,* the editors (Kristol and Bell) proudly announced that this would be a journal for middle-aged people, who were supposedly the best of political generations—neither ideological like youth or frozen in their thinking like old age. In short, neoconservatives see ideology as something for young innocent people; people who are wise and more responsible will shy away from it if they wish to be serious political thinkers. Thus the solution to the American crisis is not ideological. Insofar as Americans are prone to such ideological thinking—and neoconservatives stress that such ideological (utopian) spirit is part of the American heritage—this is something they wish to save us from.

This anti-ideological tone of neoconservative writing goes a long way towards explaining what otherwise might appear puzzling: namely, that there is no good yardstick by which one can evaluate a neoconservative view on a certain political issue. Neoconservatives value stability (order), a certain degree of liberty, a certain degree of equality. How these are supposed to be arranged in a just political order is far from clear. Kristol's reply in response to the libertarian, who views liberty as the sole political value, is indicative: "Yes, individual liberty is a very fine thing, one of the very finest even. But order is also a very fine thing; and justice; and morality; and civility. All of these fine things have to be accommodated, one to another in such a way as to 'make sense' to the citizens of a society. . . ."

Such a "blending" of values may sound eloquent, but it gives one few guidelines by which to evaluate public policy—which is why neoconservatives usually end up stressing practicality: Does the policy or program *work?* Thus, one might think that the neoconservatives would have moral objections to affirmative action. Doesn't it politicize and destabilize our society? Is it not a horrendous exercise of



Nathan Glazer

coercion? No, they say. In Glazer's devastating attacks on these programs, he notes, "For me no consideration of principle . . . would stand in the way of a program of preferential hiring if it made some substantial progresss in reducing the severe problems of low-income blacks and of the inner cities." Moynihan agrees, saying that opposition to quotas "come down to a matter of prudence."

Their anti-ideological bent also explains the stubborn, neoconservative refusal to look at the matter of political consistency, of whether a certain position is a logical consequence of a previous position. It is only someone with an ideological cast of mind who is concerned with such things. To the neoconservative frame of mind this all seems to be an obsession with doctrinaire rigidity.

Thus, the neoconservatives refuse to even seriously *discuss* the *possibility* that the clamor for "equality of result" or affirmative action is an inevitable outgrowth of the commitment to "equality of opportunity." To Glazer, such a suggestion is "simply another example of the misnaming of reality in an age in which words are easily distorted into their opposites." Kristol ridicules the suggestion that these two egalitarian ideals are related as "dangerous sophistry." In fact, Kristol freely admits that "in pure principle" his viewpoint is incoherent!

Not only does the neoconservative brew of liberty, equality, civility, order and justice fail to give us a guideline for analyzing and judging politics—other than practicality—the neoconservatives rarely tell us what these notoriously slippery terms mean. For instance, I have yet to see an explanation of what the neoconservatives think "liberty" is. When Glazer flatly denies there is an obvious tension between liberty and equality ("We have never seen as much state intervention to promote equality as we see in Western capitalist nations today, but liberty . . . has never been greater or more widespread."), and when Moynihan called the draft "one of the greatest institutions invented by the United States," and yet in 1974 proudly announced that the United States is "the liberty party," one may rightly wonder what "liberty" is supposed to mean. Similiarly, there is rarely a clear reference to rights other than in the legal sense. (Thus Moynihan and Glazer write in the second edition of *Beyond the Melting Pot,* "Aid to the deprived is a right and an obligation of government. The right to welfare should not be endowed with as much dignity and virtue as the right to work. . . ." I will leave it to the reader to sort out all the confusions in this passage)

The neoconservative distaste for ideology because it simplifies is tied to another theme that runs through neoconservative writing; namely, the emphasis on complexity. From their experiences in government from their disappointment and chagrin over the failure of much of the Great Society, the neoconservatives came to the realization as the 1960s progressed that the world was too complicated for the government to engage in any sweeping, grand-scale programs. "By the sixties I had considerably scaled down my expectations concerning what government could do about most things." says Moynihan. "Government had seemed like such fun," he told the Harvard freshman class in 1972, "but it didn't turn out to be fun at all, but bloody and tragic."

What had happened? Through long, hard experience, the neoconservatives learned that not only was the world too complicated for ideological "simplicity," it was far too complicated to anticipate the consequences of social action. To put it in Hayekian terms, the neoconservatives learned the hard way that everyone is ignorant of most of the facts of social reality, and that attempts by a few men with coercive power to shape policy usually turn out to be disagreeable—disagreeable in that they don't solve the problem, often make it worse by undermining traditional means of handling distress (family, neighborhood, church), and often raise expectations by promising results which can't be obtained, thus creating intense politicization in the society.

What to do then? Go slow; be moderate; be prudent—this is the lesson neoconservatives learned from the 1960s. "When you're dealing with the real world, the chances of you're being right are 50-50, so you should move slowly," says Kristol. "Wisdom surely bespeaks moderation in projection of the future and restraint in its promise for it," adds Moynihan. (His book, *Coping: On the Practice of Government,* is of course a testimony to the same theme.)

What does this prudence amount to? First, it amounts to a healthy respect for market mechanisms: Don't be sure, say the neoconservatives, that the government must handle the problem. Or, if it must, that it must be handled by a large-scale, bureaucratic crusade. "For the longest time", writes Moynihan, "and with the best of cases, liberals argued that while the private sector fattened, the public sector starved." "Well," he adds ruefully, "we succeeded." Neoconservatives now have a skepticism about the Galbraithian thesis. They are aware that expansion of the public sector may not bring bliss, but chaos.

Second, by "prudence" the neoconservatives mean a Burkean fondness, or at least respect, for institutions which have survived. "I learned, in a quite conservative fashion," recounts Glazer in his memoirs of his deradicalization pro-

cess, "to develop a certain respect for what was—in a world of infinite complexity, some things had emerged and survived . . ." Being prudent thus means to have a bias in favor of existing institutions, such as the market and also government programs which had stood the test of time.

Is that all there is to the neoconservative program? Hardly. The neoconservatives are interested primarily in "spiritual," not "material," subjects. The West is in a crisis spanning both areas, but the causes are spiritual ("The crisis of our time is not political; it is religious," says Moynihan), and thus the cure involves not just a commitment to prudence, but a set of ideas that will help the West survive and prosper. But who will undertake such a task?

The need for a responsible elite

"Only a special and dedicated cadre—an elite of sorts— can hope to keep the other elites of the country from tearing the country apart," says Moynihan, articulating this neoconservative theme. The present day intellectuals, with their encouragement of antibourgeois hedonistic values and an expanded role for government, have created a moral vacuum and social instability. Thus they are hardly the ones to lead us out of our present morass.

What sort of elite will lead us out of the wilderness? This isn't made clear, but there are enough indications within neoconservative literature to give us a fair idea. It will be an elite dedicated to creating a bourgeois morality or civic virtue; that is, dedicated to propagating and instilling the notion of self-discipline and sacrifice for the common good. Such an elite will not be hostile to using influences other than reason to help achieve its goal.

For one thing, it can and will use coercion if necessary. Kristol, for instance, *applauds* the prohibition movement for having a good conscience in that it was interested in republican (= bourgeois) morality. This means, according to Kristol, it is perfectly legitimate to use state coercion to help sustain a moral climate. Second, it may use as well religion. Bell, for one, calls explicitly for a revival of religion as the only way to save the West from an orgy of hedonism. And scattered throughout neoconservative writings is a skepticism about reason which indicates a belief that rationalism is inadequate to the task of reviving a moral climate in the West.

Thus, this moral elite will be willing to use the weapons of religion and the state to help recreate a moral community necessary to save the bourgeois values of the West. Politically, such an elite will be dedicated to "social stability as well as the facilitating of social change."

Thus the neoconservatives during the 1950s were all "hard anticommunists" (Sidney Hook's phrase). They believed some civil liberties of communists could be stifled to help fight its subversion. Similarly, Irving Kristol supports censorship today: "If you care for the quality of life in our American democracy, then you have to be for censorship," he proclaims. As if to underscore his seriousness about the full meaning of the word "censorship," Kristol proclaims: "And I am not about to back away from it." I am not aware of any other neoconservative who has objected to this line of reasoning.

Irving Kristol

What sort of reform will this elite propagate? What sort of reform do neoconservatives advocate? First and foremost, they are committed to the principle of the welfare state; those who have interpreted their critiques of state intervention as pleas for a move toward laissez-faire have missed the point. Irving Kristol has recently insisted, in a reflection on neoconservatism in *The American Spectator,* that "Neoconservatism, unlike . . . liberal individualism, is not opposed *in principle* to the welfare state." Although it is opposed to socialism, neoconservatism is "untroubled," he states, by such things as unemployment "insurance," national health care, social security, guaranteed annual income, and other welfare measures. Nineteenth century liberal-individualist views are denounced by Kristol as "doctrinaire fantasy," and as being "inadequate for a political community." Moreover, as a sop to conservatives, Kristol writes that "a welfare state, properly conceived, can be an integral part of a conservative society," a Disraeli-like notion that has now been endorsed by many mainstream conservatives, such as James Buckley.

The neoconservatives are also in favor of government regulation of the economy: Kristol declares that, in fact, *no* "responsible" person is opposed to such government regulation in principle. While he claims to "respect" the market economy, he is "willing to interfere with the market for overriding social purposes." He prefers, however, to "rig" the market rather than to regiment it in a bureaucratic fashion. Hence, vouchers and the like are considered the best way of achieving these so-called overriding social purposes. Columnist George Will, often associated with the neoconservatives, recently devoted an entire column to lavish praise of the government farm programs, claiming, astonishingly enough to those educated about such matters, that "American agriculture is one of American government's success stories." And while opposed to equality, neoconservatives are *also* op-

posed to too great an inequality. Wishing to place a state-guaranteed "floor" under the poor, they want to place a state-enforced "ceiling" on the rich. One has the right to become unequal to others in wealth only "within limits," states Kristol.

To grasp where this lands us, one should remember what *Newsweek* said of Daniel Bell and the neoconservatives: "Bell belongs to an increasingly vocal chorus of neoconservative intellectuals who believe that the system isn't working, that a return to the laissez-faire past is impractical and that the United States must find a flexible third way between socialism and libertarian self-indulgence." This so-called "middle way," of course, far from being anything new, is precisely what has been preached throughout most of this century: a rudderless, unprincipled careening back and forth within a system of government intervention and regulation, whose basic precepts are never challenged or rethought.

Thus the attacks of the neoconservatives on expensive Great Society welfare programs are *not* attacks on the soundness or justice of these programs. "To assert that government in Washington can't run everything is not to argue for the impotence of government generally," argued Moynihan. The neoconservatives saw the 1960s not as throwing into question the principle of domestic interventionism (let alone foreign interventionism!) but as showing the need for a supposedly "thoughtful" application of them, with a prudent appreciation of their limits. In fact, neoconservatives are *upset* that dissatisfaction with the welfare state causes people to feel victimized by it, or may forment antigovernment sentiment in general.

What the neoconservatives oppose, then, is a welfare state which is exceedingly bureaucratic, a welfare state which is extremely expensive and prone to bankruptcy, and a welfare state which radically politicizes society. What the neoconservatives favor is a program of *conservative* reform, fundamental reforms which will, in their view improve, the lot of the citizens and help to maintain stability and political "legitimacy."

Neoconservatives—with the exception of Glazer, who was skeptical—seemed to think Nixon's Family Assistance Plan would be such a reform. Indeed Moynihan saw Nixon (in his pre-Watergate days) as a president who came close to pushing for a program of conservative reform—sort of an American Disraeli. Other models of conservative reform (invoked by Kristol in these cases) were the old city bosses ("Democratic Tories") and the *old* Progressives. Both were committed to reform *and* keeping the basic structure of "capitalism" sound.

Foreign policy

In foreign policy, the neoconservatives whom Frances FitzGerald dubbed as "the warrior intellectuals" have been the single most powerful and influential force opposing any move toward isolationism or noninterventionism. In the aftermath of the Vietnam debacle, when American foreign policy seemed to be open for a fundamental change of direction, for a fundamental rethinking, it was the neoconservatives who rose to the challenge, opposing even the slightest move toward isolationism with vehemence.

There was nothing new in this. Given the history of the neoconservatives, it was to have been expected. The neoconservatives have always been hostile to an isolationist or noninterventionist foreign policy. Back in the 1950s, for example, Nathan Glazer linked isolationism with McCarthyism and hostility toward modernism, and modernism itself was linked with the welfare state. In general, although some worried a bit about U.S. foreign policy helping to launch a nuclear war, neoconservatives approved of the stated interventionist aim of American foreign policy: the containing of communism. Even those neoconservatives who opposed the Indochina war (Moynihan, Podhoretz and Glazer) saw the war as "in principle, yes, but in practice, obviously not" justified; the war "must be understood as the result of a series of monumental errors." Not that anything was wrong with the *principle* of foreign interventionism. Quite the contrary: Our debacle in Indochina indicated that opposition to the war was prudent because the war's human costs were too high, much too high. Even so, the Vietnam war was considered by other neoconservatives to be an instance of America's "commitment to freedom abroad." In the post-Vietnam era, a *Commentary* symposium given over to a foreign policy symposium was entitled "America Now: A Failure of Nerve?"

It is not surprising, then, that no neoconservative has even considered the possibility that revisionist historians might have something important to tell us about U.S. interventionism. To understand the neoconservative view one must understand that the experience of the last 25 years hasn't shaken their faith; instead, it has reinforced their attachment to foreign interventionism. But to say that the neoconservatives are committed to a foreign policy of interventionism is vague; what policies do they advocate?

They see the United States as a Great Imperial Power who, by that very description, cannot shirk its "responsibilities" within the world. As a Great Power, it must, of course, act prudently. But it also has—or should have—an essential commitment to inducing other nations to adopt democratic policies; this is the Wilsonian theme. In a world where most countries are ideologically hostile to us, a basic commitment to curtailing their influence is essential if we aim to promote the spread of democratic institutions. Moynihan asks "Was Woodrow Wilson Right?" and answers (within limits), yes. Similiarly Podhoretz announces, we should continue with our former task of making the world safe for democracy. Thus, as neoconservatives see it, within the constraints of prudence a proper U.S. foreign policy "deliberately and consistently brings its influence to bear on behalf of those regimes which preserve the greatest degree of personal and national liberty." But those "constraints" are indeed broad: Sometimes it may be necessary to support right-wing dictatorships. The world is such that often we cannot affect others but there are "no circumstances . . . where failing to help those who do share our values can have any consequence other than the discrediting of those values themselves."

Unfortunately, the cloud of vagueness we had hoped to

(continued on page 46)

Obedience to Authority

by Gloria Sturzenacker

Nazis annihilated Jews because the Fuhrer commanded it. American soldiers, following their commanders' orders, machine-gunned Vietnamese civilians. And aides to the president plotted burglaries and destroyed evidence to protect their boss's position.

Their reasons were the same: obedience to authority.

Hannah Arendt pointed out the inherent problem when she described the trial of Adolf Eichmann: They [the judges] knew, of course, that it would have been very comforting to believe that Eichmann was a monster . . . The trouble with Eichmann was precisely that so many were like him, and that the many were neither perverted nor sadistic, that they were, and still are, terribly and terrifyingly normal." Authority seems to command a devotion that morality can't match.

Psychiatrist and libertarian Dr. Thomas Szasz; key Watergate figure John Dean III, former counsel to President Richard M. Nixon; social psychologist Stanley Milgram, author of *Obedience to Authority;* and Columbia University hypnosis expert Dr. Herbert Spiegel analyzed and tried to explain this unsettling phenomenon at a recent conference on "Obedience to Authority," in New York, sponsored by the Harlem Valley Psychiatric Center.

Gloria Sturzenacker is a graduate student in journalism at the Columbia School of Journalism.

Just how pliable and submissive are most human beings in the hands of authority? Who are the individuals who resist this potent urge and what is their fate?

Szasz, the iconoclastic professor of psychiatry at the Upstate Medical Center in Syracuse, New York, observed that the answer to the question of why some individuals resist "is age-old: the willingness to be alone . . . The only way you can be immune is if your heroes are people like Thoreau and Emerson." Such independence often puts one at odds with society and leads to one's being considered abnormal.

His own profession, psychiatry, has a major stake in maintaining authority and obedience thereto, he added. So their reaction to independence is to call it immaturity or insanity, and to treat it as such. "You're not supposed to choose—you're supposed to obey," explained Szasz. "Who are the disobedients? There are two groups: children and madmen." Such casual classifications remove human action from the realm of ethics, where he feels it belongs. "I'm suggesting there is such a thing as good and evil."

Historically, obedience to authority was embedded in every political system—except the libertarian model. The earliest examples include religious groups, with authoritarianism commonly present. "Jesus was a little better than [Judaism]," said Szasz, "because he was the first to tell people, 'Render unto Caesar that which is Caesar's, and unto the Lord that which is the Lord's. Follow your conscience.' And you know what happened to him."

Government tends to impose its authority by validating or invalidating an activity. "Validating is just as bad as invalidating because validation is usually at the expense of someone else," Szasz observed. The libertarian approach, on the other hand, is simply to say, "It's none of my business."

"There is only one political sin," he declared, "and correspondingly only one political virtue. The one policital sin is independence. The only political virtue is saying what people want to hear. So what else is new?"

Two of the other participants on the panel took pains to disagree with Szasz. Spiegel had reported on how a person's susceptibility to hypnosis correlates well with one's susceptibility to coercion and persuasion. "I am enthusiastic about Szasz's point about damn near demanding that people be responsible for themselves," he allowed. But Spiegel declared that Szasz's application of this principle to schizophrenics is "the utmost cruelty." Expecting schizophrenics—whom the hypnotist claimed are biologically incapable of making choices—to do so is "like expecting you and I to fly in the air by flapping our arms. These people need compassion and protection."

Milgram's objection to Szasz was not so narrowly defined, but followed closely from his all-encompassing dictum that "the greatest lesson twentieth century social psychology has to offer is that it's not the *person* which determines how he will act, but the situation in which he is placed."

From this matter-over-mind pronouncement, it was but a small step to his chastisement of Szasz: "You can't have a society without forms of authority," he proclaimed. "That's why a radical libertarian or anarchist society won't succeed. I know of no society which encourages disobedience to its

own rules." This, of course, can but lead one to wonder how well he understand the only rules of a radical libertarian society: no force and no fraud.

Milgram's theories were drawn from his famous studies at Yale in the 1960s in which volunteer subjects were told to by the experimenters inflict pain—through mild to severe electric shocks—on other volunteers. The subjects who were to give the shocks asked questions of the "students," and gave increasingly strong shocks if the answers were wrong. The key to the experiment was that each "student" was really acting all along—no shocks were ever inflicted. Thus, without anyone being injured, Milgram and his associates could study how far people would go, in terms of (seemingly) hurting others, in their obedience to authority.

Milgram, now a professor at the City University of New York, told the conference that his fellow professionals, in questionnaires, had predicted that only one of 1000 subjects would continue to give "shocks" all the way up to the maximum—indicated as 450 volts (bearing the warning, "XXX," one step above the label, "Danger: Severe Shock"), even though the "students" were told never to ask the subjects to stop.

"There is only one political sin," Szasz declared, "and that is independence. The one political virtue is saying what people want to hear."

In fact, virtually *all* subjects went to the end of the line. Even when the conditions were changed, so that the "students" began to protest strongly at 150 volts, fully 60 percent delivered the maximum shock. "It was a very harsh and somewhat disillusioning sight to see normal people from the general population" act this way against the defenseless learner, "who was screaming bloody murder," he remembered. It was not what he had expected.

But another variation on the experiment showed that agression or sadism was not the reason that subjects acceeded to the orders of the experimenters in charge. In this instance, the subjects were allowed to choose the level of shock, rather than upping it each time. Here, the average shock was below the point at which protests were heard. And in the other variations, cooperation was not smooth: The subjects protested (although they continued) and many tried to emphasize the correct answer to the "student"—so they would not have to deliver another shock.

"Many of these subjects, while they thought it incumbent upon them to dissent, allowed dissent to be overrriden by authority," observed Milgram. "In some cases, it allowed these people to see themselves as a very moral person, very sensitive to values".

Milgram proposed three causes for this overwhelming tendency towards obedience: preconditioning, the "agentic state," and "binding factors." In the first case, childhood, school, and job teach respect for hierarchy, he said; thus, the accoutrements of authority in the experiment (here, a white lab coat) and the absence of a conflicting claim gave legitimacy to authority. The second factor arises from the subjects' agreement to take part in the experiment: the individuals saw themselves simply as "agents" of the experimenter—they were "just following orders" (without hearing any disquieting echoes of Nuremberg). The "binding factors," Milgram explained, follow from the implicit contractual agreement the subjects felt committed to by coming to the laboratory in the first place.

John Dean presented himself as a case study in such obedience—combined with a healthy dose of "blind ambition." As he epigramatized it, "To get along, you go along." His first White House assignment was to sue an obscure magazine that had satirized Spiro Agnew. When Dean counseled Nixon against such a move, the president decided to order an IRS audit. Dean thought that was a poor idea as well; but an associate cautioned him, "John, I guarantee you, if you don't do what the president wants you to do, he'll find someone who will." As Dean recalled, "I walked back to my office, thinking how much I liked my new job and my new title, counsel to the president, at age 31." He arranged the audit.

He "got off" on having Nixon call him frequently and being on first-name terms with Mitchell, Haldeman and others—for a while. Eventually, however, the time came when "I would walk into my office and think maybe it would be better to be in jail than to keep coming into the White House each day." Moreover, he realized "I couldn't continue my marriage the way it was going, because I'd come home every night and get drunk, and all I'd want to do was go to sleep so I could get up and start the next day. I knew my social drinking habits had changed when I started buying gallons instead of fifths so I wouldn't see the bottles going so quickly."

So, finally, he got out. But Spiegel had a harsh footnote to Dean's recitation. "Dean wasn't conned by Nixon," Spiegel contended. "He knew Nixon was a crook. But he went along because he could get something out of it." Moreover, "if you notice, with all his candor, he still has some kind of amnesia" about the importance of his ambition and the fact that he didn't speak up until he had become a patsy for the president and his closest associates. Especially revealing was the fact that Dean gave the Watergate prosecutors minute details about everything that had occurred—including what people wore at various meetings—except money. "I could never remember amounts of money," Dean recalled. "But I know what happened—I ducked it. I ducked it with a great big repression. I'd pass the figures along on the phone and I'd forget it as soon as possible."

As Szasz mused later, "If you want to get out," to resist authority, "you can't be a good party person. Mr. Dean showed this very well."

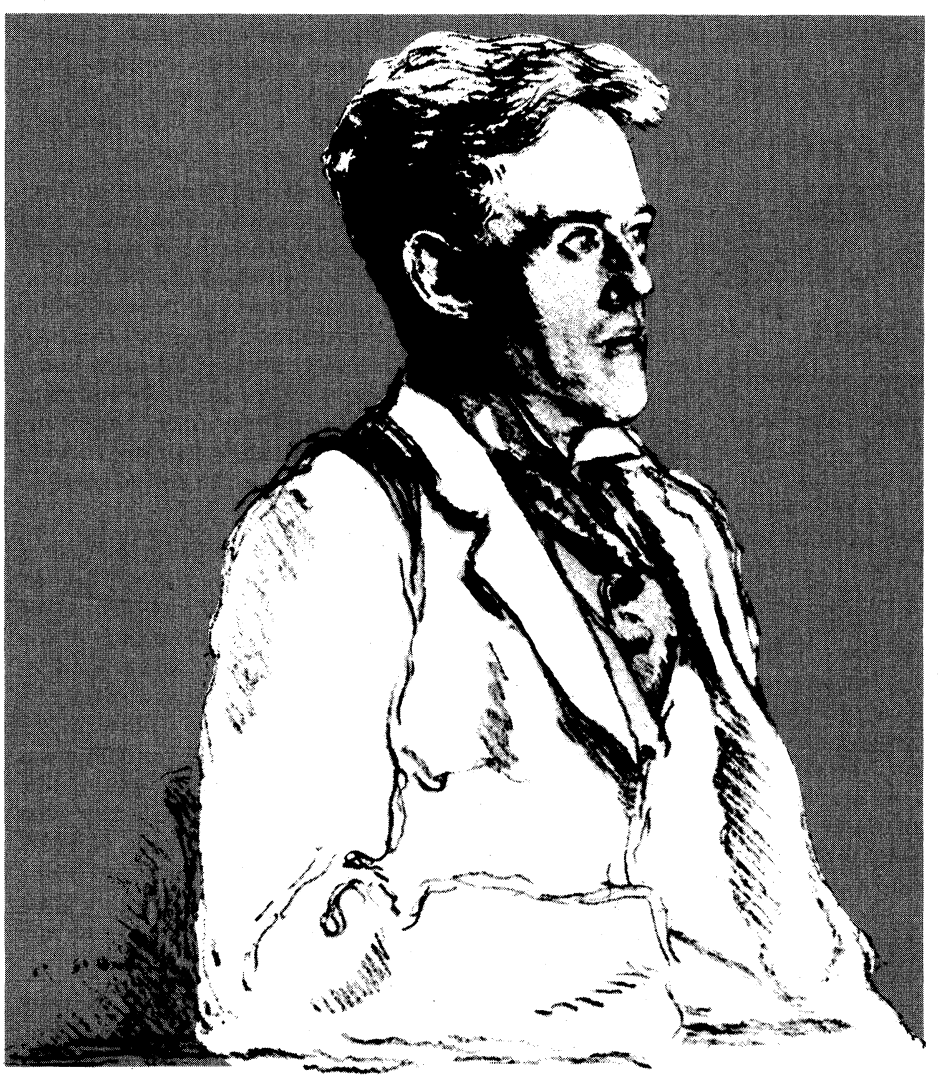
Books and the Arts

Security in slavery
by John P. McCarthy

THE SERVILE STATE, by Hilaire Belloc, introduction by Robert Nisbet. Liberty Classics, 208 pages; hardcover $8.00, softcover $2.00.

Many might be startled at seeing Hilaire Belloc's *The Servile State* appear as one of the earlier titles in the Liberty Classics editions of out-of-print landmarks of liberty. Their amazement will be due to either an unawareness of Belloc and his work or a misunderstanding of his views.

Belloc (1870-1953) was a man of many hats: a poet, a novelist, an essayist, an historian, a journalist, a controversialist, and a member of Parliament. Those who are aware of him probably remember him chiefly as a popular Catholic apologist, especially on historical questions. Not too many years ago the American Catholic community, particularly its educational institutions, was filled with an aggressive self-consciousness appropriate for a group emerging out of the ghetto and clashing swords with the prevailing WASPish and liberal establishment. For Catholics of that time Belloc was a hero, as evidenced by his receiving honorary doctorates from many major Catholic universities—although at the same time and for the same reasons he was disregarded by the non-Catholic intellectual community.



In our day, when the American Catholic intelligentsia seems to be bending over backwards to be disassociated from any distinguishing Catholic characteristics, the works of the like of Belloc are usually scornfully dismissed. That makes it all the more fascinating that a possible Bellockian revival might have its genesis under the auspices of a secular institution like the Liberty Foundation. Similarly, the generous introduction to this new edition of Belloc's most significant socio-political opus is by a prominent non-Catholic scholar, Robert Nisbet, who was able to emerge from an establishment liberal background to attain an insight into and an appreciation of the traditional Catholic social perspective ironically being forgotten in contemporary Catholic circles. Major components of that perspective are the importance of private property and familial, local community, and private associations in contrast to the centralized state.

Let us put Belloc in context. For all his Catholic-apologist reputation he was also a radical liberal of the Bright-Cobden variety. His maternal ancestors included the philosopher-scientist Joseph Priestly, whose library was burned by a Tory mob in the 1790's, and the Birmingham radical Joseph Parkes, one of those champions of the 1832 Reform Act who helped raise the threat of revolution unless the measure were passed. Belloc's mother, Bessie Rayner Parkes, was a feminist activist of the Victorian era who converted from Unitarianism to Catholicism. She married a French barrister whose family was of a Republican and anticlerical bent. Belloc was raised in England following the early death of his father. As might be expected of a descendant of Unitarian radicals and French republicans, Belloc was continually at odds with the usually aristocratic and Tory English Catholic circles in which he was educated. He felt more at home with the democratic spirit of Cardinal Manning, who was more open to the Irish working class that was then inundating the Catholic Church in England.

As a student at Oxford, where he was elected president of the Oxford Union, he challenged the prevailing mood by founding a "Republican Club"—republican in the European sense of being antimonarchy. He was turned off by the dominant Germanophilia, especially among students of

history and philosophy. Many historians at the time tended to attribute the quality of English law and institutions to inherent racial qualities of the Anglo-Saxons similar to what Tacitus had seen in the Germanic barbarians. Equally disturbing to the radical liberal Belloc was the then-fashionable neo-Hegelianism of T.R. Green, particularly its political implications that the antistate bias of English liberalism was outmoded. In its place was urged a "new liberalism," which would steal the paternalist (and even imperialist) thunder from the Conservatives by calling for a strong state to direct a great society with broad domestic and imperial goals.

Failing to get a fellowship which would have steered him towards a professional academic career, Belloc turned towards journalism and poetry. Consistent with his radicalism (or "older" liberalism), he was a vigorous critic of that last hurrah of British expansionist imperialism, the Boer War. Particular objects of his literary scorn in poems and in humorous novels were journalistic popularizers of imperialism, financial speculators, government contractors, and bankrupt aristocrats.

Elected to Parliament in 1906 as part of the Liberal sweep (attributable partly to a reaction against Conservative Joseph Chamberlain's espousal of protectionism), Belloc rapidly became disillusioned. There was the natural incompatibility of a literary type with the dull routine of parliamentary politics; but, in addition, he believed that the Liberal ministry, which was strongly liberal-imperialist, was uninterested in what Belloc regarded as the radical-liberal mandate of the electorate on a number of issues. When the front benches of the Conservatives and the Liberals made serious efforts at forming a coalition government in 1910, to avoid the drastic constitutional innovation of limiting the veto power of the House of Lords, Belloc became convinced of the fraudulence of partly politics and refused to stand for reelection.

At this point Belloc joined with the former Fabian socialist Cecil Chesterton (younger brother of his great controversialist partner, G.K. Chesterton) in editing a radical weekly, *The Eye-Witness*, aimed at exposing the corruption and insincerity of party politics. While at this effort Belloc developed the basic thesis of *The Servile State*. The issue which got him started was Lloyd George's brainchild—social insurance. Belloc objected to this foremost "new liberal" measure because it was compulsory and applicable only to a limited portion of the labor force—one that was less in need of assistance. About the same time, demands arose for compulsory arbitration of major labor disputes because of widespread strikes in the docks, railroads, and mines of Britain. These demands, too, aroused Belloc's opposition.

The essential thesis of *The Servile State*, originally published in 1912, was that capitalist society was moving towards solving the problem of economic insecurity and insufficiency among the working classes through adoption of a system whereby the masses would, in return for comfortable security and sufficiency, be reduced to a servile status—that is, be subject to compulsory labor. A neofeudalism was developing in which most of the people would be dispossessed of economic freedom—specifically, the freedom to contract for their labor, not to mention their nonownership of the means of production—but would be given in return "security" in the form of social welfare, compulsory arbitration, and minimum wages. Naturally, as under the old feudalism, there would remain a privileged or free class who would be the actual owners of the means of production; that is, the capitalist-financiers.

A neofeudalism was developing in which most people would be dispossessed of their economic freedom.

Belloc, who as an "old liberal" had always been outspoken in his opposition to socialism and statism, was one of the first to perceive that the main impetus away from economic freedom was coming not from the pathetic advocates of outright socialism, but rather from the business-financial world in cooperation with the state, under some idealistic banner like "progressivism." The capitalists would not be turned off even by the prospect of nationalization or municipalization of enterprise, for the owners would be compensated by annuities that would guarantee return at a rate higher than the profits in the free market. Similarly, the combination of increased taxation and governmental indebtedness would work further to weaken or undermine the smaller owners of capital, while enhancing the larger financial interests who were government creditors and/or contractors. Not surprisingly the "progressive" business champions of compulsory social welfare financed by the state also would usually advocate an activist or imperialist foreign policy.

Belloc was an opponent of that combination of Tory paternalism and "new liberal" statism which more recent historians have accurately labeled as "social imperialism." The architects of the philosophy in Britain included Lloyd George and Winston Churchill; their American counterparts were the imperialist, protectionist, and "progressive" Republicans. Belloc championed the older type of nineteenth century private entrepreneur, who believed in "Little England" and paying debts, and who probably regarded limited liability as the granting of "rogues' charters" by their exemption of personal responsibility. Such entrepreneurs contrasted with the newer managerial-financial elite of public corporations, more interested in speculative profit and more involved with government contracts, particularly those of an imperialist nature.

A champion of the very type of politics that Belloc opposed was his literary antagonist, H.G. Wells. In his appropriately entitled novel, *The New Machiavelli*, Wells attacked the old radical liberals as being

> a gathering together of all the smaller interests which find themselves at a disadvantage against the big established classes . . . the party of the many small men against the fewer prevailing men . . . the party that is on the whole most set against collective control because it represents no established responsibility.

In contrast, the various elements of the Conservative Party were more appealing to the Fabian socialist Wells. For example, he admired the landed classes for having always been sympathetic "towards the endowment of higher education," and the financiers in the Conservative Party for being "prepared to spend public money upon research, upon ports and harbours and public communications, upon sanitation and hygenic organization." What could more confirm the validity of Belloc's insight into the rationale behind the welfare state and its ultimate terminus—the Service State—than this admission of Wells?

A few comments on Robert Nisbet's generally fine introduction: True, there are some points Belloc and Edmund Burke have in common, particularly their dislike of financiers profiteering from governmental indebtedness, and both would stand in the same ranks against modern statism. But Belloc was too much a French republican to feel friendly towards the Whig Burke, whom he saw as an apologist for the eighteenth century oligarchy. Indeed, one of the foremost Burkean scholars, who was acquainted with Belloc in the 1930's, told me that Belloc regarded Edmund Burke as a "bought Irishman."

In addition, when attempting to demonstrate that Belloc's prophecies have come

true, Nisbet overemphasizes social welfare as the cause of the servile labor forced on taxpayers. As great, and probably greater, an expense paid by that forced labor (another name for taxation) is the cost of corporate welfare: the interest payments made to government creditors and the fees paid to private corporations having the government as their major customer. Such, I believe, is how Belloc would interpret the contemporary situation.

One last note: The Liberty Classics edition of *The Servile State* fails to note the man to whom Hilaire Belloc dedicated the book—E.S.P. Haynes, a life-long friend of Belloc who was an old style, free-thinking rationalist, an advocate of divorce reform, and a libertarian.

Carter's year

(continued from page 4)

crease in the minimum wage rammed through Congress by the Carter administration as a political payoff to the AFL-CIO may add as many as 100,000 minority youths to the unemployment rolls by next year.

Tax Reform—Carter's original plan was to submit a tax reform package by early October, but heavy criticism of the proposal to eliminate preferential treatment of capital gains, along with unexpected difficulties created by the energy bill, has put this off indefinitely. Once again, Carter's defeat is all to the good for the rest of us because indications are that the original plan would have been vastly worse than the one which he is now likely to offer.

What this all means is that the country has been spared some of the worst ideas that Carter has to offer because (thankfully) the Congress has refused to cooperate with the president's ill-conceived schemes. Thus the impression that Carter may not be so bad after all is very illusory. There is always the danger that he finally may learn how to get things done in Washington and we may find ourselves faced with a warehouse full of trouble. After all, Carter still has a plethora of campaign promises left to fulfill, such as establishing a national health insurance program.

Perhaps the best analysis of the Carter administration we can hope for comes from the Dow Jones Industrial Average, which has plummeted more than 150 points since Carter took office. At this rate it should sink to zero some time during Carter's second term—should that unfortunate possibility come to pass.

The judgement of history

by Tom Palmer

LORD ACTON: HISTORIAN OF LIBERTY, Robert Schuettinger, Open Court (La Salle, Illinois), 239 pp., $12.50

"This I regard as history's highest function, to let no worthy action be uncommemorated, and to hold out the reprobation of posterity as a terror to evil words and deeds."

—Tacitus, *Annals of Imperial Rome*

". . . the weight of opinion is against me when I exhort you never to debase the moral currency or to lower the standard of rectitude, but to try others by the final maxim that governs your own lives, and to suffer no man and no cause to escape the undying penalty which history has the power to inflict on wrong."

—Lord Acton, *Inaugural Lecture on the Study of History*

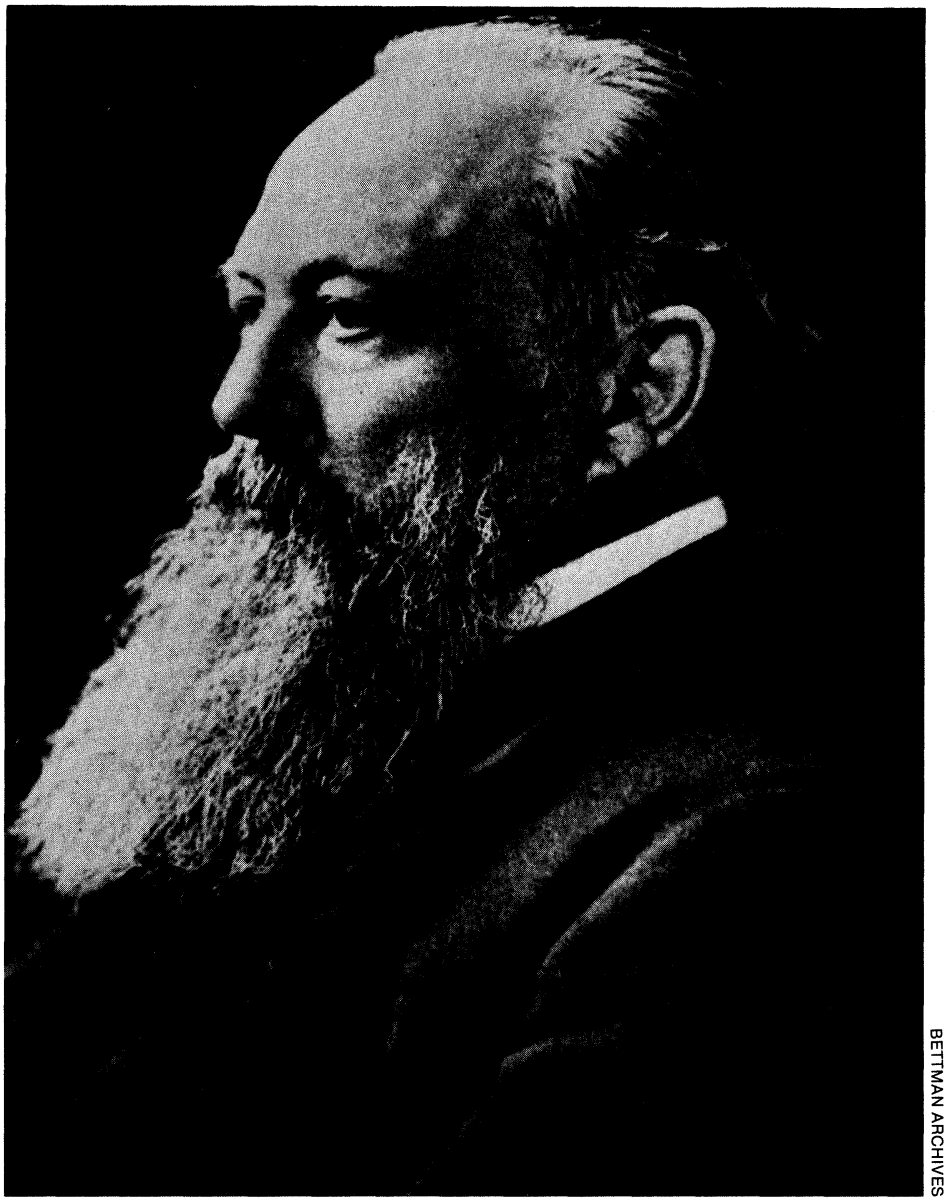
In the hagiography of libertarian giants, few approach John Emerich Edward Dalberg-Acton (1834-1902) for scholarship, erudition, and genius. Indeed, Acton's learning dwarfs that of most other scholars, regardless of ideology. During his life he read and annotated an astounding total of 20,000 books. Despite never having written a book himself, Lord Acton's collected essays, reviews, lectures, articles, and letters (many of them significant essays on political or historical matters) would fill upwards of fifty volumes. More significant in his own eyes, however, was his devotion to liberty. Liberty he ranked as the highest political end, both as an end in itself and as the means to fulfill the dictates of conscience and fulfill one's duty to God, unhindered by state violence, whether secular or religious.

Robert Schuettinger, having devoted years of research and study to his subject, has produced an informative, well-written, and stimulating biography of this brilliant fount of libertarian thought. So captivating was the subject matter and the style of exposition that I found this volume hard to put down.

Schuettinger documents this remarkable scholar's background in order to identify the influence it exerted on his morals, religion, politics, scholarship, and his way of life. Acton's aristocratic but Whig family was English as well as Continental. His grandfather was prime minister of the Two Sicilies; his uncle was a cardinal. Schuettinger stresses Acton's hybrid background thus: "An Italian birthplace, an English father, a French-German-Italian mother, a supranational religion, and scores of relatives in high places in church and state in most of the nations of Europe inevitably stamped the character of John Dalberg-Acton for the remainder of his life." Many other factors further underlined his cosmopolitan nature, including his aristocratic Bavarian wife, Countess Arco-Valley; his perfect fluency in a half-dozen or more languages (less than a tenth of his library of 80,000 to 90,000 books was in English); a step-father who was foreign minister of Great Britain; and an astoundingly impressive list of personal friends and acquaintances throughout Europe and America.

His education, too, was most remarkable. After studying at Oscott and spending two years at the University of Edinburgh, the future Regius Professor of Modern History at Cambridge was refused admission to both Cambridge and Oxford; perhaps, as Schuettinger intimates, the young man's Catholicism may have been the stumbling block here. Instead, young Acton went abroad to Munich to study under the famous Johann Döllinger, with whom he was to have a long relationship. Acton earned no official degrees (although later in life he received several honorary degrees from distinguished centers of learning), and pursued his education without benefit of official scholarly ties. His study regimen included the voracious consumption of an average of two volumes per day. In his journalistic career, he produced 20 to 30 book reviews a month for the two major liberal Catholic magazines (which he successively edited), *Rambler* and *Home and Foreign Review*, along with a number of major essays and articles.

His political career as a Liberal Party MP was brief and unspectacular and, as Schuettinger points out, did not represent the truly radical and uncompromising liberalism of his later days. Acton's liberalism, unlike that of his fellow English liberal Herbert Spencer, became more radical as he grew older. His early stress on forms and on institutional restraints on power (expressed as late as his essay on *The History of Freedom in Antiquity* in 1877) gave way to a greater concern with the moral status of power itself. As the liberal French historian Augustin Thierry put it, "It is in losing power that government improves. Each time the governed gain some ground is made. We do not accept the balance of power and privileged oppositions as means to liberty." Acton's burgeoning interest in the substance of liberty paralleled his increasingly partisan outlook on politics and his more zealous



BETTMAN ARCHIVES

Lord Acton

devotion to the Liberal Party as a means to dismantle power and privilege.

Schuettinger devotes some time to Acton's projected *History of Liberty*, "the most famous book never written," and advances several reasons why the work remained a phantom. One possibility was Acton's incredible and—from the practical perspective—self-defeating scrupulousness in research. Exhausting every source before setting his pen to paper greatly increased Acton's knowledge of his subjects, but not our own. Along these lines is Acton's appointment at Cambridge, where he lectured while editing the famous twelve-volume *Cambridge Modern History*. Although the entire corpus bears his influence as planner, he did not see the project past the first two volumes. He suffered a paralytic stroke in 1901, after the first volume had been set in type, and died a year later.

The religious facet of Acton's life is perhaps the key to understanding his thought. Liberty he esteemed as the highest, indeed the only political end, primarily because it was the precondition for an individual to fulfill his conscience, man's link with God. This concern with *individual* conscience and salvation animated Acton's worldview. Unlike many of the utilitarian exponents of liberalism, whose primary motive was industrialism and trade, Acton was motivated solely by moral considerations. Even if liberty did not entail prosperity, he stated, it was always to be preferred to power and privilege. While the moral status of freedom and its attendant prosperity may be difficult to separate (which follows which?), Acton's emphasis on freedom is important and revealing.

Unfortunately, it is in the most important area of all that Schuettinger's biography falls short of other studies on Acton, notably Gertrude Himmelfarb's masterful and penetrating *Lord Acton: A Study in Conscience and Politics*. The intellectual journey from the Burkeanism and opposition to "dogmatism" of the young Acton to the uncompromising moralism and concern with transcendant values which marked the later, more libertarian, Acton is not explored to the extent it should be in a biography of a man of ideas. The conflict is brought out but is not resolved or explained in a satisfactory manner. The theory of "development" propounded by the early Acton and by his mentor Döllinger—which rejected natural law and moral absolutes—managed to provide a justification, in a way somewhat akin to Spencer's theories of moral evolutionism, for actions which were clearly repugnant to the moral sense and intellect of the historian-observer. While this theory was skillfully used by Acton as a weapon in his many confrontations with the Papists and their ultramontane supporters in defense of liberalism, he eventually discarded this position. The older Acton was to call upon the historian (e.g., in his acclaimed *Inaugural Lecture on the Study of History*, 1895) to be a "hanging judge," to try the actions of all men in the court of conscience and reason. This doctrine called down upon him a storm of criticism. One should not, noted one critic, "try a case by a code unknown to the defendant." From Acton came the reply that in all men lies the knowledge that murder is wrong and, on this most basic charge, all leaders of states as well as most religious authorities, stood guilty and condemned. Events such as the Inquisition were not merely errors, but crimes, and their apologists were cold-blooded defenders of murder.

In contrast to Acton's early condemnation of "dogmatic" American abolitionism, and his early intimations (in *The Protestant Theory of Persecution*, 1862) that Catholic persecution was perhaps less objectionable than Protestant persecution, was his lengthy letter of 1887 to the noted historian Mandell Creighton. Acton stated,

> You would hang a man of no position, like Ravaillac; but if what one hears is true, then Elizabeth asked the gaoler to murder Mary, and William III ordered his Scots minister to murder a clan. Here are the greater names coupled with the greater crimes. You would spare these criminals, for some mysterious reason. I would hang them, higher than Haman, for reasons of

quite obvious justice; still more, still higher, for the sake of historical science.

This position, needless to say, is still an unpopular one among historians, many of whom have served at the seats of power.

While Schuettinger's book is well-written and stimulating, nevertheless it does not approach its promise. Schuettinger fails to take his subject seriously enough—yet Acton urged the historian, and so the biographer, to deal with ideas, movements, and epochs, with all their interrelationships, thereby transcending a bare recitation of chronological facts and events. While an attempt at this has been made, it is a rather feeble one in comparison with Himmelfarb's highly recommended work.

The main virtue of Schuettinger's effort, perhaps, is that it may prick the interest of its readers and thereby lead them on to more substantial works by or about Acton. On its own, however, Schuettinger's volume is more suitable for light reading.

Lord Acton left us few works representing his later uncompromisingly radical liberalism and, unless we have the patience to dig through mountains of correspondence and notes, we must get to know him largely through his biographers. However one does it, it is certainly well worth the effort to understand one of the greatest advocates of liberty, of "what ought to be, regardless of what is," of the "revolution in permanence"—Liberty vs. Power.

Random jottings by JoAnn Rothbard

AT RANDOM: THE REMINISCENSES OF BENNETT CERF, Bennett Cerf, Random House, 1977, 306 pp., $12.95.

The first word that springs to mind to describe him, after reading the reminiscences of Bennett Cerf is—lucky. He had a very lucky life, and admitted it. He often introduces events with such phrases as, "Luckily, I was there at the time," or, "By chance, I was a close friend of his uncle's, and so . . . ," or, "I happened to be in Paris when it happened." Typical is Cerf's description of his mother's family as having plenty of money but little charm, and his father's family as one with plenty of charm but little money. So by luck, he inherited the principal assets of both sides of his family.

Bennett Cerf intended to write a complete autobiography and began it before his death in 1971. During 1967 and 1968 he had participated in the Oral History Program of Columbia University by answering a variety of questions in 21 lengthy interviews. In early 1971, he penned some additional notes to bring these responses up to date. But since Cerf's projected autobiography was only fragmentary at the time of his sudden death, the Columbia interviews form the basis of this book, supplemented by the editors, his widow and Albert Erskine, with items from detailed daily diaries he kept in his student days. Yet Cerf in any form is still Cerf, and so *At Random* reads with the easy informality characteristic of a good conversationalist.

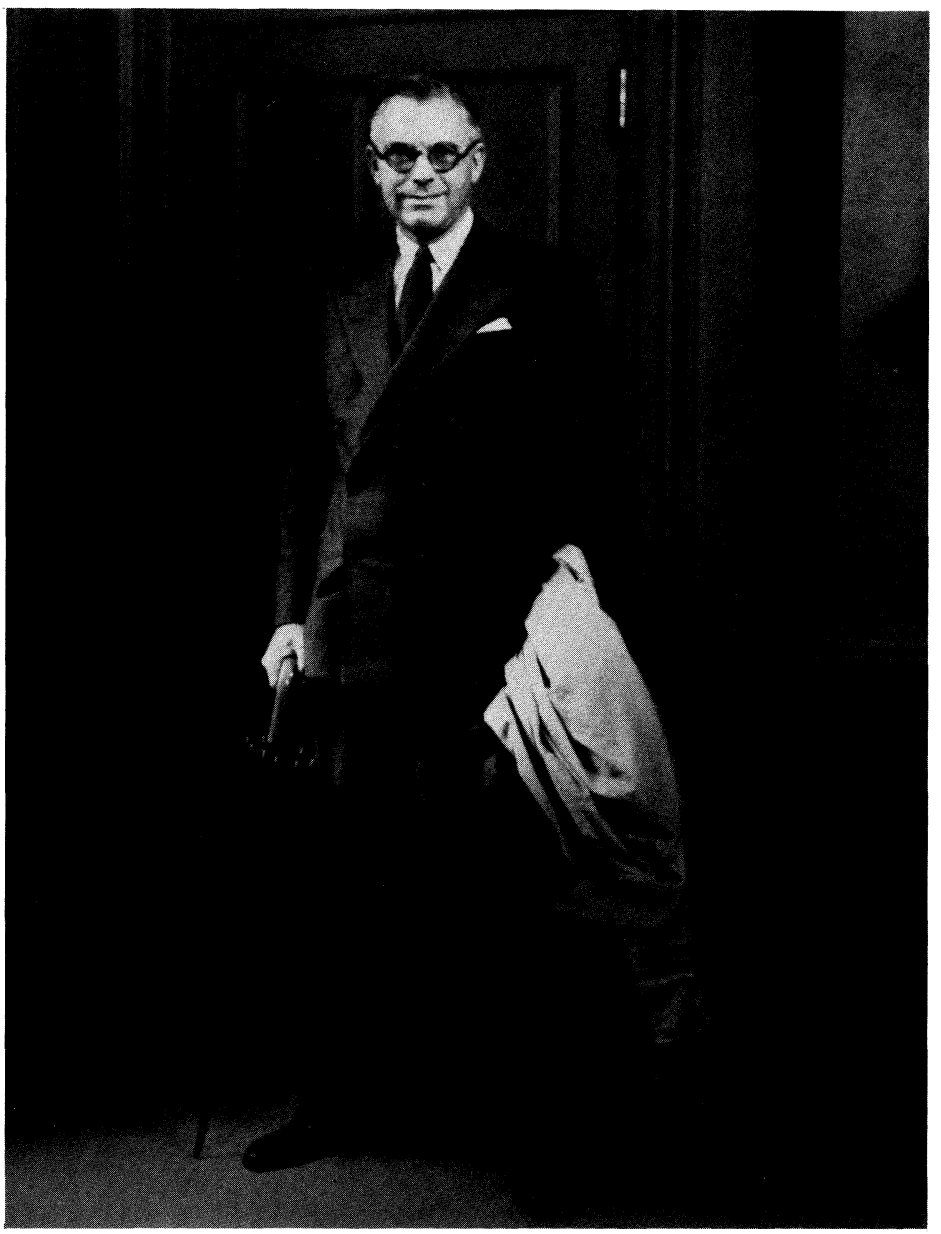
But there is more to the book than just pleasing prose. Cerf played a significant role in the history of American publishing. It is hard for today's readers, with a huge variety of paperback books from which to choose, to realize the importance of the Modern Library in the days before soft covers became dominant. Modern Library books, often reprints of the classics, but also including modern works of major significance, were small, hardbound books, with clean type and good introductions; most importantly, they were inexpensive. Every bookstore had a Modern Library shelf: the books were numbered and, with luck, shelved by number, and next to the shelf was hung an index so that the searcher could discover immediately if Modern Library printed the title he wanted, what its number was and if it was in stock.

Modern Library formed the basis of Random House. In 1925, at the age of 27, Cerf

had been employed for two years by the publisher Boni and Liveright, which owned Modern Library. He knew that he wanted to make publishing his life's work. Horace Liveright was in worse financial trouble than usual that year, and decided, against the advice of his lawyers, to sell Modern Library to Cerf and his friend Donald Klopfer for $215,000. (Cerf had inherited the money to purchase his half-share from the charmless side of his family.) Modern Library flourished, and in 1927 the partners decided that they had so much money around, they ought to publish a few books at random, outside the series. Thus, the publishing firm of Random House was born. (It should be noted that while no other capital was ever invested other than the company's own earnings, Random House was sold to RCA in 1965 for about $40 million.) If the Random House books were perfect for a boom time, Modern Library books were tailor-made for the bust, and so the firm weathered the depression better than most publishers.

From the twenties through the sixties, Bennett Cerf (seemingly) knew all authors writing in English (at least all the ones worth knowing), as well as many politicians and movie stars. He loved moving in these circles, and he liked most of the people he thus encountered—including Ayn Rand, about whom he wrote several pages, describing her as a charming woman once you get past "her cockeyed philosophy." As one would expect, *At Random* is liberally sprinkled with anecdotes about the famous people Cerf knew.

One person whom he does not identify completely brought Cerf two pieces of great luck. During the war, Random House occupied one floor of an old building at Park Avenue and 57th Street, and had not been able to renew its lease, as the building was for sale. Office space in New York was in desperately short supply, and Cerf dreaded the day he would have to find new quarters. Moreover, he was faced with a paper shortage, and Random House had decided to allocate only enough paper to print 10,000 sets of a new two-volume edition of *The Basic Writings of St. Thomas Aquinas*. However, every Jesuit institution in America was waiting for these books, and the edition sold out within three weeks of publication. Shortly thereafter, a monsignor from St. Patrick's Cathedral came to see Cerf and tell him he was the stupidest publisher in the United States for not having printed more copies of the Aquinas volumes. Cerf told him about the paper shortage, and added that he had bigger worries just then—Cerf had just heard that his office building had been sold to IBM, and he didn't know where Random House could move. This didn't faze the monsignor, who promptly had Joseph Kennedy paged from a golf course in Palm Beach. He badgered Kennedy into selling Random House the north wing of the Villard mansion at 457 Madison Avenue, for the price that Kennedy had paid. This beautiful building remained the company's headquarters for over 20 years, and was always Cerf's favorite office. By the way, the monsignor also found enough paper at the archdiocese to print 5,000 more sets of Aquinas.



Bennett Cerf

Cerf always loved publishing, and when his appearances on the television show "What's My Line" made him popular all over America (so that he became a sought-after lecturer), he loved to go into local bookstores and promote Random House books—as well as his own books, brought out by other publishers.

One of the many delights of *At Random* is having the numerous pictures of Cerf and his friends sprinkled throughout the book, facing the appropriate pages of text, instead of being gathered in clumps. There are a few errors in the book—e.g., that South Field of Columbia University is now covered with buildings, or that Ayn Rand is a simple and modest woman—but it is a charming chronicle of a happy, lucky, and, most of all, interesting life.

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Something is *happening here*
by Jeff Riggenbach

GATES OF EDEN: AMERICAN CULTURE IN THE SIXTIES, by Morris Dickstein. Basic Books, 300 pp., $11.95.

"Where modernist or experimental art seems unstructured, incoherent, anarchic, even nihilistic," Morris Dickstein writes in the closing pages of this, his second book, "it usually means that we have not yet recognized the new norm, the new principle of coherence or mode of awareness that the artist has invented. Often enough though, we *sense* that it is there, for our instinct is sounder than our aesthetic, which is still grounded in the *idées recues* of the past. The function of criticism is to interrogate that feeling, to turn it into new categories, a new aesthetic. Bad criticism spins clever theories; good criticism justifies unexpected intuitions."

So it is too with contemporary culture. Where *it* seems incoherent or nihilistic, it is usually because we have not yet recognized the new mores which a people is inventing and adopting. Cultural criticism seeks to formulate these new mores, bad cultural criticism in facile generalities, good cultural criticism by elaborating new formal intuitions.

But there is a third kind of criticism, whether of literature or of cultures: mediocre criticism. This is the criticism typically written by the savants Gore Vidal calls "the hacks of academe"; it typically offers, in place of new categories, the slack, intellectually untidy categories of conventional institutional scholarship. Thus Dickstein announces, repetitiously, that "The spirit of the fifties was neo-classical, formal; the sixties were expressive, romantic, free form." Or, "In literary terms, the sixties were a 'romantic' phase, when the intensities of individual vision melt down the traditional barriers between 'classical' genres." Thus Dickstein writes of the literature published between 1949 and 1960: "The fifties were less a distinct cultural period than the last phase, the decadent academic phase, of the modernist sensibility of the twenties," and proceeds in the following five pages to refer to "the aestheticism of the fifties," "the traditionalist fifties" and "the Victorian literary pruderies of the fifties."

It will be noticed, I hope, that in this rush of prepositional phrases, mutually exclusive categories are being forced to contain the formless abstraction "the fifties." One (one artist or one culture) cannot simultaneously be modernist, traditionalist, bluenosed and devoted to art for art's sake. But such logical inconsistency is all too common in Dickstein. Tom Wolfe, he writes, "has no sense of what makes society work, what greases the wheels, what makes it run. Only the color and splash of fashion, the social surface, engages him. It's not that he's anti-radical: politics of any sort passes him by, except as spectacle. Inevitably, Wolfe's distortion of the New Journalism is rooted in his misreading of the sixties, when politics truly came to the fore. To Wolfe the real history of the sixties had to do with changes in 'manners and morals' rather than 'the war in Vietnam or . . . space exploration or . . . political assassination.' It was, he says, 'the decade when manners and morals, styles of living, attitudes toward the world changed the country more crucially than any political events.' " Yet Dickstein himself has already stipulated that "the sixties survives in our minds most vividly as spectacle," and that "the great changes of the war's decade were ones of sensibility, awareness, and attitude, not of institutions. . . . The political changes of the sixties—as opposed to shifts of rhetoric and mood—were nothing if not gradual and melioristic."

Dickstein's ideas about the sixties amount to little more than the bromides of a college English department.

Not only do Dickstein's ideas about the sixties amount to little more than the self-contradictory bromides and slogans of a university department of English; these "ideas" are, moreover, applied by him to a list of particular writers and works which is, arguably, *not* representative of "American culture in the sixties." He spends considerable space on Herbert Marcuse, Paul Goodman and Norman O. Brown, but fails even to mention Aldous Huxley, Ayn Rand or Timothy Leary. He devotes more than a score of numbing pages to the novels and stories of Kurt Vonnegut, Thomas Pynchon, Donald Barthelme, Joseph Heller (whose *Catch-22* he calls "the best novel of the sixties") and someone named Rudolph Wurlitzer. Yet he expends not a word on Richard Brautigan, J.R.R. Tolkien or Hermann Hesse (whose revival among young readers was one of the major literary events of the decade), and dismisses Ken Kesey as "offensive and overrated as a writer and even less interesting as a sixties guru." To his credit, though, Dickstein makes no bones about his standard for including writers and works in his study: "I've slighted cultural phenomena for which I felt little affinity," he notes, adding that "The sixties coincided with my own coming of age; I cannot depersonalize them, I cannot extricate them, try as I might."

Gates of Eden, then, is to be read as a work of impressionistic criticism—a mode which has had a variety of distinguished practitioners (Walter Pater and James Gibbons Huneker spring immediately to mind) and able defenders. ("Impersonal criticism," George Jean Nathan says somewhere, "is like an impersonal fist fight or an impersonal marriage, and as successful.") But the effective impressionist of cultural criticism is a writer whose preferences, however idiosyncratic and personally important, do not obscure his conception of the cultural whole to which they contribute—a writer like Tom Wolfe.

Take the seventies, with which Dickstein ends his book—the decade in which marijuana has begun to be decriminalized, the film version of Kesey's *One Flew Over the Cuckoo's Nest* has become an enormous popular success, and the Libertarian candidate for president of the United States has won support in the Electoral College; the decade of est, of utopian science fiction and of libertarian novels like Donald Barthelme's *The Dead Father* and Joan Samson's *The Auctioneer*. Dickstein looks at all this and writes, "It can scarcely be said that the seventies have yet shown a cultural accent of their own, but there are a few straws in the wind that seem to confirm this *decline of interest in the individual self.*" (Emphasis added.)

Give me Tom Wolfe—especially his essays on the seventies in his recently published collection, *Mauve Gloves and Madmen, Clutter and Vine*. He doesn't need a weatherman to know which way the wind blows.

Jeff Riggenbach is a frequent contributor to Libertarian Review. *His essay "Libertarianism and the Media" appeared in our November 1977 issue.*

The economics of unemployed resources

by Gerald P. O'Driscoll, Jr.

THE THEORY OF IDLE RESOURCES, 2nd edition, by W.H. Hutt. Liberty Press, 269 pp., $8.95.

Before the original publication of *The Theory of Idle Resources* in 1939, no general treatise on resource unemployment existed. Although works on labor problems were beginning to proliferate, no study of unemployed resources in general had appeared. So explains W.H. Hutt his reasons for writing what is, without exaggeration, one of the most significant books published in the field of economics in the twentieth century. Indeed, no further work was done on this subject until recent years, and even these current efforts approach the problem only as it is incidentally related to other concerns. Moreover, it is rare that economists consider anything beyond simple labor unemployment. The fact that this field—other than for Hutt's contribution—lies as fallow today as it did four decades ago makes Hutt's feat all the more remarkable.

For the last 40 years, theories of aggregate demand have abounded. Hutt's book was originally written in response to John Maynard Keynes' *General Theory* (published in 1936). While theories of demand fluctuation may explain the cause of resource unemployment in a more general sense, Hutt wanted to explain why agents should ever respond to such demand fluctuations by permitting resources to lay idle, rather than pricing them at market-clearing levels. To put his case simply, arguing that unemployment is the result of a downward fluctuation in aggregate demand, or a slowing in the growth rate of the money supply, is begging the question; for this "explanation" does not tell us why resources are *not* priced to maintain their full use. It was for this reason, among others, that Hutt was critical of the Keynesian treatment of unemployment in the *General Theory*.

Hutt originally subtitled his book "A Study in Definition;" and so, to a large extent, this work is an exhaustive categorization of types of resource unemployment: valueless resources, pseudo-idleness, preferred idleness, participating idleness, enforced idleness, withheld capacity, strike idleness, and aggressive idleness. While the reader is advised to work around the bothersome terminology, *The Theory of Idle Resources* remains *the* starting place for any subsequent analysis of this subject.

The reason why resources which have no value are idle is self-evident. However, Hutt makes the important observation that "in the case of labor it is . . . difficult to conceive of examples of 'valueless resources.' " And, it might be added, this type of idleness generally would occur only with highly specialized capital goods. Yet the opposite has been taken as the popular belief because of the assumption, widespread since it was enshrined by Keynes without examination, that capital goods can be gross substitutes for each other.

Unable to deny the importance of his work, Hutt's adversaries have just ignored him.

Economists in the Austrian tradition long have emphasized that capital goods are often complementary—i.e., they are used *together* in a production process—rather than being substitutes for each other.

The third chapter, on pseudo-idleness, is among the most interesting. Here the author develops the thesis that resources held back from current use in anticipation of a more valuable alternative use in the future (especially in the case of land); or in anticipation of a future revival in demand (especially in the case of capital); or in search of more remunerative employment (especially in the case of labor) are *all* being productively employed. These resources are, in effect, being invested. Thus we must conclude that vast amounts of time are wasted trying to solve an unemployment "problem" that is no problem at all—because the apparently unemployed resources are actually productively employed (albeit not in the eyes of economic dilettantes and politicians).

This insight of Hutt (and of Hayek and J.B. Say)—that both information gathering and expectations play critical roles in resource allocation—has been exploited in recent years by a growing legion of economists. Hutt can take great satisfaction that his views here have been vindicated. It is, however, testimony both to economists' ignorance and to their bad manners that there is still a dearth of citations to *The Theory of Idle Resources* (which publication of this new edition may correct). There are notable exceptions to this general oversight, but Hutt has certainly not received the full recognition which is due him. It is especially ironic that Hutt's theory of the search for productive opportunities has been used to bolster Keynes' system, when in reality this theory is part of an outright criticism of Keynes' failure to deal adequately with the subject of unemployment.

The Theory of Idle Resources is one of any number of important works in economics that were buried by the avalanche of the Keynesian Revolution. It seems that almost anything written in that era that was not an elaboration of the *General Theory*—or did not at least accept Keynes general thesis, whatever that really was—ultimately was consigned to the dustbin of intellectual history. And so, economics has an entire generation of lost contributions, not to mention lost contributors. *Idle Resources* and its author are among the more conspicuous ones.

Hutt was a particular victim of the Keynesian Revolution because he had the effrontery not only to refuse to fall into step behind the legions of converts to the new doctrine, but also to remain openly critical in an increasingly uncritical age. Given recent developments in economics, his intransigence now appears as prescience. But while economists increasingly question the Keynesian message, and are increasingly skeptical of Keynesian policies, they are as yet unwilling to acknowledge those individuals who, from the beginning, saw where the Keynesian Revolution would lead—and resisted it. There is little doubt that if Hutt had fallen in with the humors of his time, or at a minimum had adopted the terminology of Keynesian macroeconomics, he would be heralded today as one of the true original thinkers of his generation, for the importance of his many contributions cannot be denied. Refusing to acknowledge his eminence, yet unable to deny the importance of Hutt's observations, his intellectual adversaries have adopted the only alternative course open to them: They have ignored him. But in so doing, they have left his arguments unrefuted. Being ignored is devastating, for it eliminates the chance of intellectual influence. Nonetheless, it is a classical treatment employed by "intellectuals" against those who adopt inconvenient views.

Not that there isn't a good deal to criticize in this book: in seeking to refute pure demand explanations of unemployment, Hutt relies rather too much on ex-

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planations that assume autonomous shifts in supply. Far too much of his analysis deals with "contrived scarcities" by (imagined) ever-present enterprise and labor monopolies. Instead, Hutt should have developed in greater depth his really innovative perceptions regarding the roles of information gathering and of speculative activity in explaining the existence of unused resources. This lack of development can only be regretted, for herein lies his distinctive contribution. It is true that in his appendices (which are running commentaries on the text of the first edition), Hutt is less sanguine about the pervasiveness of business monopoly. But still he adheres (though with some modifications) essentially to the erroneous, twentieth century view of monopoly as contrived scarcity brought about by control over a productive resource.

It is odd that he maintains this perspective, for in most respects Hutt can lay claim to being the last authentic "classical economist"—in the original sense of that phrase. But the classical view of monopoly, especially that developed from Adam Smith, is that it is solely the result of an exclusive grant of privilege by the state. No temporary advantage over one's competitors can be maintained and protected without such restrictive practices being sanctioned by the state through its monopoly on force. Monopoly is impossible without protective government enforcement or "policing" of the monopoly. Likewise, Hutt overlooks the fact that cartels are inherently unstable and inevitably break down if there is no governmental enforcement of the collusive agreement; otherwise, the policing costs of the agreement are prohibitive. (The writings of Rothbard and Demsetz are instructive on this point.)

Hutt is also generally weak on matters of monetary theory, his excellent essay, "The Yield from Money Held," notwithstanding. It is unfortunate that the true classical economists were unable, by and large, to integrate sound thinking on monetary matters with their general economic theory. Hutt, like his intellectual predecessors, is consistent in his application of Says' Law of Markets, and in his attention to real economic forces and magnitudes. But also like his predecessors, having eschewed a purely monetary approach to economic fluctuations, he had great difficulty integrating the effects of monetary disturbances on real variables in his real analysis. I say "had" because in his appendix to the tenth chapter, Hutt has an excellent discussion of how the Austrian theory of economic fluctuations relates to his own analysis. And he readily admits that it was only after Mises' *Human Action* was published in English that he saw the importance of the entrepreneurial and expectational elements in all decisions. For it is through their effects on expectations that monetary disturbances affect the composition of output of nonmonetary ("real") goods.

Despite these critical comments, I want to emphasize the importance of this book in understanding the course taken by economic fluctuations in a modern industrial economy. It is seminal in every sense. It remains for someone to integrate Hutt's analysis with a sound theory of economic fluctuations. This work is, therefore, obligatory reading for any serious student of cyclical fluctuations and of monetary theory. One hopes that as a result of wider attention generated by the new edition of this book, Hutt will be accorded some of the recognition he deserves.

The distribution of wealth

by Jack High

CAPITAL, INTEREST, AND RENT: ESSAYS IN THE THEORY OF DISTRIBUTION, by Frank A. Fetter, edited with an introduction by Murray N. Rothbard. Sheed, Andrews and McMeeel, Inc., 400 pp., $12.00.

The reappearance of Frank A. Fetter's writings on the theory of wealth distribution is a welcome occurrence on three important counts:

- These articles appeared in various professional journals over a 40-year period, and having them between two covers is a convenience.
- They are ably introduced and summarized by Murray N. Rothbard, who has also included a bibliography of Fetter's works.
- Economists badly need a sensible explanation of how wealth is distributed in a market economy.

The theory of wealth distribution was given center stage in economics by David Ricardo, as well it should have been. Income formation is important to people, and if economists cannot explain who gets how much wealth, and why, they will not enjoy the public's confidence—nor should they enjoy even their own.

Gaining these confidences, however, is not easy. The theoretical problems of wealth distribution are extraordinarily difficult, involving as they do the relations among capital, interest, and rent. Today these three concepts still confuse and intimidate econimists: We see economic textbooks that omit any mention of capital, interest, and rent; we read in *The Encyclopedia of Social Sciences* an authoritative article on capital that never gives a clear statement of what capital is; and we witness an absurd debate on capital and interest theory (the Cambridge-neoclassical debate) that must be written off as a wasted investment.

Ricardo himself gave a wholly inadequate account of distribution, an account that was heavily influenced by his labor theory of value. Despite modern economists' repudiation of the labor theory, the Ricardian influence on distribution theory is still visible.

Ricardo, for example, thought interest was a payment to capital; many economists today think the same, and that the interest rate is determined by the (marginal) productivity of capital. The modern view of rent also reflects Ricardian influence: Rent is thought to be the difference between what a resource owner is *actually* paid for use of his resource, and what he *would be* paid if his resource were used elsewhere.

In a brilliant series of articles written over a period of 40 years, Fetter repeatedly demonstrated the untenability and irrelevance of such notions. His arguments are still cogent.

His criticism of the differential rent doctrine is an example. If an opera singer were earning $1000 per week, but could only earn $200 per week (say as a truck driver) were he not a singer, then the differential rent doctrine says that he is earning $800 ($1000 minus $200) rent.

Fetter complained that this particular notion of rent is irrelevant to a theory of distribution. Why, Fetter asked, is the singer paid $1000 per week instead of $210 per week ($210 being an amount that would lure the singer out of the trucking business)? Because, he answered, if the singer will bring in $1000 per week revenue (and he must bring in that much if that is his wage), and an entrepreneur offers the singer only $210 per week, then a competing entrepreneur can earn a profit of $750 per week by offering the singer a salary of $250. This competitive bidding by entrepreneurs will raise the wage of the singer until profit opportunities disappear.

The relevant expense to the entrepreneur is what he must pay to bid the singer away from *all* other entrepreneurs, including those in his own line of business. To leave out this latter group of entrepreneurs omits a vital part of the pricing process.

Another concept which Fetter assaulted was the productivity theory of interest. The Cambridge-neoclassical debate makes Fetter's criticisms especially relevant today. The productivity theory, which was advocated by the neoclassical side of the debate, states that the rate of interest equals the marginal productivity of capital. Following Boehm-Bawerk, Fetter completely rejected this. Productivity, he pointed out, explains why we are willing to pay for factors; it does not explain why we are willing to pay a higher price for present goods than we are for future goods.

If an orchard purchased today will produce apples worth $100 in one year's time, and if we value next year's apples just as highly as we value this year's apples, then we will pay $100 for one year's use of the orchard. If the orchard were twice as productive, then we would pay $200 for it. In neither instance will we pay interest.

If, on the other hand, we value present apples more highly than we value future apples—if we would pay $100 for a quantity of apples delivered today but only $90 for the same quantity delivered next year—then we would pay only $90 for our orchard (because our orchard will not deliver the apples until next year). Time-preference, a higher value placed on present as opposed to future goods, is a sufficient condition for interest.

Fetter also argued that productivity is not a necessary condition for interest. If we imagine an economy where apples are not produced by orchards, but instead are handed to us once each year, a higher value placed on this year's apples will by itself generate a rate of interest.

Because they professed a productivity theory of interest, the neoclassical school was open to the charge by Cambridge economists that they could not explain where a rate of interest came from. Although the Cambridge group showed no evidence of having read Fetter, on this point they agreed with him. Where they differed was this: Fetter solved the interest problem, whereas Cambridge economists retreated to a theory even worse than the one they attacked.

Fetter's achievement was to untangle the confused notions of interest, rent, and capital, and to unify them into a consistent, practical theory. He started by adopting time-preference as the sole cause of interest. The ratio between the present and future value of goods gives us the interest rate.

Fetter then adopted *usufruct* as the basis for his rent concept. Usufruct was a right in Roman law that entitled someone to enjoy the services of a durable good as long as the good was returned to the owner in its original condition. Fetter, following commercial usage, defined rent as the hire-price of these services.

Finally, Fetter combined his interest and rent concepts to obtain the meaning of capital. All durable goods have an expected series of rents. These rents are discounted by the interest rate; capital is the sum of these discounted rents.

This brief review does not convey the range, power, and subtlety of Fetter's reasoning. He combined penetrating critical faculties with an ability to build beautifully integrated structures of thought. If, as has been claimed, neoclassical theory is a palace that has no relevance for the housing problem, Fetter's distribution theory is a model home—logical, practical, elegant.

The furious wind from Cambridge is blowing the neoclassical palace over, but sooner or later Cambridge—like the fabled wolf—will discover it has demolished a thing of straw, and that off in the distance stands a far sturdier structure, much of which was built by Frank Fetter.

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Neoconservatives

(continued from page 31)

penetrate still surrounds us. What sort of "influence" or "help" should the United States bring? Military? Moral? Financial? On some matters this vagueness has been dispelled of late: the neoconservatives see the post-Vietnam mood as one of unimpeded, insidious and creeping isolationism—and they don't like it. When the oil embargo hit, *Commentary* was in the advance guard of the interventionistic response. In 1975, a frequent contributor, Robert W. Tucker, published a series of pieces in *Commentary* calling for an American invasion of the Persian Gulf for the purpose of reasserting control over the oil reserves. Moreover, the failure to aid the "anticommunist" forces in Angola, the failure of the United States to make a vital commitment to the anticommunist forces in Portugal when it seemed Portugal would be taken over by the communists, the problematic path of detente, Eurocommunism, and the allegedly-lessened U.S. commitment to Israel—all of these

Most neoconservatives favor a large expansion of the defense budget to gain unequivocal superiority over the Soviet Union.

are signs to the neoconservatives that communism is gaining ascendancy, support of democracy is slipping, and we are ignorant (or pretending to be) about all these portentous events. In face of this pretended or real ignorance, the neoconservatives have responded with vigor and asperity. Lately, more and more neoconservative writing has been directed towards foreign policy, with themes ranging from our alleged "failure of nerve," to "making the world safe for communism," to "the culture of appeasement," and even to alleged "anti-Americanism." In face of these phenomena, most of the neoconservatives have come out in favor of a large expansion of the defense budget, with a specific commitment to beefing up our nuclear forces so as to gain unequivocal superiority over the Soviet Union.

All except Kristol are members of the Committee on the Present Danger, a group mostly of old war hawks who claim that the United States is falling badly "behind" the U.S.S.R.; that the Soviet Union is expansionist, aggressive, and still aims at world domination; and that the U.S.S.R. is aiming at—and getting close to—clear nuclear superiority, and even may not be horrified at the idea of starting a nuclear war. In addition, Moynihan has become the star spokesman for the "Jackson wing" of the Democratic party.

I suspect the neoconservative concern with foreign policy (with a stress of increasing the defense budget and aiming for nuclear superiority) will become the major neoconservative theme in the immediate future. How far they would push their Wilsonianism remains to be seen; but the fact that in a recent article in *Harper's,* "The Culture of Appeasement," Podhoretz could compare the United States in 1977 with the English appeasers of 1937 is perhaps a sign that the neoconservatives may come to see that it is necessary to engage in a major new interventionist effort to halt "communist influence."

But as is usually the case with the neoconservatives, this concern with foreign policy is not just political; it involves questions of basic values. Kristol, for instance, back in 1967 told intellectuals to put up or shut up: Accept the fact the United States must be an imperial power, and either help the government by giving it moral guidance or get out of the picture and stop taking an adversary role towards its policies by carping along the sidelines. Podhoretz, in the aforementioned *Harper's* article, suggests that modern intellectuals are creating a culture which ridicules the idea that communism could be a threat, attacks America *ad nauseam,* and creates a fear of war per se. All this combines to make the people unwilling to stand up to the Soviet Union. Kristol's and Podhoretz's pieces suggest that neoconservatives see the Soviet Union's recent success as indicative of the success of the antibourgeois adversary culture. The people still are willing to stand up to the U.S.S.R., but the adversary culture's effect on the government has substantially weakened our country. This is speculative, but I see the theme of the adversary culture and the hostility towards bourgeois values linked with the supposed decline of America's military and nuclear might as a future neoconservative attempt to explain the world in which we find ourselves in.

No wonder the neoconservatives have been linked with the mold of the 1970s. Are we not seeing today a concern with the alleged weakening of traditional American values (e.g., the clamor over "homosexual rights" and the E.R.A.), a commitment to a fiscally sound welfare state (Carter's stated economics) and a new hawkishness (e.g., the fight over confirming dovish Paul Warnke to head the SALT talks, the fuss over the Panama Canal, the fading opposition to increasing the defense budget)? Are not Americans fed up with big government just enough not to propose dismantling it but only tinkering with it by trying to make it more efficient? We are, in effect, in a new period of "the end of ideology." Liberalism is bankrupt, *National Review* conservatism is not taken seriously. The U.S. political scene has blended into a pragmatic consensus over the prudent application of domestic and foreign interventionism (although behind this "consensus" hides a lot of anger, frustration, and hostility). But we are ideoligists and radicals, not pragmatists, liberals or conservatives, and thus cannot be wildly happy about this turn of events. The key question is, Is such an atmosphere conducive to the growth of liberty or not? Is a neoconservative mood to be hailed or fought? To these question we turn next.

(Next month Libertarian Review *will publish the second half of Daniel Shapiro's analysis of the neoconservatives.)*

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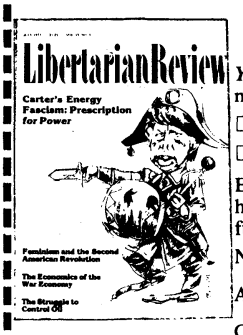

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