



A
BEAUTIFUL
ANARCHY

JEFFREY TUCKER

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Jeffrey Tucker



Liberty.me



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Introduction

From the beginning of time until 1837, the only means to communicate with each other over geographic space too large for yelling was to deliver a message by horse, boat, walking, carrier pigeon, lanterns, bonfires, or smoke signals. Then came the telegraph, the first big break in putting an end to the power of the gatekeeper. We could now communicate directly, peer to peer. And thus began modernity.

The critical fact about communication is its creative power. It is a form of exchange but the goods exchanged are not property but ideas, and this exchange results in new ideas, new intellectual wealth, the precondition for changing the world. Unscripted, uncontrolled, uncensored communication illustrates the productive power of anarchy. The more this communication anarchy advanced, the more it served to build civilization.

The telephone was a Gilded Age invention but the first coast-to-coast telephone call did not happen until 1915. (As for invention, let's please give credit to Elisha Gray, Antonio Meucci, and Thomas Edison, in addition to Alexander Bell.)

By the 1930s, it was possible for almost anyone to make a phone call, provided you could get to the general store. Then came the neighborhood party lines. Even in the 1950s, you had to wait for the person down the street to get off the phone before you could call.

Switchboard operators dominated communication in the 1960s. By the 1970s, every household had its own phone, but it would have to wait another few decades before the end state of this trajectory would be reached: a phone in every pocket with enough power and technology to do instant face time with anyone else on the planet.

It all happened in less than one hundred years.

But notice the trajectory. Year by year, development by development, the market process working with no central plan eventually granted the amazing thing to everyone. Once for groups and communities, the systematic market preference eventually devolves the technological power down to the individual. And once primitive and rudimentary, the market process sharpens and improves all things through time.

And we aren't just talking about a phone here. The smartphone is everything: radar detector, musical instrument, blood-pressure checker, game board, weather forecaster, stock checker, book reader, and a million other things, all in a device we can put in our pockets.

The gatekeepers that ruled our ability to communicate, learn, share, and build have been smashed. The barriers that kept that most precious commodity from us — information — have been toppled. And what has replaced them is a beautiful anarchy in which individuals can build their own worlds even in an age of despotism.

I think back to my own childhood. There were three channels. The same news was delivered in three different voices for thirty minutes per night plus a few weekend shows. We were captive of what they wanted us to know, and so it had been since the 1930s when Americans hunkered down over their radios to hear their great leader speak to them about all the great things government was doing for the collective.

News today is what we make of it. There is no living thing called a nation so there is no national news except for perhaps the entertaining horse race called the presidential election. Otherwise, our news is fed to us according to our unique interests. We once had to be fed like prisoners; now we make or order our own meals. One web interface called Google News ended the monopoly and permitted us to customize our perceptions of the world according to our individual volition. For young people, their news consists of their friends' Facebook updates and tweets.

People regret this. I do not. It strikes me as more normal, real, natural, and reflective of human longings and desires than any system of knowledge distribution that preceded it. We can now obtain a life experience that is of our own creation rather than depending on powerful people and institutions to tell us what to think.

What's more, anyone can make a website, blog, movie, podcast, book, and any of these can reach the globe in an instant. It seems strange and dazzling that I can even type those words. It won't be too long as this book goes to print before 3-D printers will be within the budget of most people, thus permitting physical objects to migrate from the world of scarcity to the digital space of infinite availability.

This is a triumph for human liberty, and with liberty comes flourishing and the cultivation of civilized life. Philosophers of all ages have dreamed of a world without power, despots, and bullies, a world built by people and for people. The market in the digital age is delivering that to us.

And it's not only about us. It's about everyone. Wherever the state is not standing in the way, prosperity is flooding in. We are in the midst of the longest and most dramatic period of poverty reduction the world has ever known. In the last ten years, some seventy million people have been lifted from destitution. Fewer than half the people who so qualified twenty-five years ago still qualify today.

The reason is technology, communication, entrepreneurship, and that wonderful trajectory away from gatekeepers toward personal empowerment the world over. This is the gift of the digital age, the most spectacular and revolutionary period of change the world has ever known.

Who recognizes this? Not many people. President Obama certainly doesn't. As he made clear in his now-famous speech in Virginia, "If you've got a business, you didn't build that." However you interpret the context, he believes that the only real way we can "work together" is through government. Most politicians think this way. But actually the market has us all working together every day, and not with a gun pointed to our head. We work together through mutual betterment and of our own free will. These exchange relationships are the greatest source of social progress known to man. The digital age has unleashed them as never before, and done so just in time to save the world from the depredations of power.

The aim of this book is: 1) to draw attention to the reality that surrounds us but we hardly ever bother to notice, much less celebrate; 2) to urge a willingness to embrace this new world as a means of improving our lives regardless of what the anachronistic institutions of power wish us to do; 3) to elucidate the causes and effects that have created this new world; and 4) urge more of the good institutions that have created this beautiful anarchy.

The book is a hymn to an old idea: *laissez-faire*. It means leave it alone. The world manages itself. That's another way of saying that all of us as individuals, working together with others, can build our own civilization, provided that we understand the forces that have created the tools we've been given and that we are willing to pick up those tools and get to work.

Special thanks are due to the staff of Agora Financial who have urged me to write and given me the freedom to write whatever the heck I want to write, regardless of the consequences. I'm aware of how fortunate I truly am. The clarity of the book title owes much to Demetri Kofinas, and the content is heavily informed by the commentary from Douglas French and Addison Wiggin.

Also, my intellectual debts are too numerous to name but I will mention my formative gurus: Thomas Paine, Albert Jay Nock, H.L. Mencken, Garett Garret, Frank Chodorov, Murray Rothbard, F.A. Hayek, Ludwig von Mises, and the whole of the liberal tradition. These people are all smiling down on our work today.

I.

Social Media as Liberation

Are We Oppressed by Technology?

Do we really need an iPad 3 after it seems as if iPad 2 was released only a few months ago? Was it absolutely necessary that Google give us Google+? Do phones really have to be “smart” when the old cell phones were just fine? For that matter, is it really necessary that everyone on the planet be instantly reachable by wireless videophone?

The answer to each question is no. No innovation is absolutely necessary. In fact, the phone, flight, the internal combustion engine, electricity, and the railroad — none of this is absolutely necessary. We could freely choose to live in a state of nature in which most children die in childbirth, those who do not live only a few decades, and “medicine” amounts to sawing off limbs if you are lucky enough to have a tool that can accomplish the deed.

It's true that those people who bemoan the pace of technological development are not really longing for the state of nature. They are just sick of being hounded, badgered, hectored and pushed — as they see it — constantly to learn new things, acquire new gizmos, keep up to date, and buy the latest thing.

A survey from Underwriters Laboratories last year revealed that half of consumers “feel high-tech manufacturers bring new products to market faster than people need them.” There are many concerns such as privacy, safety, finances and the like, but mostly, I suspect that what's behind the report is a more inchoate kind of unease.

Learning new things can be uncomfortable. People sense that they were getting along just fine with the technology of the last few years, so why should they upgrade? They sense that always going for the new thing implicitly casts aspersions on our current or past lifestyles.

I get this all the time when I talk to people about new stuff. Their first response is often: “No, thanks. I've had it with all this technowizardry and digital-age mania. Whatever happened to a world in which people had authentic human contact, admired the beauty of God's creations and developed genuine relationships, instead of virtual ones?”

We've all heard some version of this. So let's be clear: There is nothing morally wrong with not adopting the latest thing. No one forces anyone to buy a smartphone, a fast computer, a fancier e-reader or whatever. There is no gun at anyone's head. Technological upgrades are an extension of human volition — we can embrace them or not.

And temperaments are different. Some people love the latest thing, while others resist it. There are early adopters, there are late adopters and there are refuseniks.

I talked to a person the other day whose aging sister absolutely refuses to get a computer, an email address or a cellphone. Yes, such people do exist. When siblings want to contact her, they call or write a letter with a stamp. There is no sharing of photos, no video Skype, no keeping up with daily events. Everyone in the family is very close in the way that only digital technology allows, but this one person is the outlier, cut off from what everyone else experiences on a daily basis.

I asked if she feels cut off. The answer: Yes, and she is very unhappy about it. She complains that people don't travel long distances to see her enough. They don't call enough. She is losing track of what is happening with the grandkids. She has a constant sense that she is just out of it, and this depresses her.

Exactly. She is not actually happy with her choice. It's just that making this choice seems easier than learning new things and buying new stuff. So she rationalizes her decisions as a principled stand against the digitization of the world.

My experience is that these people have no idea the extent to which they inconvenience others. In fact, I would say that it comes close to being rude. It is not immoral, but it sure is annoying. Instead of dropping an email or posting on a Facebook wall or clicking a button on Skype, family members have to write out up their communications and stick them in an envelope and find a stamp and walk to a mailbox and wait a week or two or three to get an answer back.

It's all kind of crazy. People do it for a while, but then eventually find themselves annoyed and give up. Then the person on the other end gets angry and upset and feels ignored or cut off. This is their choice, too! It is a direct consequence of refusing to join the modern world.

Then there are the late adopters who pride themselves in not glomming on to the new gadget. They imagine themselves to be above the fray, more wise and prudent than their fellows. There is a reason they are called “late.” They eventually come around. Those who resist new technology are cutting themselves off from the stream of life itself.

True confession: I was once among the late adopters. I freely put down the techno enthusiasts. I wrote a highly negative review of Virginia Postrel's provocative book *The Future and Its Enemies*, which turns out to have seen what I did not see. After the digital revolution advanced more and more, I began to notice something. By being a late adopter, I gained no advantage whatsoever. All it meant was that I paid a high price in the form of foregone opportunities. If something is highly useful tomorrow, chances are that it is highly useful today, too. It took me a long time to learn this lesson.

Finally, I did, and my fears, excuses, rationalizations and strange antitech snobbery melted away.

To really engage life to its fullest today means being willing to embrace the new without fear. It means realizing that we have more mental and emotional resources to take on new challenges. If we can marshal those and face these challenges with courage and conviction, we nearly always find that our lives become more fulfilling and happy.

The biggest canard out there is that the digital age has reduced human contact. It has vastly expanded it. We can keep up with anyone anywhere. We make new friends in a fraction of the time. That sense of isolation that so many feel is evaporating by the day. Just think of it: We can move to a new region or country and find ourselves surrounded by communities of interest in a tiny fraction of the time it used to take us.

As a result, digital media have made the world more social, more engaging, more connected with anything and everything than ever before. This isn't a scary science fiction world in which the machines are running us; instead, the machines are serving us and permitting us to live better lives that were never before possible. Through technology, millions and billions have been liberated from a static state of existence and been granted a bright outlook and hope.

In the nineteenth century, people loved technology. The World's Fair was the glitziest and most wonderful thing that happened in the course of the decade. Everyone wanted to celebrate the entrepreneurs who made it happen. Everyone understood that technology that succeeds does so because we as people have chosen it and that we chose it for a reason: It fits in with our search for a better life.

Perhaps that sense of optimism changed with the government's push for the nuclear bomb. In World War II, we saw technology used for mass murder and ghastly accomplishment of human evil as never before seen in history. Then we went through almost fifty years in which the world was frozen in fear of the uses of technology. It wasn't called the Cold War for nothing. When it finally ended, the world opened up and we could turn our energies again toward technology that serves, rather than kills, people.

The real “peace dividend” you hold in your hand. It’s your smartphone. It’s your e-reader. It’s the movies you stream, the music you have discovered, the books you can read, the new friends you have, the amazing explosion of global prosperity that has visited us over the last ten years. This is technology in the service of the welfare of humanity.

In conclusion, no, we are not oppressed by technology. We can embrace it or not. When we do, we find that it brightens both the big picture and our own individual lives. It is not to bemoan, ever. The state of nature is nothing we should ever be tempted to long for. We are all very fortunate to be alive in our times. My suggestion: Try becoming an early adopter and see how your life improves.

Power vs. People in the Digital Age

The government seems determined to turn out the lights on the digital age. And this is with or without SOPA or the other bills that were only this week shouted down by the global digital community on Blackout Wednesday. The very next day, after support for that legislation collapsed after an impressive mass protest, the FBI and the Justice Department demonstrated that they don’t have to pay any attention to all this silly clamor. Congress, legislation, polling, debates, politicians, the will of the people — it’s all a sideshow to these people.

The FBI and Justice Department, on their own initiative, shut down Megaupload, the biggest of thousands of file-sharing sites online, and arrested four of its top officials. The FBI is hunting down three others who seem to be on the lam. They all face extradition and twenty years in prison. As part of the sweep, the feds issued twenty search warrants and arrived at individual houses in helicopters. They cut their way into houses, threatened with guns, confiscated \$50 million in assets and outright stole eighteen domain names and many servers.

And what is the grave crime? The site is accused of abetting copyright infringement, that is, permitting the creating of copies of ideas expressed in media. No violence, no fraud, no force, no victims (but plenty of corporate moguls who claim, without proof, that their profits are lower as a result of file sharing).

Megaupload had millions of happy users. It was the seventy-first-most-popular website in the world. Only 2% of its traffic came from search engines, which means that its customer base was loyal and collected through the hard work and entrepreneurship of site owners. For its users, it was a wholly legitimate service. For the owners, their profits were hard earned through advertising.

But the government saw it differently. And contrary to what many people believe, the already-existing law permits the government to do pretty much whatever it wants, as this case shows. The government relied on a 2008 law to make criminal, instead of civil, charges. A newly created IP task force is the one that worked with the foreign governments to seal the deal.

In the end, it was a presentation of exactly the nightmare scenario that anti-SOPA protesters said would happen if SOPA had passed. It turns out, as the deeper realms of the state already knew, that all of this was possible with no congressional action at all. Congress doesn’t need to do anything. We can watch the debates, go to the polls, elect people to represent us, and perform all the rest of the rituals of the civic religion, but none of it matters. Power is here, active, oppressive, in charge and permanent, regardless of what you might believe.

Might it be that some of the users’ shared content on Megaupload was copyright protected? Absolutely. It is nearly impossible not to violate the law, as shown by SOPA sponsor Lamar Smith’s own campaign website, which used an unattributed background image in technical violation of the law. The leading opponent of piracy might himself be a pirate!

But the trendline with Megaupload was clearly toward using the space to launch new artists with new content — not piracy, but creativity. As Wired.co.uk wrote, this crackdown:

“came shortly after Megaupload announced music producer Swizz Beatz — married to Alicia Keys — as their CEO. They had rallied a whole host of musicians, including Will. i.am, P. Diddy, Kanye West and Jamie Foxx to endorse the cloud locker service. Megaupload was building a legitimate system for artists to make money and fans to get content.”

What’s this all about? It is some powerful corporate lobbyists trying to prevent the emergence of an alternative system of art and music delivery, one powered by people, rather than merely the well-connected.

The Internet’s great glory is its seemingly magical capacity for distributing information of all sorts universally unto infinity. The idea of the state’s regulations on information — instituted by legislators in the nineteenth century — is that this trait is deeply dangerous and must be stopped. So it is inevitable that the powers that be will try to shut it down; copyright enforcement is only the most convenient Taser of choice.

This is the battle for whether the digital age is permitted to exist in an atmosphere of free speech, free association, free enterprise and real property rights or whether it will be controlled by government in conjunction with aging media moguls from monopolistic corporate oligarchies. The lines are clearly drawn, and the battle is taking place in real-time.

Example: Within minutes after the officials of Megaupload were arrested, a global hacker group called Anonymous shut down the Justice Department’s website and the sites of the Motion Picture Association of America, the Recording Industry Association of America, Universal music and BMI — the major lobbying forces in Washington for restriction and reaction against the Internet.

In another stage of the great battle over information freedom, the Supreme Court, on the very day of the SOPA protests, handed down a decision that could have a devastating effect in the months and years ahead. It permitted the re-copyrighting of works that are already in the public domain so that the domestic law accords with the international law. If that sounds like no big deal, consider that many local orchestras have already changed their season lineups to remove some major works from their repertoire because they can no longer handle the licensing fees.

It’s hard to know what to call this but cultural masochism.

Regardless of how the legal struggles turn out, a culture of rational and irrational fear has gripped the Web. I’ve noticed this growing over the last months, but just this week, it has become worse, to the point of paranoia, and even mania. The successful protests against SOPA ended up only causing the censors to redouble their efforts, and the message is getting out: Almost everything you want to do online could be illegal.

A small sample of what I mean... Just this morning, I received the following email: “BBC Four recently broadcast a stunningly beautiful documentary called God’s Composer (Tomás Luis de Victoria), hosted by Simon Russell Beale. A friend in Rome sent me a link to it, but I’m not sure I’m free to share it. Have you seen this documentary? It is stunning both visually and musically.”

Not free to share a link? What? To be sure, I don’t know whether he intended to send me to the BBC or some other site that is hosting an additional copy of it. Regardless, this is what it has come down to: a belief that every email is traced, every site is monitored, every act of individual volition on the Web could be a crime, every website is vulnerable to an overnight takedown, every domain owner could be subject to arrest and jail.

The battle between power and freedom dates to the beginning of recorded history, and we are seeing it play out right before our eyes in the digital age. It’s as if at the beginning of the Bronze Age, the leading tribal chieftain made smelting ore illegal; or if at the transition from iron to steel, the ruling elite put a cap on the temperature of refining ovens; or if at the beginning of flight, some despot declared the whole enterprise to be too risky and economically damaging to the industry that depended on land travel.

In the current version, the issue of “intellectual property” is at the forefront of this battle. The first most people heard of this was on Blackout Wednesday, when Wikipedia went black. This is a foretaste of the future in a world in which power achieves victory after victory, while the rest of the world cowers with fear in darkening times.

Why Facebook Works and Democracy Does Not

This year, Facebook will reach 1 billion users — or one-seventh of the human population. It has elicited more participation than any single government in the world other than India and China, and it will probably surpass them in a year or two. And whereas many people are fleeing their governments as they are able, more and more people are joining Facebook voluntarily.

What is the logic, the driving force, the agent of change?

Yes, the software works fine, and yes, the managers and owners have entrepreneurial minds. But the real secret to Facebook is its internal human gears — the individual users, which turn out to mirror the way society itself forms and develops.

The best way to see and understand this is to compare the workings of Facebook with the workings of the democratic political process. Watching Facebook's development has been fun, productive, fascinating, useful and progressive. The election season, in contrast, has been divisive, burdensome, wasteful, acrimonious and wholly confusing.

That's because Facebook and democracy work on entirely different principles.

Facebook is based on the principle of free association. You join or decline to join. You can have one friend or thousands. It is up to you. You share the information you want to share and keep other things from public view. You use the platform only to your advantage while declining to use it for some other purpose.

The contribution you make on Facebook extends from the things you know best: yourself, your interests, your activities, your ideas. The principle of individualism — you are the best manager of your life — is the gear that moves the machine. Just as no two people are alike, no two people have the same experience with the platform. All things are customized according to your interests and desires.

But of course, you are interested in others too, so you ask for a connection. If they agree, you link up and form something mutually satisfying. You choose to include and exclude, gradually forming your own unique community based on any selection criteria you want. The networks grow and grow from these principles of individualism and choice. It is a constantly evolving, cooperative process — exactly the one that Hans-Hermann Hoppe describes as the basis of society itself.

Democratic elections seem to be about choice in some way, but it is a choice over who will rule the whole mob. It provides the same user experience for everyone, regardless of individual desire. You are forced into the system by virtue of having been born into it. Sure, you can choose to vote, but you can't choose whether to be ruled by the voting results.

In this democratic system, you are automatically given 220 million "friends" whether you like it or not. These fake "friends" are given to you because of a geographic boundary drawn by government leaders long ago. These "friends" are posting on your wall constantly. Your news feed is relentless series of demands. You cannot delete their posts or mark them as spam. Revenue is not extracted from advertising but collected as you use the system.

Nothing is truly voluntary in an election. You are bound by the results regardless. This creates absurdities. This is incredibly apparent in the Republican nominating process. If people under thirty prevailed, Ron Paul would win. If religious families with several kids prevailed, Rick Santorum would win. If the Chamber of Commerce members prevailed, Mitt Romney would be victor. It all comes down to demographics but there can be only one winner under this system.

Therefore, an election must be a struggle between people, a fight, a wrangling around, a push to assert your will and overcome the interests and desires of others. In the end, we are assured that no matter the outcome, we should be happy because we all participated. The individual must give way to the collective.

We are told that this means that the system worked. But in what sense does it work? It only means that the well-organized minority prevailed over the diffused majority. This is about as peaceful as the kid's game "king of the mountain."

Facebook has nothing to do with this nonsense. Your communities are your own creation, an extension of your will and its harmony with the will of others. The communities grow based on the principle of mutual advantage. If you make a mistake, you can undisplay your friend's posts or you can unfriend him. This hurts feelings, sure, but it is not violent: It doesn't loot or kill.

Your friends in Facebook can be from anywhere. They "check in" and plot their journeys. Whether your friend lives in or moves to Beijing or Buenos Aires doesn't matter. Facebook makes possible what we might call geographically noncontiguous human associations. Language differences can be barriers to communication, but even they can be overcome.

Democracy is hyperbound by geography. You vote in an assigned spot. Your vote is assembled together with those of others in your county to produce a single result, and therefore, your actual wishes are instantly merged. They are merged again at another geographic level, and then at the state level and, finally, at the national level. By that time, your own preferences are vaporized.

Sometimes people get sick of Facebook. They suddenly find it tedious, childish, time wasting, even invasive. Fine. You can bail out. Go to your system preferences and turn off all notifications and take a sabbatical. People might complain, but it is your choice to be there or not. You can even delete your account entirely with no real downside. Then you can sign up again later if you so desire or join some other system of social networking.

Try doing that to democracy. You can't unsubscribe. You are automatically in for life, and not even changing your location or moving out of the country changes that. It is even extremely hard to delete your account by renouncing your citizenship. The leaders of the democracy will still hound you.

We can learn from Facebook and all other social networks that the Internet has brought us. These are more than websites; they are models of social organization that transcend old forms. Make the rest of life more like a social network and we will begin to see real progress in the course of civilization. Persist in the old model of forced democratic community and we will continue to see decline.

LinkedIn: A Tool of Human Liberation

Of all social media on the Internet, LinkedIn is the least splashy. A movie will never be made about this tool. It has introduced no new words into our vernacular. The teen crowd doesn't download the app. But if you measure these technologies and Web tools by the positive ways they have changed lives, LinkedIn deserves to be listed way up top. It is sheer genius.

I've suspected this for a while but had it confirmed for me over the holidays. These are excellent times for the kind of detailed conversation that allows us to track the course of social evolution by seeing the things that are part of people's lives. I love finding out from people what kinds of technologies they are using these days and what they do with them.

It turns out that LinkedIn was a major subject of conversation. People talked about updating their profile, people they've met through the network, how they have found new positions by using it, how they are fielding applications coming their way, and more.

Of course people talk about it nonchalantly, as if it is just part of life. Not so. It is a singular thing in the history of the world, a tool for jazzing up the the labor marketplace in a way never seen before.

LinkedIn is many things and offers many services: a global "water cooler," a universal job bank, a method of learning from experts, and more. It has more than 130 million users in 200 countries, with two new users per second. It is the twelfth-most-popular site in the entire world. The company went public in May 2011 (LNKD), and remains profitable today.

But I suspect that its main benefit has not really been openly noted.

LinkedIn has solved a problem that has vexed people since the beginning of time: the problem of being trapped in a job that undervalues your services. Maybe that doesn't seem like a big deal, but in terms of the actual quality of life for hundreds of millions of people, this is a daily soul-killing disaster. LinkedIn is the liberation.

Had LinkedIn been around in the nineteenth century, people would have laughed derisively at Karl Marx with his prattle about the need for frenzied revolution. The workers of the world didn't need to expropriate the expropriators or establish the dictatorship of the proletariat. All they really needed was a well-constructed web-based networking tool.

You might say: "This is ridiculous, since there is no slavery. Everyone chooses to work in a particular job. There is no gun at anyone's head. It's all based on mutual agreement."

All that's true enough, but the problem is subtler than that. Most employers can't help but regard any employee on an active job search to be something of a traitor. That's an unfair attitude, and bosses know this, but it is just the way things are. Hiring these days is a big headache, and it extracts large upfront and ongoing costs. To recoup them, employers have developed unreasonable expectations of their employees.

And here is the problem: Labor mobility is very difficult to put into practice in real life. How do you get your application out there

without letting your current employer know that you are looking around? How can you use the capital and skills you have accumulated in your current position to upgrade to a new position with a different firm, without using your boss as your reference? How can you shop for new jobs and go for interviews without letting anyone in your social network know, for fear that your aims might get back to the boss?

It is even a problem dressing up for interviews. You come back to the office and people wonder where you have been; so you have to lie and say you went to a funeral. Or you take a sick day and have to make up some tale about a twenty-four-hour bug. This is all rather ridiculous!

And if you can't actively search for a new position, how can you actually achieve professional advancement?

These are truly awful problems that end up locking people in positions they don't like but offer no way out. It restricts labor mobility. People get trapped. Fearing the reaction within the firm of looking outside the firm, people begin over time to block out the outside world. They secretly wonder if they are actually overpaid and worry about testing their wares on the job marketplace.

As a result, they are tempted to turn their attention to other things, figuring that jobs shouldn't be happy or fulfilling; they are just supposed to pay the bills. The result is internal stagnation, and if many people feel this way, this sorry attitude begins to spread throughout the firm. You can end up with a whole building filled with quietly disgruntled and fearful employees, sort of like the pathetic scenes we see in *The Office*.

In the early days of the Web, there were, of course, large job marketplaces out there, and there still are. But they were limited because they were for those who had self-consciously decided to look for a job or look for an employer. There is no real reason to be on them otherwise. As we know, that's not how real networking and good hiring takes place. Great jobs are often the result of a long process of experience and knowledge.

Thus the genius of LinkedIn: it permits you to stay constantly on the job market — cultivating a network — without seeming to be disloyal to your colleagues and managers and bosses. It is a completely unobjectionable thing to put your name up here. And because LinkedIn allows you to create networks based on your current employer, it is even seen as a benefit by your firm. It suggests that you care about your job and are happy to have it be part of your public identity.

If John Doe works at FastCompany, that appears by his name and serves as a kind of advertisement for the company itself. Other employees at FastCompany link up this way, too, so the whole office can use this as a platform for communication, and even discussion. Yet your profile can be public, and you can send the link out to prospective employers. They can see what you are doing and why you are valuable — and you can do this without ever alerting your present employer that you are somehow looking around.

And then, if you change jobs, it is merely a matter of a few clicks. Your institutional affiliation changes, but the network capital you have built up is wholly retained by you. Your value is yours and it is portable. This encourages every worker to have a better understanding of himself or herself as a self-managing individual firm. You are not part of a collective. You are an individual enterprise unit, offering services in exchange for money — exactly how market theory posits it should be.

It's a simple solution to a mighty problem — simple in the sense that truly brilliant solutions are obvious once they are stated.

The company opened its doors in 2003 — not even a decade ago! It was founded by Reid Hoffman, along with executives from PayPal and socialnet.com. Hoffman is an interesting guy in his own right. His background is in philosophy, and he was ascending the academic career ladder through his training at Stanford and Oxford. One day, Hoffman realized that he didn't want to spend his life writing books that “fifty or sixty people read.” He wanted to have more impact on the world. In a digital age, this meant developing new and better tools to improve people's lives.

He got to work on solving this universal human problem. And it worked.

And contrary to the popular perception that social media is goofy and that the main purpose of technology is to push more gizmos, LinkedIn really has improved people's lives and transformed the nature of the job and employee hunt. It has worked to dramatically reduce the information asymmetries that exist between buyers and sellers in the labor marketplace.

Now, let's turn to a political point. Think of all the politicians who, for many decades, have claimed to have some great program for improving the lives of workers, making labor more mobile, helping to link up employees with employers. All of this is standard fare on the campaign trail. How many hundreds of billions have they spent? And ask yourself: How many of the zillion programs these people have created have you used? None? Thought so.

What's more, these programs actually have the opposite effects of their advertised benefits. Government intervention in labor markets has entrenched unemployment by raising the costs of hiring, raising the floor for job entry, forcing businesses to provide benefits that make jobs sticky in ways they shouldn't be.

With LinkedIn, we have entrepreneurs and private capital coming together to provide an amazing service that directly improves lives, one by one, every day and more each day. A takeaway political lesson: If you really want to do something dazzling, stay out of politics and find a way to do something wonderful in the commercial world. This is the path to human liberation; this is the path to true progress for humanity.

What Makes Twitter Great?

“I've got better things to do than broadcast a message to the world about my lunch.”

An uncountable number of people have said this or something similar to me about Twitter. I've stopped responding. It's the same kind of faux snobbery that causes people to look down on Facebook, YouTube, Angry Birds, smartphones and the whole of digital life generally.

Of course, these days, hardly anyone puts down the Internet in total, but this was common ten years ago. Today, it is more common to put down popular applications of one sort or another, always with the message that my time is too valuable, I'm too serious for this kids' stuff, I don't go for the superficial fripperies that have enchanted Generation Mindless.

I've already discussed Facebook and LinkedIn, and why their popularity is not only justified, but they have also made gigantic contributions to human well-being. They all use the power of individual volition and the self-organizing dynamic of free association to offer services, methods of learning and means of connecting with others that break through barriers that have existed since the beginning of time.

Let's take on Twitter, the service that people love to hate the most. Among the nonusers, the word alone is almost always said with a sneer. It is the most transparently easy of all the popular social applications, but also the hardest one to integrate into your life if you are not already part of a set people using it.

Adults sign up to it and then sit and stare at it. Having no followers and following no one, the thing looks and feels as dead as Marley's ghost. Of course, you could always send out news of the sandwich you ate for lunch, but what's the point? In this sense, Facebook provides that much-more-immediate satisfaction that adults (ironically) demand from websites. Twitter is an application that has to be built by you.

But consider... when the unemployment numbers come out, I usually get an email from the Bureau of Labor Statistics. This most recent time, even before that email arrived, I knew the numbers. I knew the grim truth behind the numbers. I had a sense of how several major newspapers were spinning the numbers. I had access to charts that were being posted, showing how labor trends interact with other trends. And I was able to react to the news myself by reposting what I appreciated and then adding my own thoughts. Then, finally, the email arrived from the Bureau.

This is an example of an everyday use of Twitter. But it is only one of an infinite number of possible uses. And once you start and get the hang of it, downloading the app and following things you care about, you begin to realize something absolutely astonishing about this seemingly superficial thing. Twitter has radically individuated, democratized and universalized the consumption and production of all forms of information, turning the whole world into a customizable communications bazaar like no generation in history has ever seen.

This customizability is what gives rise to the caricatures of the tweeter as a superficial twit, wasting time blabbing on about nothing to other similar types. But when you see people in revolutionary political situations organizing themselves, using tweets and evading the boot of the dictator by using Twitter to communicate, strategize and outmaneuver the most powerful armies, it should make you stop and think.

As a means of producing information, every user has potentially the same influence as every other user. The only possible difference concerns the number of followers you have (I have 700, while Lady Gaga has 20 million), but even that is not really a final determinant, since every message can be re-tweeted and a message sent to one person can turn into a message sent to 140 million people in a split second.

What this means is that *The New York Times* and White House have exactly the same technical power to influence as the person who just took my order for beer at the pizza shop. The difference in the reach of messages is entirely determined by other users of Twitter, thus resulting in a crazy meritocracy of distribution.

As a means of consuming information, you have access to the instant thoughts of every star, mogul, institution, official or whomever and to the exact same extent as the big-time reporters or other institutions. And it turns out that people like Lady Gaga really like this. Every public figure does, except perhaps the dictators threatened most by this powerful means of instantaneous truth telling.

Currently, Twitter is handling 1.6 billion search queries per day and being used to send some 340 million tweets in the same period. It's consistently in the top ten most popular websites. The service is offered to every person on the planet at no charge. The revenue model is to charge companies for promoted tweets in search results, as well as to charge large Internet companies for the use of applications that display Twitter feeds on their websites.

There's a rude awakening, however, for anyone who thinks he or she can jump onto Twitter and make a splash. You cannot invite others to follow you. People have to reach out to you, and therefore, in this sense, Twitter can be a more difficult nut to crack than Facebook.

Your first step should be to follow institutions or people you care about. They will be notified that you have followed them. One hopes, then, that they will respond by following you, but there is no way to make them do so. If you seek followers, your best approach is to find someone who is already deeply embedded in this world to recommend you to their followers. But even then, it is a long haul to get to the point that you have a substantial number of people caring about what you are saying.

Why should you bother at all? There might be someone who has no interest in what anyone has to say and also has nothing to say himself, and plans to maintain this attitude from now until death. That person has no use for Twitter. For everyone else, it is a great source for acquiring and relaying information on anything and everything, and therefore, there are few people on the planet who would not benefit.

For career builders, a war chest of Twitter followers is part of the personal capital that you accumulate and carry with you wherever you happen to live or work. In this sense, this can be an essential part of your freedom and personal empowerment. It reduces your reliance on institutions and helps you gain control of your life.

For public personalities, it is obviously rather indispensable. But the same is true for any business. If you assemble followers (I love to follow businesses!), you can immediately reach them with special deals and announcements and do so at zero cost. What could be better than that?

For any individual, there are always times when you need others and it becomes important to get information to them. You might be in danger. You might have amazing news. You might need to send for help. In those times, you will be glad that you have prepared by assembling a valuable network of people who care whether you live or die. Certainly, the state doesn't much care, so it is up to us to form associations that do.

This is why I'm most interested in Twitter, in its uses of building a global movement for human liberty against the despotism of the state in every nation. Twitter disregards borders. It disregards states and their pretensions. It follows no one's plan. It obeys no authority. It proves the capacity of free people to be self-ordering. Even the company deserves congratulations for not giving into pressure from government authorities to cough up user information.

Twitter enables individuals to be self-governing units with an important element of empowerment in their hands: the ability for one person to reach the globe in any instant in time with the most valuable commodity in existence — namely, information.

That's why Twitter is amazing.

Can We Quantify the Economic Contribution of the Internet?

How much does the Internet contribute to our economic life? A lot, yes. But what if we tried to put a number on it?

We love numbers, right? We imagine that we can slice and dice the world and look at everything on a spreadsheet, click a button and make it a pie chart, and click another button and put the results in colorful bars.

Well, that works for a single sector of the economy, like butter or shoes. We can add that up and compare it to other sectors. But what about technology? The truly life-transforming technologies benefit everyone and everything simply because almost everyone uses them, and everything is connected in a gigantic and cooperative globe of productivity.

Still, that's not enough for some people. And so this headline was probably inevitable: "Internet accounts for 4.7% of U.S. economy." Now that sounds scientific, precise, contained, empirical. CNN ran this as a report on a new study by the Boston Consulting Group. The study then compares the Internet economy to other sectors and finds it already bigger than education, construction, and agriculture.

Impressive, but the methodology is all wrong. In fact, a hint is provided in this laughable sentence that is part of the report on the study: "By way of comparison, the federal government, contributed \$625 billion, or 4.3%, to the nation's output." In other words, the study narrowly concluded that the thing that makes life grand contributes slightly more than the thing that makes life hell.

In what sense has the federal government contributed anything to the nation's output? The last I checked, the federal government sucked \$2.5 trillion out of the private sector last year, and that doesn't include the gigantic regulatory state that thwarts progress at every turn. This is sheer wealth destruction, which we can know for sure because the money is taken by force, meaning that the people who once owned that money would rather have done something else with it beside cough it up to the public sector.

Of course the method of calculation rests fundamentally on the idea of the gross domestic product, which attempts to quantify economic production. The problem is that it doesn't quantify economic destruction, much less any of the unseen dimensions of wealth. If an earthquake hits Los Angeles and the city is rebuilt, the rebuilding counts as productivity and the GDP goes up. Reflect on this fact and then you comprehend how it is that government's activities are recorded as productivity.

But let's return to this idea that you can segregate a sector called "the Internet" and account for its productivity. Nothing in business today takes place without the use of digits. Financial transactions are processed through the Internet. No inventory is ordered without its use. Accounting takes place with the use of software distributed through the Internet. All of human life is progressively passing through digital gates.

That the Internet has vastly increased productivity is the understatement of the century. The Internet has given birth to products and services that have never before existed — search, online advertising, video games, web-based music services, online garage sales, global video communications. Moreover, the main beneficiaries have been old-line industries that seem to have nothing to do with the Internet.

The most difficult-to-quantify aspect of digital media has been its contribution to the sharing of ideas and communication throughout the world. This has permitted sharing and learning as never before, and these might be the single most productive activity in which the human person can ever participate. The acquisition of information is the precondition for all investing, entrepreneurship, rational consumption, the division of labor and trade.

Step back and consider what a revolution this truly is. From the beginning of history until the nineteenth century, information could only travel as fast as we could run, walk, or sail. There were also smoke signals, carrier pigeons, and putting notes in bottles, waving

lanterns in windows, and the like. Finally in the 1830s — extremely late in a vast and grueling history in which humanity languished in poverty and sickness without knowledge broader than the immediate surroundings — we saw the beginnings of modern communication with the glorious invention of the telegraph.

Here we had, for the first time, the emergence of geographically noncontiguous communication. People could find out more about what was going on in the world beyond their immediate vicinity, and that has amazing implications for everyone engaged in the grand project of uplifting humanity. What could people now share? Cures, technologies, resource availability, experiences, and information of all sorts.

This is also the period when we saw the first signs of the modern world as we know it, with a rising global population, extended lives, lower infant mortality, the creation and rapid increase of the middle class. Communication is what signaled people about new possibilities. From there we saw huge advances in metallurgy, medicine, sanitation, industry; and there followed expansions of income, the division of labor, transportation through railroads, and, eventually, more of the things that really matter: ever-better ways to share information and learn from others through telephones, radios, and televisions.

But then 1995 represented the gigantic turning point in history. This was the year when the web browser became widely available and the Internet opened for commercial purposes. It's remarkable to think that this was only seventeen years ago. Unimaginable progress has taken place since that time with whole worlds being created by the day, all through the wondrous spontaneous order of global human interaction in an atmosphere of relative *laissez-faire*. This was the beginning of what is called the digital age, the period of global enlightenment in which we find ourselves today.

And what gave it to us? What made it possible? This much we know for sure: the government did not make this possible. The forces of the marketplace caused it to come into being. It was the creation of human hands through the forces of cooperation, competition, and emulation.

This alone refutes the common lie that the free market is all about private gain, the enrichment of the few. All these technologies and changes have liberated billions of people around the world. We are all being showered with blessings every hour of the day. Yes, some people have gotten rich — and good for them! — but all the private gain in the world pales by comparison to what digital commerce has done for the common good.

Yes, of course we take it all for granted. In one sense it has all happened too fast for us to truly come to terms with this new world. There is also this strange penchant human beings have for absorbing and processing the new and wonderful and then asking just as quickly: what's next?

No amount of empirical work can possibly encapsulate the contribution of the Internet to our lives today. No supercomputer could add it all up, account for every benefit, every increase in efficiency, every new thing learned that has been turned to a force for good. Still, people will try. You will know about their claims only thanks to the glorious technology that has finally achieved that hope for which humankind has struggled mightily since the dawn of time.

In Defense of Homeless Hot Spots

BBH Labs is an advertising agency that specializes in new and creative ideas for marketing products. But few ideas have ever generated the heat of one used this past weekend at the Austin, Texas technology conference, South by Southwest.

Wireless networks are famously overcrowded at these events, and everyone is scrambling for a good connection. BBH had the idea of uniting two causes: help for data-hungry attendees and help for the homeless population of Austin. It invited homeless people to carry wireless hot spots and walk around offering their services in exchange for donations.

The homeless people were given \$20 for the workday and allowed to keep whatever donations they could elicit in appreciation for their service. They would walk around wearing a shirt that says "I'm Clarence, a 4G Hot Spot." Anyone could connect and enjoy great access to the whole of the digital world.

It is obvious from the reports that everyone loved it, attendees and also the homeless, too. It gives them a chance to interact with people, feel valuable, earn money and be an important part of people's lives.

What's not to like? One reads with amazement, but maybe not shock, the screams of outrage against the whole idea. To some people, this smacks of "exploitation." The homeless are being used in a cruel experiment. Their very bodies are being commodified! It is demeaning! You can read all these claims and thousands more at hundreds of sites on the Internet right now.

The New York Times claims that the whole thing somehow "backfired" and became a public relations disaster for the ad agency. BBH isn't backing down, but it is explaining itself. It was once common for the homeless to sell newspapers and make a bit of spending money that way. But now, hardly anyone even wants a stupid newspaper, so they need other things.

What is the most valuable thing today? A broadband connection. Let homeless people carry them and be paid. Beautiful! Creative! In no sense is this exploitation, else surely someone party to the exchanges taking place would object. So far, none have; on the contrary, the homeless population has heralded the opportunity. One homeless man called it "an honest day of work and pay." Yes!

The terms "exploitation" and "commodification" are used by people who have something against commercial transactions between rich and poor. To this crowd, the reality that everyone obviously benefits from commerce means nothing, since we are all apparently blinded by some deeper reality that you can fully discern only by reading the collected works of Marx and Lenin. We don't have time, so it is up to the enlightened elite to read, interpret and implement on our behalf.

And what does this implementation amount to? It comes down to actually denying opportunity to people who need it the most. Instead of providing services people are willing to pay for, they would be languishing on a cot in a smelly warehouse somewhere, while allegedly retaining their dignity.

How is this better? If I were a homeless person, I would wear a shirt that said, "Please exploit me with a job! Please commodify my valuable talents!"

To a remarkable extent, our perceptions of our own self-worth are bound up with being valued by others. To see this realized requires opportunities for people to cooperate with each other, particularly in an economic sense. In economic exchange, we become important as individuals, and others become important to us. This is why market-based societies are also societies in which human beings flourish and feel a sense of being important and valued.

To be truly demeaned and exploited means to have that value reduced to zero, so that we become nothing but physical beings who produce nothing, but still take up space and use up resources. This is the path to psychological demoralization and death.

What are the conditions in which this sense of being completely without value is most intense? I would draw attention to two institutional arrangements in particular, in which this is an omnipresent feature. Both involve conditions of total state control.

First, soldiers in a war are not valued as individuals, but rather exploited to kill and be killed. They have very little control over their lives — their job is to obey no matter what — and their lives are stamped as expendable under the right conditions.

A second case in point is the jail, in which prisoners have no control and are not valued by those who do control their lives. At least animals in a zoo are providing value to others; the prisoners in jail don't even have that luxury. Jail is a wholly demoralizing and dehumanizing situation from which people never fully recover.

The unemployed and the homeless experience this feeling in a much smaller degree, but it is still present in their lives. Cut off from the commercial nexus, they wonder what they have to contribute to society. They wonder about their very value as humans and whether there is really any point to the day at all. They sense that no one needs them. They feel unloved and undervalued.

It is for this reason that suicide among the unemployed is two to three times the national average. Having a job is about more than getting a paycheck. It is about feeling that we have something to contribute, that there is a purpose to life, that our very existence has a point, and that others really do care about whether we live or die.

Let's formulate a general principle: If a person is disgruntled with life, it is generally because he or she is feeling undervalued in some way. In fact, I know of no exceptions to the rule. The solution, then, is to change the institutional conditions that have led to this unfortunate state of being. That change requires freedom and opportunity.

Among the unemployed and homeless, the solution to the problem is rather obvious: commerce. They need engagement with others in a tangible way that yields results. Only the market provides this. This why "commodifying" the homeless and the jobless is the best thing that can ever happen to them.

Apparently, for many people, however, the homeless population is not a problem to solve, but a group to be used for political purposes. Their job is to look pathetic, be down and out, live in squalor and pose for the cameras when activists show up to use them for purposes of political agitation. And the solutions that activists propose somehow always involve politics, not economics.

This is the real meaning of exploitation!

For all the kvetching about the homeless problem over the years, one might have expected that the housing price crash would have been greeted with shouts of glee. After all, it could have meant the new availability of vast numbers of homes at super-low prices that everyone could afford! But on the contrary, this is not how it was treated: The whole energy of the government and central bank was dedicated to keeping house prices as high as possible! So much for the plight of the homeless.

The self-proclaimed friends of the homeless aren't really that. Enterprises like BBH that provide them economic opportunity are their true friends. Shelters, handouts and political ploys don't improve people's lives over the long term.

Free enterprise and creative entrepreneurship will not only save the demoralized among us, they are also the keys to uplifting the whole of humanity so that everyone feels valued in service to others and to themselves. Commerce is unique in that it embodies that magical capacity to bring both together for the good of all.

The Race for the Coolest Stuff

A staple of action/thriller movies like the *Mission: Impossible* and the James Bond series is that the government agencies have all the cool gadgets, stuff we can't get.

There's usually some opening scene featuring geeky scientists displaying the latest technology, such as a pen that is really a flamethrower or special shoes that allow you to scale buildings. There is a car with amazing powers and built-in wings or jets that become enormously useful in the final chase scene.

There is something wildly implausible about all of this. The truth is that the government is behind the private sector in its pace of innovation, and even in its adoption and use of private technology. Just look at the post office! It's pathetic. And a decade after households had PCs connected to the Internet, government offices were still using typewriters and triplicate. It's been this way for a very long time. Government doesn't invent anything, and it is a very late adopter of what the market does bring to market.

Another implausibility of these movies is that the government's gizmos work most of the time. That's not true, as the modern history of "smart bombs" illustrates. Without access to a market for replacement parts or a market to test and improve technology on the margin, the government's innovations depreciate quickly and end up being highly unreliable. Anyone who has spent time in a government bureaucracy can tell you the stories.

Where does the idea come from that government has the cool gadgets? It is probably a result of World War II, and the atom bomb in particular. The legendary Manhattan Project, initiated by Franklin Roosevelt in 1939, ended up creating the ghastly and immoral nuclear bomb that annihilated a quarter of a million people at the end of the war. That made an impression and generated the myth that government, because it has access to more resources and people than free enterprise, can create more impressive technology.

It's one thing to build weapons for mass killing and another thing to invent things that improve life. The private sector never had a reason to invent a weapon of mass destruction, which accounts for why government did it first. The lesson is generalizable across a wide spectrum of technology.

In real life, the private sector pushes out the horizons one step at a time, with a constant stream of new releases that improve the old, each tested against user experience and economic viability. My reason for bringing this up is to praise a movie that has dramatically broken from the usual pattern. The movie is *Mission: Impossible — Ghost Protocol*. I know what you are thinking. You are thinking that you can't stand the sheer unreality of these movies, the way Tom Cruise can fall 30 feet onto a steel surface and bounce off mostly unharmed, the way these car chase scenes feature antics that couldn't be realized by the best NASCAR driver and so on.

And that is all true for this recent release too (but hey, they are supposed to be fun movies, so lighten up!). But there is one extremely important respect in which this film truly gets it right: It seems to be the first in this genre that fully understands that private technology is better than government technology.

Most of the government's own equipment in the film is flaky. The fancy gloves that allow you to climb up windows on skyscrapers fail. The right-hand glove somehow shorts out or maybe the batteries die or something along those lines. It makes this electric sputtering noise and shuts down, nearly killing agent Ethan Hunt. Then, in another scene, the wonky tractor magnet that is supposedly creating a levitating force field flies out of control and nearly kills another agent. The government's technology is so bad that even the amazing mask-making 3-D printer shuts down unexpectedly, requiring the agents to enter into high-level negotiations as themselves!

Not even the signature of all *Mission: Impossible* movies can exist, due to government incompetence. And there's another case: An agent is supposed to wear this contact lens that secretly takes pictures of paper, and then these pictures are automatically printed in a remote location. Taking the picture requires that you blink twice. The enemy agent happens to notice this peculiar blinking habit, and further notes that his eye has a strange crossword shape in the retina and orders the agent to be killed immediately!

Nothing the government has given them for their mission works right! But what about the private sector? hilariously, the mission with its famed self-destruct message is delivered on an iPhone (in the one scene in which it is not, agent Hunt has to bonk the Soviet-era payphone to get it to go up in smoke). The agents all use iPads to accomplish their amazing techno feats. They use the iPads' scrolling technique to cycle through pictures of enemy agents. And all their computing is done with the very conspicuous use of MacBooks.

It's as if the filmmakers sat down to think of cool stuff and realized that there wasn't anything cooler than you can buy right now from Best Buy, so they finally decided to throw in the towel on the old idea that the best gadgetry emerges from a government lab. As for the remaining government stuff, it is the usual assembly of dangerous weaponry and satellites. It's all left over from the Cold War and can only be used for evil.

The message is then clear: Government technology is malicious, outmoded or ineffectual, while the private sector's technology is advanced and gets the job done. This amounts to a decisive turnaround, even an epic artistic shift. It amounts to an admission that the great technological battle between the public and private sectors has been decisively won by the free market. In that sense, the new *Mission: Impossible* might be the most realistic action film ever made. If you want to accomplish the impossible, you know where to turn.

Regulators Take on the E-book

Get this: The federal bureaucrat who last month started the litigation against Apple and book publishers for e-book pricing is the same person who, back in the stone age, represented Netscape in its lawsuit against Microsoft.

Recall that Microsoft was trying to give away its Internet Explorer to computer users for free. Netscape went nuts and got the government to clobber Microsoft for being so nice to consumers. It put the company through litigation hell and even demanded that Microsoft change its operating system code to untie it from IE.

The person's name is Sharis Pozen, and she is acting head of the Justice Department's antitrust division and a political appointee of the Obama administration. She is threatening state violence against Apple and publishers for pricing collusion — and she claims that it's her

job to protect consumers.

Interesting. She began her career trying to protect the rights of an old-line company to rip off consumers. To her, a price of zero was unfair competition. She was sure that a browser should be a paid product. The progress of history flattens that argument. Today, dozens of companies beg you to download their browser for free. Browser use is all over the place, sort of like a free market. There is no Microsoft monopoly, contrary to the overheated predictions.

Given that history, one might suppose she would retire from public life and maybe go into flower arranging or something. Instead, she is still at it. Last year, she denied a proposed merger between T-Mobile and AT&T that would have improved your cell service. This year, she says that a deal between publishers and Apple is harming consumers, so she has to act.

Government had absolutely nothing to do with inventing the e-book. It didn't invent the e-reader, either. The Nook, Kindle, iPad, and all the others were purely the products of private enterprise. So too the distribution system that makes millions of titles instantly downloadable with a quick click, storing your downloads in the cloud. The whole apparatus has given new life to the book itself, and represents a bigger shift in publishing than even the printing press.

But we are supposed to believe that Sharis Pozen knows exactly what the prices of e-books should be. She knows how the contractual relations between publishers and distributors are supposed to work. She knows when there's competition and collusion. She knows how to protect the consumer against high prices because, of course, we stupid consumers are all sitting here completely clueless about whether \$9 or \$14 is too much to pay. We'd just mindlessly let go of our money, scammed by private enterprise, were it not for Sharis Pozen looking after our interests.

There is no arrogance in this world to compare with the government bureaucrats'.

There is no way that any mortal can know in advance how e-book pricing should work. For years, people tried to create a profitable market in selling PDF downloads. Some firms succeeded, but only in a limited way by selling to large institutions, and even then, the product add-ons had to be pretty impressive: fancy searches, large collections, citation help, and more. This model never penetrated the retail sector.

Why? It's hard to say for sure, but in hindsight, one might speculate that the PDF format just isn't very consumer friendly. It is fine for many purposes, and miraculous by any historical standard. But in the end, it was not commodifiable on a mass scale.

Then came the e-book. It had an HTML structure that allowed fonts to be increased and decreased. It allowed instant search. Navigation was a snap. It mimicked the page turn of a physical book. It was lightweight. For all these reasons, and probably some reasons that I haven't thought of, the e-book became commodifiable. I never would have believed it, but there it is.

I know that I'm hooked myself.

But how does pricing work? A conventional government model would examine costs and presume that prices are marked up along a preset path. This model has a superficial, if fallacious, plausibility with physical goods, but it is wholly irrelevant to digital goods. With digital goods, in which the marginal cost of each additional item is effectively zero, the price is very obviously nothing but a point of agreement between buyer and seller, having nothing to do with costs of production.

So it's anyone's guess what the final price of an e-book ought to be. The market dictates this. At first, publishers were selling on a wholesale model and letting the distributors determine the prices. As the distributors do with physical books, they were pushing prices lower and lower, and the publishers started to complain.

That's when Apple shifted to an agency model of pricing. The publisher sets any price and the distributor takes 30 percent. That way everyone can make a profit. This also allowed smaller publishers to get involved. Even a sole proprietor can get involved and push out e-books to the world.

So what's the problem? Apple and Amazon have made it part of their contractual relationships with those using their services that they do not want to be undersold by another company. And why? Of course they want the business, but more tellingly, they are trying to incentivize producers to bring down prices in the interest of making deals.

This is standard procedure in Web pricing. If you are using a service, the service wants to be able to offer the best deal available. Actually, Amazon and others have been doing this for many years. The service user can accept or reject the deal.

Here's the thing. If this is not the right model, it will hurt the service it delivers. Others can compete. Authors and publishers can establish their own systems. Markets work these things out for themselves. In this case, it appears that Amazon is the only complaining party: it does not want Apple to gain a foothold.

The e-book market is brand-new, for goodness sake. It is going to go through many changes before it is settled — and actually, here's to hoping it never settles! Ceaseless change in economics and life is a good thing.

But bureaucrats don't see it that way. They want to freeze everything in place and make all things conform to their model. And if Sharis Pozen had her way, we would all be paying Netscape for the opportunity to surf the Web. So much for caring about the consumer.

The Death of File Sharing

Last week's violent government attack on the hugely popular site Megaupload — the U.S. government arresting Belgian citizens in New Zealand, of all places, and stealing at gunpoint servers bank accounts and property — has sent shock waves through the entire digital world.

The first shock was the realization that the gigantic protest against legislative moves (SOPA and PIPA) that would smash the Internet turned out to be superfluous. The thing everyone wanted to prevent is already here. SOPA turns out not to be the unwelcome snake in the garden of free information. The snakes have already taken over the garden and are hanging from every tree.

The second shock took a few days to sink in. It could mean that the whole way in which the digital age has functioned is in danger, or even doomed. This is not a forecast. This doom is all around us right now.

The problem is this: Megaupload was accused of violating copyright through its file-sharing technology. This permits users to upload their own content and permit other users into their space. If anything that one person uploads is of uncertain copyright status — it could be anything, really — sharing it would then seem to amount to a crime.

For some years, the feds have unnecessarily harassed people for nonviolently streaming or sharing content. This has had something of a chilling effect and increased the use of IP-scambling proxies to keep online habits from being traced. College kids know this all too well. Masking IPs is just the way they live and work.

The attack on Megaupload takes all of this to a different level. This was not some wholly surreptitious, sketchy institution that was trying to get around the law. It was already becoming a legitimate service for launching careers in music and art generally. It seemed to be doing exactly what we expect in the digital age. It was reinventing an old model for new times through innovation in production, delivery and profit sharing.

As I wrote before, *this was most likely why the old-line industry came after them. It was not the illegal activities, but their legal ones that made them a target.* The moguls do not want change. They crushed the competition.

At the same time, the actual legal rationale that the feds used to blast these people away was their supposed violation of intellectual property through file sharing.

Which raises the question: Is every site that makes file sharing possible in danger? Consider Dropbox, the hugely popular service that allows you to put your files in the cloud and create special folders that share them with others. This allows people to work on shared folders in a collaborative way, and prevents the inevitable problem of version control that comes with emailing back and forth.

How exactly is Dropbox different from Megaupload? It is not that different. It is staid and scholarly, rather than flashy and jazzy. It's interface is plain and neat, rather than colorful and upbeat. Otherwise, it is hard to qualitatively distinguish one from another.

Dropbox is hardly alone. As TechCrunch puts it:

“Several digital locker services operate like Megaupload, RapidShare and MediaFire are two of the larger services. But these sites have undergone a face-lift recently and at least appear to be much less nefarious than they once were. Other services like Dropbox, iCloud, and Amazon S3 are open to hosting any file type a user uploads. They also make sharing easy, but in a way, that’s a lot more private than Megaupload. Still yet, there are sites like Zoho in which users can easily share content, content that could be copyrightable. But the prime goal of all these sites is open file sharing — just like Megaupload.”

It is hard to see how any file-sharing site can pass muster under the new regime. There are plenty more like SugarSync and FileSonic. As Ghacks points out, users of the latter were greeted with the following ominous message just this week:

Question: What value is a file-sharing site if it doesn’t permit the sharing of files? It becomes a thumb drive in the cloud. Maybe that is a bit of convenience, but it is not highly marketable or useful.

Another tactic that file-sharing sites are using after the Mega attack is to outright ban U.S. users in hopes that this will somehow immunize them from the terror attacks being used by the U.S. government. Thus at one upload site were American users greeted with a government-generated block message.

Americans look at China with shock that the government doesn’t allow access to a huge amount of the World Wide Web. But look: It is happening right now in the United States, but in an indirect way. This has been called a “virtual Iron Curtain” that is being thrown up around U.S. borders. It has already happened to banking. We are seeing the first signs of this on Internet access.

Another site called uploadbox.com has decided that it will no longer deal with the risk of these kinds of terror tactics and plans to shut down completely at month’s end.

What else? Google Docs allows file sharing and has solved so many problems as a result. This has been a great advantage of this innovation. I use it every day. It is essential. But it is in danger. What about Facebook? I could post a copyrighted image there right now and share it with thousands. Facebook thereby becomes an accessory to the same crimes that Mega is alleged to have abetted.

For that matter, what about email? When I send a file, it doesn’t remove it from my machine. A copy is made and made and made again. Who and what is to say whether what is sent or received is proprietary and made it through all the legal hoops? In the last several weeks, I’ve actually received emails expressing fear of sharing links to public sites!

All these changes go beyond the traditional “chilling effect” of random attacks on free speech and free association. This is a sudden and outright freeze, one that is devastating for the whole way in which the Internet has come to exist. What is called “file sharing” is the unique service that the Internet provides. Without that, the Internet becomes an efficient post office or another means of delivering television-style content.

The reason that the Internet has been the driving force behind economic growth, political change, social progress and the general uplift of humanity is its capacity for taking scarce goods and converting them into nonscarce goods of infinite duplicability and availability. Information, media, data and images that were once captive of the physical world — paper and ink, film and bankers boxes — have been freed into another realm so that they can serve and enlighten the whole of humanity.

This has happened because of the miracle of duplicating digital goods that are driving economies in the digital age. To ban duplication and file sharing today is no different from banning flight in the 1920s, banning steel in the 1880s, banning the telegraph in the 1830s, banning the printing press in the 1430s and banning the wheel and sail at the beginning of mankind’s advance out of the cave.

It will set humanity back. It violates liberty. It attacks everything that constitutes and defines the times in which we live. It replaces a world of sharing and thriving with a world of violence and technological regression. The Internet will continue to exist, but it will take a different form. Large sectors will have to thrive behind very secure pay walls and only within private digital communities.

And who is doing this? The U.S. government. Government in league with old-line corporate elites.

And what is the official reason? To enforce “intellectual property.” It has really come down to this: Either the whole basis of copyright, trademark and patent are scrapped or we could see the death of the digital age as we know it. So long as IP is enforced, the U.S. world empire can continue to roam the world seeking whom it may devour.

Two Views of the Internet

The barely-defeated legislation called SOPA (Stop Online Piracy Act) hit out of the blue and caused a global scramble among the smart set to make sure it was defeated. It was a close call, and the legislation isn’t going away. It will come back and back again, and it will require relentless vigilance to keep this menace at bay.

This fact alone is supremely annoying. Why should we have to spend our time fighting so hard for what should really be our natural right to speak and share, to associate with fellow human beings through digital media? Why should we have to waste our time explaining dynamic digital networks to a gang of racketeering geezers with the political power to wreck things but no means to create anything of value?

In the week that followed the big fight, I’ve been thinking about the implications of the legislation, which itself amounts to a drastic change in the way people go about running their digital lives. Many opponents rightly warned that it could mean the end of Wikipedia, Google, YouTube, millions of blogs, Facebook, and just about everything else. I had supposed that this would amount to what is called an “unintended consequence” of legislation. In the name of supporting property rights, the advocates of SOPA would inadvertently smash the most productive and innovative tool of our times.

But it occurs to me (finally) that there is more going on here than just that. Let me quickly tell a story to illustrate the point. On a blog, I had posted something on YouTube that was an audio recording of a short narrative. It was no big deal. The video had been posted by many others, and I thought nothing of it. Then suddenly I received a take-down notice from a big magazine. The text itself was from their publication and the recording was unauthorized. It was a remix.

I explained that I had nothing to do with making the recording; I was merely linking it, and, moreover, I had no idea of the source. This settled nothing: the company was relentless in demanding either credit or take down. I was blown away by this. The YouTube poster from whom I linked had in fact credited the source. In any case, if they didn’t want someone to record the text, they shouldn’t have put it online. And, what’s more, why be upset about this? It is a great thing to have published something that someone else found worthy of spreading and remixing.

But the correspondent didn’t buy it. He was mad at the YouTuber, mad at me, mad at the Internet, and mad at the world. After all, he said, this short text was taken without permission and posted somewhere else in a different form. This amounts to piracy, he said. Certainly, under SOPA, not only would YouTube get hammered; I would too, and so would every Facebooker who posted the video. The law would be biased in this guy’s favor, regardless of the injustice and regardless of the realities of the Internet that he clearly does not understand.

As I thought about this, I suddenly realized something. SOPA is not just dangerous legislation supported by self-interested people that would have inadvertently bad results. The result of transforming the way the World Wide Web works is precisely what they have in mind. They want to enact a dramatic shift in the entire way that digital media works in service of humanity.

Some background here. The reason the Internet fired up a generation of digital activists and brought about the greatest explosion of human-serving innovation in history is that it permits the building of real-time networks of information sharing. It is a low-cost, instantaneously working means of merging the products of individual human minds so that the results will be greater than the sum of the parts. The technology is brilliant but what makes it all come together is the individual human being who has the opportunity to contribute knowledge to something greater than himself.

The results of communication without the Internet are what gave rise to the technology explosion of the late nineteenth century, as Robert Higgs and Deirdre McCloskey have argued. It works like yeast with flour, sugar, and water. It becomes something bigger and grander than anyone first imagined. What the Internet did was take this model to a new level, expanding the number of participants and increasing the range of materials that could be shared. In other words, the Internet really amounted to mankind’s most successful effort at intellectual collaboration toward everyone’s mutual betterment. (If you are curious about this vision, have a look at the writings of Richard

Stallman, whose work I've begun to appreciate ever more.)

The advocates of SOPA hear everything I just described as the glorification of piracy and looting on a mass scale. Collaboration is stealing. Learning is theft. Passing on and linking is graft. You can look, but you can't act. You can hear, but not learn. There should be no consumption without contract and no competition under any circumstances.

To see an analogy of how they see the digital world, consider television. Each channel does something different and there is no relationship between the channels. Each exists on its own. You are either watching one or you are watching another. It is ridiculous to speak of collaboration between them. No one "links" from one channel to another. We are not content providers to television. We are pure consumers, and a strict wall separates us from producers.

This is the old world way of doing things, and this is precisely how the Internet changed everything. The advocates want to change that back again and tear the heart out of what makes the Internet different from anything else that came before. In this sense, they are Luddites who are desperate to turn back the clock, kill the innovative spirit, and wreck the medium that accounts for the large part of global productivity of the last ten years. Does that sound crazy? It is, but this is what SOPA would do and what SOPA intends to do.

I never would have imagined it but this really is shaping up to be the battle of the future. Those who want to use the state to enforce "intellectual property rights" really have in mind a world without the Internet as we've come to understand it. It's incredible that a small intellectual error that took hold late in the 19th century (the notion that ideas can be property) would mutate into a wealth-eating machinery that is global and fundamentally threatening to the future of civilization. But that is really what we are dealing with today.

Economics of the Timeline

Most of us hadn't thought about Davy Jones of The Monkees in many years. Suddenly, he died at the age of sixty-six and we were all instantly living in his world. Tributes were everywhere. His YouTube videos were slammed with hits. Praise for his life and works appeared on blogs everywhere.

People were honoring his memory by looking back at the timeline of his life, seeing the change in his face and appearance from the youngest age when he played the Artful Dodger to his last year, in which he was still singing (and actually, he looked great!).

The same now happens when every major cultural figure passes on. We see a lifetime of pictures. We see the change, the aging process, the gradual graying, the weight gain, and the other intriguing responses of our physical appearance to the passage of time.

The digital age has brought us many new things, but the least expected is a new awareness of time and the inevitability of decline and death. Digits have a way of collapsing it all so we can view it in a much sped-up process. We can see performances from decades ago as easily as we can see one from yesterday.

It's never been this easy to observe the phrase "ashes to ashes" play itself out before our eyes. The analog age generally gave us only what was going on at the time, or rather, we could go to some lengths to get the full picture of past and present. The digital age, with its penchant for giving us every bit of information we could possibly want, puts the passage of time at our fingertips and burns the reality of mortality into our brains.

The passage of time is newly fashionable. Facebook, used by nearly one-sixth of humanity, has recently changed its default layout from displaying random stuff to organizing it all in a timeline. Software widgets show what we will look like in fifty years. Our email archives keep a running chronicle of our lives, day by day, thought by thought, friend by friend.

It's all symbolic of a new embrace of the most relentless force in the universe, more powerful than all states and all private markets put together: the inevitability of change embedded in the passage of time. It is unstoppable, undeniable and omnipresent and a constant reminder that no matter how much power humankind accumulates, it will never be more powerful than time itself. There is some comfort in that.

What economic institution most embodies the inescapability of time's relentless march? Ludwig von Mises, in his wonderful treatise *Human Action*, tells us that it is the interest rate. Interest rates reflect our degree of valuation of present goods over future goods. Everyone prefers the same good now, rather than later, all else being equal. However, in the same sense that we choose which goods and services we want to buy or decline to buy, we also choose our time horizon: acting for now or acting for later to achieve our ends.

If we want a car today and don't want to defer our consumption for a year or two down the line, we have to pay someone else who has deferred that consumption to loan us saved money. If we are starting a business and think its near-term profits are going to be higher than the expected interest charges, we make the deal. If we save money and make it available to others to use, we expect a reward in the form of interest.

The interest rate is supposed to signal to investors how to handle time commitments. A low rate of interest is supposed to signal vast savings available in a society that has deferred consumption and planned for the future. A high rate of interest suggests a relative scarcity of savings and a scramble to use what is available. In this way, interest rates carefully sync present and future.

The passage of time also instantiates itself in the institution of capital — goods produced not for immediate consumption, but rather for making other goods. If there were not time structure of production, capital would have no unique value, no real contribution to overall prosperity. But it does because its very existence points to how property owners are able to plan for the future.

In societies in which there is no planning for the future, either because the culture is present-oriented or because the law is too unstable to permit planning, no capital formation takes place. No time structure of production exists. And there are no savings to back the wide availability of credit.

In developed economies, the capital structure reflects a huge variety of time commitments. Every production process has an endpoint of consumption, but those endpoints are all over the map. I can make soup to eat now. Or I can save to buy some grapevines and build a vineyard to make wine that might only be drinkable and marketable ten or fifteen years from now.

The Austrian economists tell us that other economic theories are nearly brain-dead when it comes to thinking about the passage of time and its role in the institution of capital. This is one of many reasons that they miss an extremely important point about Federal Reserve policy. That is, by manipulating the interest rates, the Fed is playing with the signaling system that tells investors and capitalists how much they can plan ahead — how much "real stuff" is available to cause their plans to work out.

In this way, a manipulated rate like we have today is nothing but a lie. It tells capitalists to borrow and plan when the resources aren't really available to justify that. It tells us that there are huge reserves available to support future consumption, whereas they aren't really there. As a result, the finely calibrated singling system of capital markets isn't really functioning as it should.

In a strange way, then, the Fed is in denial about something that we've all embraced in the digital age.

Even Facebook is on board with acknowledging that all its accounts will go the way of all flesh. The Fed seems to think that its powers allow itself to live as if time doesn't matter.

Bernanke might be powerful, but he can't achieve what no one ever has: the abolition of time as a undeniable factor of economic life. It is the ultimate act of arrogance to act as if the relentless forward march of time is pure illusion.

II.

Leave the Nation State

How to Think Like a State

Do you notice a pattern when dealing with any aspect of the government at nearly any level? We all have. There is a certain cast of mind at work here. This is my attempt to frame it up and identify its main features.

Experience shows that if something is going to go really wrong, predictably waste your time, annoy you and attack your dignity, and finally just prove to be totally ineffective at accomplishing the task, there's a good chance that it involves the government.

Society outside the state has corrective forces always at work. Life's not perfect but it is generally trying its best to improve. But with the state, everything seems to be stuck in a pattern of failure at every level. At best, government does stupid things; at worst, it does unspeakably horrible things.

Some quick examples from everyone's favorite example of government failure: the TSA.

Lots of people are deeply offended by the TSA's groping gruffness. What strikes me more is its sheer stupidity, its lack of concern for anything but the existing plan, and the complete disconnect between the goal of security and the actual reality.

Last week, I had a small bottle of liquor confiscated by the TSA. Pointless. A friend had his palm tested for traces of bomb ingredients. Huh? Everyone in the line took off all shoes, belts, and jewelry to be x-ray scanned, but to what end? Meanwhile, people who followed the procedures could carry all kinds of potentially deadly things on the plane provided they were properly packed in separate, see-through bags.

But the TSA is hardly unique in this respect. It just so happens that more people encounter it more often than almost any other government agency. Yes, it makes everyone crazy. But we would experience the same absurdities if every day we had to deal with the Department of Labor, the Pentagon, the Department of Transportation, or Housing and Urban Development. Those who do can tell you amazing stories!

Here's the deal. The state's distinguishing characteristic is its presumption of control and its use of force to exercise that control. But this is not the whole of the problem with statism. This characteristic gives rise to many other features that are part of what we might call a statist way of thinking. It really amounts to a pattern of being that comes with power, which is to say, that comes with the absence of any check or corrective consequences.

The market and the voluntary order have within them structures that keep human vice and relentless stupidity from completely taking over the system. That's not true with the government. The government builds protective walls around itself that prohibit inputs that would otherwise keep faulty thinking at bay.

So what are the features of this faulty way of thinking that seems pervasive in government institutions? Relying on my usual influences (Nock, Mises, Rothbard, Hayek), let us explore how you too can think like a state.

1. Presume that all things worth knowing are already known. That includes the goal and the means to achieve the goal. The state thinks that society should work a certain way and assume a predetermined shape, and it knows this with absolute certainty. There is no process, no unfolding of history that yields unexpected results. The state is so certain of the end point of the social order that it never has to explain or justify its perception.

It knows the right allocation of income between classes, the right size and number of businesses in each sector, the right allocation between security and risk, what is just and what is unjust. It knows when the economy is growing too much or too little. It knows what industries should die or last forever. It knows what is and is not good for you.

Because there is no uncertainty in the statist mind, there is no need for discovery, improvisation, or imagination that reveals itself through time through trial and error. There is no need for listening, learning, adapting. What's more, a state doesn't doubt that it has the means to achieve its goals. To will it is to cause it happen. Its omniscience comes with omnipotence.

This is why there is no arrogance in the world like the state's arrogance. At the same time, any person or any institution can adopt this regrettable habit of mind: managers, parents, pastors, business professionals. Outside the state and the protections it builds around itself, however, reality eventually strikes back. Reality is about uncertainty, change, surprise, innovation, adaptation. Markets give life to these forces in the same way that the state absolutely and by necessity crushes them.

2. Presume that the path of victory is paved by enforcement. This is a feature of the statist way of thinking that is most on display in wartime. Is the war causing more people to join the rebel ranks? The answer is more shock and awe! If that doesn't work, bring out the tanks, the bigger guns, larger bullhorns, and more troops on the ground.

It goes without saying that there is nothing wrong with the state's plan, so the only problem here is that people are being insufficiently deferential to the rightful authority. There is only one way forward: show people who is boss.

It's not only in wartime. Every agency of government thinks this way. Without exception. You see it in the penal laws. If something is bad like drugs or underage drinking, the answer seems obvious: increase the penalties for those caught. No punishment is too harsh! The harsher the punishment, the more the deterrence, or so believes the state. In the same way, there can never be too many police, too many people charged with making other people comply.

But might this path create unintended consequences? Might the enforcement be causing the problem to get worse and create backlash, blowback, and black markets? Or might harshness recruit more people into the rebel class and discourage law keeping? In the state's way of thinking, this is not possible. The laws and the regulations are the voices of god, period, and god is never wrong. Certainly this god never, under any circumstances, admits error.

3. Presume that all disagreement amounts to betrayal and treason. This point follows directly from the above two. If you know all things and all things are possible through enforcement, it stands to reason that should someone dare to pop up his or her head and take issue, this person is an enemy of the state or whatever the state stands for.

You are against the war? Then you are for the enemy and defying the rightful authority.

You have doubts about the endless looting of private wealth and the regimentation of human interaction? You are part of the problem instead of the solution.

In the state's way of thinking, there are only two possible archetypes of the good citizen: the serf and the sycophant. If you fall outside those two categories, you are a rebel to be watched or a traitor to be crushed.

To the state, there is only one path. That's because all things work in this world because one will rules all. In fact, that's exactly what everyone who thinks like a state believes. Unless there is a dictator, life will surely collapse into chaos, brutality, heresy, or some other disaster.

The state can't even conceive of the truth about society that the old liberal tradition reveals: it works precisely because it is not ruled by one will. It is the decentralized knowledge of individual actors that creates order in the world. It is the multiplicity of plans all

coordinated through institutions that create the extended order that gives rise to civilization and causes it to develop in unexpected ways.

4. Presume that the material world matters more than ideas. Again, this follows from the above three points. The distinguishing characteristic of the state is its control over physical property. It rules the space where its tanks roll and within the lines on the map called borders. It takes wealth at the point of a gun.

Its love of the physical is so intense that it always and everywhere builds huge and imposing buildings for its bureaucrats and giant monuments to itself. It wraps itself in theories of the world that revolve primarily around physical things only.

It dabbles in propaganda and education but not in ways that are reliably successful. The state cannot finally control human minds. Those are and will always be ours alone. Even in the prison camp, the prisoners are free to think what they want. We all can. Anytime. This is why the state hates the human mind and what it produces. The human mind and the whole world of ideas is ultimately beyond its reach.

More incredible still is that the whole of the man-made physical world as we know it began with ideas. In the same way, the ideas we hold now are the foreshadowing of the world of tomorrow. And that's precisely why the statist way of thinking is fearful of free thought and why the state itself can never be forward thinking.

5. Oppose every unapproved change in the plan. This follows from the above four. The end point of the social order is already known. It can be achieved by enforcement and suppression of dissent and the crushing of new ideas. The whole cast of mind presumes no surprises. Therefore, it is best just to make sure that no change takes place that is not already built into the model.

Thinking like a state, then, means forever wallowing in the legacy content of what has been mandated before. If something was ever a law, it must stay a law. If something was ever enforced, it must be enforced forever. Look backwards to what has been (or a mythical version of it) and not forwards to what might be. The state loves its own history: its leaders, its wars, its legends.

This backwards bias is deeply entrenched. The bulk of the laws and regulations that are enforced daily on people in society have nothing to do with the current political managers (contrary to what elections promise). They date back decades and even as much as a century or more. Laws do not leave books. They are only added and accumulated like rings on the trunk of a tree. Shoring up what exists, adding band-aids as necessary, is much more important to the state than reversing mistakes of the past.

So entrenched is this idea that new laws, if they are ever to expire, must have a sunset provision explicitly built into them, and this is usually added only to buy votes. But more often than not, the sunset date arrives and the law is renewed again. It is a momentous event when a bad policy dies: think of the epic significance of the end of prohibition or the end of the fifty-five mph speed limit. These are exceptions that prove the rule.

This final feature of thinking like a state is the most deadly to civilization. Change is the source of society's life and development. There are new people, new ideas, new tastes and preferences, new patterns of living, new technologies. Mankind has a penchant to want to improve and that requires throwing out the old. The state uses all its power to shore up the past and wage a daily battle against progressive change.

If you understand these features, you can't be surprised by all the daily frustrations and annoyances imposed by regulations, bureaucrats, and politicians. The state has a personality disorder, one born of its monopoly status and its coercive tactics. This disorder is not unique to the state. You probably recognize at least some of these traits in people you know. You might even recognize them in yourself.

It's fine to rail against the bureaucrats but there is also a case for pitying the TSA workers and the millions who are part of the same kind of institutional structures. The difference between us and the state is that when these personality disorders appear, we are capable of changing them, and we have every incentive to do so. The state just keeps keeping on, long after it becomes completely irrelevant to anything that truly matters.

Thus ends the lesson in how to think like a state. It is a perfect recipe for failure in life.

The Regulatory State Does Not Like You

Two important regulatory rulings have been issued in the last day that will have a profound effect on your life, both immediately and over the long run. One forces a continued degradation of AT&T's cell phone coverage by forbidding a merger with the embattled company T-Mobile. The other targets a feature of Google's Android phone on grounds that it too closely resembles a feature of the iPhone over which Apple holds the patent.

Neither regulatory decision will help you. In fact, both directly target your well-being. AT&T has had trouble for years and has lost market support for its spotty cell coverage relative to its competitors. To prevent the company from reinventing itself through a merger is very bad for consumers. And it is the same with the Apple/Google decision. This intervention takes away a software feature from people who want to use something other than Apple's phone. Both decisions are blatantly harmful to consumers and to the cause of competition.

Who issued these rulings? The merger decision was handed down by the U.S. Justice Department. The Apple/Google decision was handed down by the U.S. International Trade Commission. If you don't recall having been asked who should populate these bureaucracies or whether they should have jurisdiction over your technology, your memory is not failing you. Welcome to the U.S. version of regulatory central planning, replete with mandarins and apparatchiks that purport to have total control over the direction and pace of economic development. They serve special interests but do not serve the rest of us.

There was a time when this type of regulation was said to be necessary for the consumer. In fact, this is still widely believed. But look at what is happening here. The consumers are the ones who are being left out, denied the right to influence the direction of technological change. The bureaucrats are thwarting the desires of those who actually use cell phones in their daily lives.

The reason for the Apple victory against Google is fairly straightforward, though there is no way it could have been predicted in advance. Apple, the current industry leader, wanted to harm its main competition. It has a huge war chest of patents and a fierce desire to use them to firm up a monopolistic status. The ruling is rather narrow and concerns the ability to use the content of one application to drive the behavior of another application, such as clicking on an address to open up a navigation tool. But what matters here are not the specifics but the power of Apple to enforce its claims. This is what chills pro-consumer development down the line.

Keep in mind that American consumers of the Android phone are already using the now-forbidden phone features. This is what gives lie to the claims of Apple that Android "stole" — a word used by the Apple spokesman — something or anything at all. When someone steals something from you, you no longer have it. The Android offering of this feature did not prevent Apple from using the same feature. Therefore, it cannot be theft.

At most, the similarity of software functioning is a good example of the learning process that open market competition permits and encourages. In a thriving marketplace, everyone learns from everyone else, and each firm strives to be ever more excellent in the service of the public. Apple's claims amount to a demand that no one else be permitted to compete using any features that it uses. This is a paradigmatic case of how patents are seriously harming economic development.

Software patents of this sort were nowhere known in the early years of the software industry. Both Steve Jobs and Bill Gates have publicly reflected on how, in those days, they all learned from each other. They would watch the competition and emulate what succeeded in order to stay in the running, while striving to innovate constantly in order to gain the advantage. It was a free market and it gave birth to the modern world. But in the mid-to-late 1980s, the government started issuing patents that began the process of freezing development in place. Today, the entire sector has become a thicket of claims and counterclaims that only the most well-heeled companies can navigate.

The case of the AT&T merger with T-Mobile is even more interesting still for the layers upon layers of interest groups involved here. It was to be the biggest-ticket merger this year: \$39 billion. Those kinds of numbers always have big institutions behind them. The choice partners here were J.P. Morgan and Morgan Stanley, along with others, who were to earn \$150 million in accounting fees on the deal. It was a good bet for everyone involved. Market competition is difficult enough but there was always a very dangerous elephant in the living

room: a government powerful enough to overrule the market process. This introduced the great uncertainty.

Left out of the deal completely was the influential mother of innumerable crony deals of late: Goldman Sachs. In this way, the defeat of this merger is a huge victory for Goldman because it slams its most direct competitors in the investment banking industry. *The Wall Street Journal* reports that the failure of the deal moves Goldman from #2 to #1 in the industry. Are we really supposed to believe that Goldman, which has massive influence within the Obama administration thanks to a well-documented revolving door between the two institutions, had no influence at all over this decision?

Two more beneficiaries include Verizon and Sprint, and carrier stock prices reshuffled very quickly in their favor as soon as the announcement came over the ticker. AT&T was slammed not only because its path to the future was blocked but also because it now owes \$4 million in accounting fees to T-Mobile's parent company, a charge that is going to further hurt its ability to invest and compete.

Both decisions are bad on their own terms, but worse in terms of what they imply about the future of digital development. They make investors fearful, give unwarranted power to politically connected companies, and impose a general feeling of legal uncertainty about what is and is not possible in the great struggle to serve the consuming public. The decisions add a dangerous component of monopolization and stagnation in what should be a competitive and dynamic sector.

These are not going to kill progress in the digital marketplace but they distort its pathway, and with costs that are largely unseen. When your cellphone lacks features or your service provider's coverage isn't what it should be, whom do you blame? Most people will blame the business. They should be blaming the central planners — the real hidden hand that is working to dim the lights and make finding our way to a brighter future ever more difficult.

Brazil and the Spirit of Liberty

My most surprising findings in Brazil, aside from the amazing fruits that I didn't know existed because the U.S. government doesn't think I need them, were the young American kids who have moved here to find economic opportunity. This I had not expected, but now fully understand.

Brazil is a marvelous and massive country where private wealth thrives without embarrassment, where well-protected and healthy familial dynasties form the infrastructure of social and economic life, where technology is popular and beloved by everyone, where the police leave you alone and where Americans can feel right at home.

The world is changing fast. Freedom in America is slipping away so quickly that we are already seeing a wave of young people leaving in search of new opportunities, just as people from the around the world once came to America to live the dream. Brazil is one of many countries benefiting from the generational emigration from the U.S.

Discovering this rattled me more than I might have expected. But the young people themselves are not unhappy, and I can see why. They are valued. They are earning good money doing interesting things. They have access to one of the most beautiful and exotic and friendly places on Earth. They eat well, live well and have rich social lives.

More than anything else, they have the sense of freedom.

Now, you might wonder how it is that people have to leave the "home of the free" to find freedom. Over the last ten years, something horrible has happened to the United States. The police state has cracked down hard, not so much on "terrorists" or real criminals, but on regular citizens. The news items spill out of my feed on an hourly basis, things that just shock and alarm those who are paying attention.

Maybe it is not so surprising. The U.S. military is larger than most of the world's militaries combined. We have the largest prison population on the planet, and most are locked up for nonviolent crimes. The political culture focuses more on the need for security than for freedom. Add it all up and you have the perfect recipe for the emergence of a police state.

But most Americans are not entirely conscious of the change. It has been fast, but slow enough not to cause alarm. It hits you only once you leave. This happened to me two years ago when I went to Spain. I could move about and do what I wanted without bumping into authority at every turn. I felt it again in Austria last year. It is not something you can quite put your finger on, just a sense that you are not under constant surveillance in suspicion. You can breathe easily.

It was the same in Sao Paulo, Brazil, a happy and prosperous land of exotic fruits, thriving markets, consumer products that actually work and are not depreciated by regulatory mandates, and polite and warm people.

I received a very generous invitation to be a main speaker at the third conference on Austrian economics sponsored by Mises Brasil, a young organization with a very bright future. It was founded only four years ago. Yet today, it has a gigantic presence in Brazilian intellectual life. The hunger for the intellectual basis of freedom is palpable.

Three hundred or more people were here to listen to lectures and engage in debates on ideas. The audience was a sea of young people, almost everyone under 30. They were students, professionals, traders and workers of all sorts, all passionate about freedom and the economic answers provided by the Austrian tradition of Ludwig von Mises, F.A. Hayek and Murray Rothbard.

What most excited them was the classic idea of laissez-faire — that is, the idea that society can thrive on its own in the absence of central management and that the government operates as a drain on society. The culture of the group was certainly more intellectual and educational than political. They were invigorated by ideas and given hope by the idea of freedom. Apparently, nothing like this organization existed in Brazil until recently. Now the group's website is one of the most heavily trafficked in the country.

My hosts were enormously generous with their time, and they knew exactly what I really wanted to do on the first day: see the delights of the open-air markets. I was told they are in the center of town. If you had seen a map of Sao Paulo, you would know just how odd it is even to imagine such a thing. The city seems to be everywhere in sight, everywhere you turn, going on forever. It is like 100 New Yorks.

Driving here is not for the faint of heart. The street layout makes no rational sense at all. I could have been driven the short distance between the hotel and the conference center a hundred times and still not have had the slightest clue about the layout. I was told that it would take at least two years of living here to gain a sense that you really know the place.

Go to a high spot in the center of town and look around on all sides. Everywhere you see a beautiful thing, a world built by millions of human hands. No central plan could have made this. No single mind could have conceived of it. To anyone who is intellectually curious, the obvious questions are how does this place work? How is order achieved? The answer is one that few people in the United States seem to care about today. The miracle is obtained through the coordinating forces of the market itself, of millions of free people interacting in small ways toward their mutual self-betterment. This is the answer that inspires a lifetime of intellectual curiosity.

For the first lunch on my first day, my hosts took me to a place like I had never seen, and they are as unconscious of its significance as Americans would be startled by its very existence. Again, it seemed to be in the center of town. To obtain entry requires extensive security checks. But once you are in, a new world emerges: restaurants, soccer fields, gigantic swimming pools of many varieties and delights as far as the eye can see.

This is a city within a city. But it is entirely private, what Americans would call a "country club," but of a particularly elaborate type. It is not hidden away in some alcove on the outskirts of town. It is right there in the city for everyone to see — something nonmembers can also take pride in. It is marvelous in every way, a living monument to the possibility of orderly, privately-owned anarchist communities.

One thing kept gnawing at me during my entire visit. I kept coming across people who were members of large and extended families with roots very far back in Brazilian history. They were impressive entrepreneurs, but the wealth was more robust than you would find in a place like Silicon Valley. It reminded me of Gilded Age families in the United States, people who carried themselves with grace and confidence born of excellent breeding and material security.

As I thought about it more, the ingredients were unusual by American standards: large and extended families, protected wealth, well-bred youths, a predominantly young population. What was the reason for this? I developed a quick, back-of-the-napkin theory. It had something to do with the inheritance tax. So I asked my hosts, "What are estate taxes like in this country?" The answer came fast: There are none. Some areas charge 3%, maybe 6%, but it is rather easy to escape even those minimal charges.

This contrasts with the United States, where estate taxes can be as high as 35%. We've been looting our best families for a hundred years. We've gouged and smashed the richest generations of American capitalists upon death ever since the Progressive Era. We've been living one generation at a time. Time horizons have fallen. Large-scale, privately held capital accumulation has been discouraged, even made illegal. Families have shrunk in size. The population has become ever more aged.

This tax policy has eaten the heart out of the desire of a free people to create dynasties. So our wealthy have to hide. They are encouraged to give their money away to causes, rather than to children. We live one generation to the next. Children are perceived as an economic burden, rather than a path to immortalizing a legacy.

In Brazil, the time horizon extends beyond the single lifetime. And this is what has given rise to the dramatic cultural, social and economic differences between our countries. These dynasties serve as robust intermediating institutions between the individual and the state. We have ever fewer such things in the United States. Maybe this is what accounts for the incoherent sense that this is a freer country than the U.S.

There are other factors, too. The military consumes only a tiny percentage of wealth, and Brazilians dread wars because they know that they will be roped into supporting whatever wacky war the U.S. starts. What's more, the police are well-known to be as likely to commit as prevent or punish crime, so they are not trusted. Security is extremely important in Brazil, but everyone knows that it is a private function and not anything anyone would entrust to the state.

The beautiful thing about Mises Brasil as an organization is that it is working to further encourage these instincts and spread an intellectual culture that openly embraces liberty as a model of life itself. They publish books and monographs, hold conferences and spread the liberal tradition far and wide among an idea-hungry generation. This is all about the future, and Mises Brasil is right to have confidence in it.

As I waited in the customs line to enter the U.S. again, we were all shown a film designed to introduce America to new visitors. The film featured kids in ballet class, people riding horses, barn raisings, people water surfing, dances from coast to coast, smiling people of all ages, all against the backdrop of an exciting Copelandesque musical score. It ended with the Statue of Liberty. It was wholly inspiring, but there was something missing: The government was nowhere to be seen.

How I wish this film were the whole truth about our country. It once was. But the American dream is not about geography; the American dream is an idea that moves like a spirit around the world, landing wherever people are willing to embrace it and confess it as creed. That spirit has landed in Brazil, and it was a great honor to be witness to it.

My Government Is Worse Than Yours

Now that hysteria over my original Brazil column has died down, let me add some comments and reflections about it and what gave rise to the reactions.

To review, I had written a piece praising the many glorious features of Brazil and especially the way in which civilization has managed to thrive by virtue of certain freedoms that we do not have in the U.S.: the freedom to pass on estates in whole to children and the seeming absence of the policestate security apparatus and military-industrial complex that represses us every day in this one-time land of the free.

Many Brazilians were appalled by what seemed to them to be my favorable comparison of Brazil to the United States. Don't I know that their country is ruled by a wicked socialist dictatorship that strangles the life out of enterprise every day? Don't I know about the other egregious forms of taxation they deal with constantly? Am I completely unaware of the stultifying bureaucracies that make it nearly impossible to open and run a business?

One thing that all the correspondents said again and again: if you think you have it bad, you should experience our disgusting lives and then you would really know the meaning of despotism.

I also detected in all these letters a sort of idealization of the U.S. that we often find abroad. No matter how much our government tries to wreck our reputation as the place where liberty thrives, many people around the world still like to imagine that we have full constitutional rights and freewheeling enterprise that they do not enjoy.

As Americans, we should resist this flattery. It is an interesting exercise to travel abroad and discover that, behold, in some ways people living under democratic socialism experience elements of freedom that our current American system (democratic fascism?) denies to us. To me, this is the strongest case for traveling, just so that we can gain some perspective.

But all of this raises an interesting question. Why is it that we tend to be more critical of our own governments than those in other lands?

In a sense, I agree with Noam Chomsky (I'm a sometime fan but not a devotee) who was once asked why he is such a severe critic of the U.S. government but doesn't have much to say about the evil of other governments around the world.

I'm paraphrasing his answer. First, he knows more about the U.S. government than other governments so he is in a better position to report accurately. Second, his criticisms of the U.S. government can actually have some influence whereas he would have no influence on the policies in Afghanistan or North Korea. Third, because he is a U.S. citizen he has a special and even moral obligation to object when the government that is stealing from him is using that money to murder and oppress people abroad.

He might have had other reasons too but those strike me as reasonable. I might add that we all have a tendency to believe that the government we know the best is probably the worst. For example, many people can tell grim stories of the corruption, graft, favoritism, and brutality of our local governments. We know its victims first hand. We've seen it up close and we are appalled.

Our heads should tell us that if it is this bad at the local level, it is surely worse at the state level and unimaginably bad at the central level of the federal government. Most of us have no direct experience with the feds, however, so its depredations are more abstract to us.

It doesn't help that the sheer numbers that the feds play with are beyond human comprehension. The local official who steals \$100,000 is a criminal but what does it mean when a federal agency loses track of \$2,000,000,000 in loans? The larger the number, the more abstracted it becomes from our experience.

I take it for granted that all governments everywhere are parasitic, power abusing, thieving, grafting bastions of hypocrisy, depredation, and duplicity. This is not an accident of history but rather an outgrowth of a fundamental structural reality: government operates by different rules from the rest of us.

If we steal, we are doing wrong and everyone knows it. But the government does the same thing and claims it is sustaining the social order — and calls us unpatriotic if we disagree. And that's only the beginning. The government punishes us for doing things — fraud, theft, murder, kidnapping, counterfeiting — that it does legally every day.

This is not a feature of bad government. The legal right to violate the laws it enforces against the population is the defining feature of the state as we know it. That is to say, there is evil at the very heart of the business of government. The more centralized the state, the less control we have over it and the more egregious the immorality, efficiency, graft, and lies.

I would go further than Thomas Jefferson, who said that the government that governs best governs least. Actually, the government that governs not at all is the best of all.

Returning to Brazil, the difference between the government there and the government here is not a matter of kind but of degree. So it is for all governments in all times and places, which is why we can read about the rise and fall of the Roman Empire and find so many parallels with our own time. Measuring the degree of evil can be extremely tricky. Chomsky is right here: if we wish to decry evil in politics, our primary obligation is to focus on the state we know best, which is our own. In that sense my critics are right, from their point of view, and I'm right from mine.

At the same time, there is more to the task of liberty than hating and decrying the state. The other side of the coin is developing a genuine love of liberty, which implies a love of its most spectacular, people-serving feature: commerce.

Commerce keeps the world orderly and rational and free. It gives us drive and ratifies our efforts. It sparks imagination and defines its

boundaries. It feeds the world, sustains and builds civilization, and unleashes the best in the human spirit. It keeps us materially connected and linked to our brothers and sisters across the globe. It makes possible, in our own time, beautiful worlds we could never dream up on our own.

Wherever there is liberty, there is commerce. And this commerce breaks down the barriers that the state erects between people. Commerce ignores borders, draws people together whom the state would like to see separated. It always tends toward the service of human needs rather than civic priorities.

Without some liberty, however restricted it might be, and the commerce it sustains society would die in a matter of weeks. The state alone sustains nothing. This is why, when I travel, I'm very much drawn to finding and watching those sectors where liberty lives and observing the massive contribution it makes to the social order.

I take it for granted that the state is too big, invasive, and horrible — not just in Brazil, not just in the U.S., but absolutely everywhere. What's really exciting is to see people finding the workaround and making lives for themselves, and that usually means some commercial activity that thrives despite every effort to kill it.

This is what I saw in so many beautiful ways in Brazil. To see liberty work is to see a model for building the future. This is why it is so inspiring to visit real markets, to see what people can do with investable wealth, to observe all the ways in which people manage to make good lives for themselves despite every obstacle.

This is the spirit of liberty. The great merit of the work of Mises Brasil is that it encourages intellectual change throughout society, building from the liberty that currently does exist toward a full-blown free society. This is the path of change. It requires that we see more than what is bad but also see what is good, and build from that.

Wendy McElroy's forthcoming book from Laissez Faire Books is called *The Art of Being Free*. She raises a very profound question for serious libertarians. If the state went away, what would you be left with to give your life meaning? Find that thing and you will have found your North Star, the inspiration and driving force for building a vibrant and free future.

Hate the state, yes, but love liberty even more. Decry the thicket, yes, but then find the seed, plant it, and see the garden grow.

Democracy is Our Hunger Game

Whatever good you have heard about *The Hunger Games*, the reality is more spectacular. Not only is this the literary phenom of our time, but the movie that created near pandemonium for a week from its opening is a lasting contribution to art and to the understanding of our world. It's more real than we know.

In the story, a totalitarian and centralized state — it seems to be some kind of unelected autocracy — keeps a tight grip on its colonies to prevent a repeat of the rebellion that occurred some seventy-five years ago. They do this through the forced imposition of material deprivation, by unrelenting propaganda about the evil of disobedience to the interests of the nation state and with "Hunger Games" as annual entertainment.

In this national drama and sport, and as a continuing penance for past sedition, the central state randomly selects two teens from each of the twelve districts and puts them into a fight-to-the-death match in the woods, one watched like a reality show by every resident. The districts are supposed to cheer for their representatives and hope that one of their selected teens will be the one person who prevails.

So amidst dazzling pageantry, media glitz and public hysteria, these twenty-four kids — who would otherwise be living normal lives — are sent to kill each other without mercy in a bloody zero-sum game. They are first transported to the opulent capitol city and wined, dined, and trained. Then the games begin.

At the very outset, many are killed on the spot in the struggle to grab weapons from a stockpile. From there, coalitions form among the groups, however temporary they may be. Everyone knows there can only be one winner in the end, but alliances — formed on the basis of class, race, personality, etc. — can provide a temporary level of protection.

Watching all this take place is harrowing to say the least, but the public in the movie does watch as a type of reality television. This is the ultimate dog-eat-dog setting, in which life is "solitary, poor, nasty, brutish, and short," in the words of Thomas Hobbes. But it is also part of a game the kids are forced to play. This is not a state of nature. In real life, they wouldn't have the need to kill or be killed. They wouldn't see each other as enemies. They wouldn't form into evolving factions for self-protection.

The games provide the key element that every state, no matter how powerful or fearsome, absolutely must have: a means of distracting the public from the real enemy. Even this monstrous regime depends fundamentally on the compliance of the governed. No regime can put down a universal revolt. The plot twist in this story actually turns on a worry among the elites that the masses will not tolerate a scripted ending to the games this time.

So here we see the first element of political sophistication in this film. It taps into the observation first recorded by Étienne de La Boétie (1530–63) that all states, because they live parasitically off the population on an ongoing basis, depend on eliciting the compliance of the people in some degree; no state can survive a mass refusal to obey. This is why states must concoct public ideologies and various veneers to cover their rules (a point often raised by Hans-Hermann Hoppe in his work). "National traditions" such as the Hunger Games serve the purpose well.

The political sophistication of this film doesn't stop there. *The Hunger Games* themselves serve as a microcosm of political elections in modern developed economies. Pressure groups and their representatives are thrown into a hazardous, vicious world in which coalitions form and reform. Survival is harrowing, and hate is unleashed as would never exist in normal life. Candidates fight to the death knowing that, in the end, there can only be one winner who will take home the prize.

Slight differences of opinion are insanely exaggerated to deepen the divide. Otherwise irrelevant opinions take on epic significance. Lies, smears, setups, intimidation, bribery, blackmail and graft are all part of a day's work. All the while, the people watch and love the public spectacle, variously cheering and booing and rating the candidates and the groups they represent. Everyone seems oblivious as to the real purpose of the game.

And just as in *The Hunger Games*, democracy manufactures discord where none would exist in society. People don't care if the person who sells them a cup of coffee in the morning is Mormon or Catholic, white or black, single or married, gay or straight, young or old, native or immigrant, drinker or teetotaler or anything else.

None of this matters in the course of life's normal dealings with people. Through trade and cooperation, everyone helps everyone else achieve life aspirations. If someone different from you is your neighbor, you do your best to get along anyway. Whether at church, shopping, at the gym or health club, or just casually on the street, we work to find ways to be civil and cooperate.

But invite these same people into the political ring, and they become enemies. Why? Politics is not cooperative like the market; it is exploitative. The system is set up to threaten the identity and choices of others. Everyone must fight to survive and conquer. They must kill their opponents or be killed. So coalitions form, and constantly shifting alliances take shape. This is the world that the state — through its election machinery — throws us all into. It is our national sport. We cheer our guy and hope for the political death of the other guy.

The game makes people confused about the real enemy. The state is the institution that sets up and lives off these divisions. But people are distracted by the electoral and political mania. The blacks blame the whites, the men blame the women, the straights blame the gays, the poor blame the rich, and so on in an infinite number of possible ways.

The end result of this is destruction for us but continuing life for the Gamemakers.

And of course, in both elections and Hunger Games, there is a vast commercial side to the event: media figures, lobbyists, trainers, sign makers, convention-hall owners, hotels, food and drink businesses, and everyone and anyone who can make a buck from feeding the exploitation.

In all these ways, this dystopian plot line illuminates our world. I'm not suggesting that this is the basis of the appeal, though its uses as political allegory are real enough. More disturbing is the possibility that the story suggests to young people today the limits of the life

opportunities for the generation now in its teen years. They have a darker worldview than any in the postwar period.

If *The Hunger Games* helps this generation understand that the real problem is not their peers or parents or anyone other than the Gamemakers, maybe they, too, will plot a revolt. Democracy is, as Hans-Hermann Hoppe says, the god that failed. I'm told that we have to wait for the third film for that.

Death by Regulation

I had previously heard nothing about the tragic and remarkable case of Andrew Wordes of Roswell, Ga., who set his house on fire and blew it and himself up as police arrived to evict him from his foreclosed-upon home. It was *Agora's* 5 Min. Forecast that alerted me to the case, and this report remains one of not too many mentions in Google's news feed.

So I got curious about this case, read some of the background, heard an interview with Andrew and read all the tributes at his memorial service and now I realize he was like all of us living under the despotism of our time. He resisted and resisted as long as he could. But rather than finally complying, he decided that a life that is not his own is not worth living.

It is a dramatic and deeply sad story that should raise alarms about the least-talked-about cost of a state-run society: the demoralization that sets in when we do not control our own lives. (I'm grateful to Glenn Horowitz for his careful reconstruction of the timeline of events.)

The whole ordeal began only a few years ago, when Wordes began to keep chickens in his backyard. His property was on 1 acre, but it was surrounded by secluded woods. He loved the birds, sold and gave away eggs to people and enjoyed showing kids the animals. He was also very good at this job, and being something of a free spirit, he chose to make something he loved his profession.

The city objected and came after him. In 2008, the zoning department issued a warning about the chickens on his property. This was odd because he was violating no ordinance at all; indeed, the code specifically approved chickens on properties of less than two acres. Even the mayor at the time objected to the department's claim, but the department went ahead anyway. A year later, and with the assistance of former Gov. Roy Barnes, Wordes won in court!

But then look: The city council rewrote the law with no grandfather clause. It forbade more than six chickens on any lot, and specified that all chickens have to be in a permanent enclosure. He had tried to get approval for an enclosure, but because his house was on a flood plain, the city would not issue an approval. In the midst of this controversy, a flood did come to his house, and he had to use a Bobcat to move dirt around to save his house and his chickens.

Sure enough, the city then issued two citations for moving dirt without a permit and having illegal, unrestrained chickens. Then, the city refused to submit to FEMA (Federal Emergency Management Agency) his request for reconstruction funds after this storm (individuals on their own cannot get money of this sort). Next, the city contacted his mortgage holder, who was a friend and who had carried his mortgage for sixteen years, and pressured her to sell the mortgage to stay out of legal trouble.

Do you get the sense from this that Mr. Wordes was being targeted? Absolutely. And he knew it, too. The Roswell Police Department pulled him over constantly and issued as many tickets as possible for whatever reason, tangling him in more difficulties. Police cars would wait in front of his house and follow him. And when he didn't cough up enough money (he was nearly bankrupt after all this), they would book him and throw him in jail. This happened on several occasions. Meanwhile, the city itself filed several more suits against him.

It gets worse. The city planners came up with a "Roswell 2030 Plan" that posited a parks area exactly where his home was. Hearing of this, Wordes offered to sell his home to the city, but the city refused. They clearly planned to drive him out of it with this legal barrage. It didn't matter that Wordes won every legal challenge or managed to get the suits thrown out in court — that only made the city angrier. Eventually, the city managed to get a probated sentence, setting up a tripwire that would eventually destroy his livelihood.

He posted on his Facebook account that he was going to be attending a political event. While he was gone, his chickens were poisoned. Also poisoned were the baby turkeys, ten of which were actually owned by the mayor, who was a friend. At this point, he had lost his means of support. While panicked about what to do, he missed a probation check-in. He was ordered to serve the remainder of his probated sentence in jail for ninety-nine days.

While in jail, his home was ransacked and looted. Of course, the police did nothing. In fact, they probably approved it. Also while in jail, the new mortgage holder foreclosed on his home. His entire life was now in shambles.

The final episode came on March 26 this year. The police had come for the final eviction. Wordes locked himself in the house for several hours. He then came out and told all authorities to step far away from the house. He lit a match, and the gasoline he had doused all over the house created a gigantic explosion. Wordes' own body was charred beyond recognition.

Maybe you think that Wordes was some sort of freak who couldn't somehow adjust to normal life with neighbors. Well, it turns out that he was just about the greatest neighbor one could ever have. At his final service, person after person testified how he would come to anyone's aid at a moment's notice, how he fixed things and gave away eggs and was incredibly generous to everyone around him. I listened to an interview with him and found him extremely well-spoken and intelligent.

I tell you, if you can listen to this interview without tears welling up, you have no heart. This man was the heart and soul of what made this a great country. The law hounded and hounded him, mainly because some bureaucrats had made a plan that excluded his home. They carried out that plan. He became an enemy of the state. Demoralized and beaten down, he finally had no way out. He ended his life.

Note, too, that he had the support of the high-ranking members of the political class, including the current mayor and a former governor. Bear in mind what this signifies: The political class is not really running things. As I've written many times, the political class is only the veneer of the state; it is not the state itself. The state is the permanent bureaucratic structure, those untouched by elections. These institutions make up the real ruling apparatus of government.

It is hard to say that Wordes made the right decision. But it was a courageous one — at least I think it was. It is a difficult moral choice, isn't it? When the police come to take all you have and are determined to cut out your heart and soul and reduce your life to nothing but a sack of bones and muscle, without the right to choose to do what you love — and you really see no way out — do you really have a life? Wordes decided no.

The rest of us need to think hard about this case, and perhaps you can also spare a few thoughts in memory of his good life, and even a prayer for his immortal soul. May we all long to live in a society in which such people can thrive and enjoy "life, liberty and the pursuit of happiness."

No Escape from the Mark of the Beast

The Canadian gambling site Bodog.com thought it had the whole thing figured out. If you stay in Canada, use Canadian servers, block anyone inside U.S. territory from using the site and make sure that you don't use any American vendors for anything — stay completely away from anything having to do with the jurisdiction of the United States — you can be free to operate your online business.

Many sites have assumed this. More and more are doing this. Bodog was doing just fine, with hundreds of employees in Canada and Costa Rica. It had just signed a three-year sponsorship deal with the Canadian Football League, according to Michael Geist, whose column alerted me to this remarkable case. All was going well.

If you go to the site right now, you will find that it is among the growing number of seized domains. Instead of a free gaming site, you will see instead what is quickly becoming known as the Mark of the Beast. It is the Homeland Security seizure notice.

How could this have happened? Officials were somehow able to get the warrant and lean on VeriSign to redirect the URL. The homeland is safe! Whether this is legal is another question. There have been many legal challenges to U.S. takedowns recently, among them the Megaupload case from early 2012, a case that may eventually be decided in favor of the defendant.

Regardless, the chilling effect is real and lasting. Governments are going to be less likely in the future to permit any gaming sites, and large institutions such as the Canadian Football League are less likely to sign deals with any enterprise the U.S. government doesn't like.

What's absolutely bizarre is how the U.S. government can presume what is effectively a global jurisdiction over the global Internet. It can use its weapons of mass destruction to smash even the most developed and popular institutions — developed entirely by a voluntary meeting of minds between producers and consumers — and make them go away with one court order.

This case shows that it is no longer protection enough to put up a wall between U.S. jurisdiction and the website. In any case, it has been obvious enough for some months that the excuse the enforcers have used was a thin excuse, in any case. No, that excuse seems to be gone, and just as with U.S. military policy, any server located anywhere in the world is fair game.

This whole nationalist approach runs completely contrary to the international ethos of the digital age. Given the ubiquity of instantaneous and universal communication, where you live is less and less important. Consumers and producers can be in all corners of the world and still cooperate. But look what is happening: Dynamic companies are already setting up shop outside the U.S. just to evade what Ronald Reagan called the “evil empire” (except, of course, he was not talking about the U.S.).

This takedown notice seems to indicate that the government isn't satisfied merely with the digital age outside our borders. It is signaling the desire to crush it wherever it may appear.

And just like the Megaupload case earlier this year, this case is also a rebuke to those who worked so hard to beat back the SOPA legislation that Congress had been considering. A major concern of the opponents of this legislation was that it would dramatically expand the geographic jurisdiction of the U.S. If any dot-com, dot-net or dot-org site were accused of hosting pirated copy, it could be instantly shut down wherever it happened to reside.

Well, once again, we discover that no such legislation is necessary. The government already has that power. The excuses vary. It could be a copyright case. It could be a patent infringement case. Or it could be that the site is said to be doing something, like gambling, that the U.S. wants to see monopolized by some other market player. The rationale can be anything or nothing.

Under these conditions, the whole Internet is threatened every day. You might say that it doesn't matter, that you don't host pirated material, you don't tolerate illicit porn and you will have nothing to do with gamblers. Surely, you are safe. The truth is that no one is safe when the government has this much power.

First, they came for the pirates, but I was not a pirate...

In the 1985 film *Brazil*, the government would routinely drop through the roofs of citizens and throw people in body bags and take them away. If it turned out that a mistake was made, a bureaucrat would show up with a receipt and express regret. That's it. It's been this way in U.S. foreign policy, with the military killing innocent people and then reluctantly admitting that mistakes might have been made.

Internet enforcement seems to be going the same direction. A body bag is thrown over any website, and the details are worked out later. The business dies and hundreds lose their jobs and files. If mistakes were made, here's your receipt.

Political Migration in Our Time

If you are willing to look past mainstream media coverage of American politics, you can actually find exciting and interesting activities taking place that rise above lobbying, voting, graft and corruption.

Consider the Free State Project. It is an attempt, and a surprisingly successful one, to inspire a political migration by lovers to liberty to New Hampshire. It is not about lobbying, forming a political party, populating a real estate development or anything like that. It is about seeking a place to live and let live in these times when the political culture seems to be about everything but that.

The idea is to gather people with some consciousness of the idea of liberty so that they can live peacefully among friends and influence the political culture in a way that brings more freedom or at least protects what we have. As the statement Free Staters sign says, “I will exert the fullest practical effort toward the creation of a society in which the maximum role of civil government is the protection of life, liberty and property.”

I had heard of this movement for years, but, frankly, didn't pay much attention to it. I suppose that with only a passing glance, it seemed sort of cranky and unworkable, just another scheme. I was completely wrong. This is a serious movement that is achieving real results, as I observed when I was invited to attend the annual Liberty Forum in Nashua, N.H.

Why New Hampshire? It is the “Live Free or Die” state without a sales or income tax. It has low population density, which increases the chances that the influence of the libertarians can be felt in the culture and the State-house. It has lower business regulations than the rest of the country, and wonderful homespun culture that turns out to be highly tolerant toward cultural and political eccentricity.

The whole notion really began in 2001 with research by political scientist Jason Sorens, who was then studying at Yale University. He observed that the influence of the libertarians was muted by their sheer geographic diffusion throughout the country. If they could gather together in one place, they could achieve that critical level of influence over political affairs that would create a tipping point against statist-style management toward individual liberty.

It turns out that there is a huge tradition in American history for this type of political migration. The Mormons did this in their trek across the West to finally land in Salt Lake City. The Amish did the same. But it doesn't have to be about religion. This migrating impulse also populated Texas in the early nineteenth century, when the pioneering spirit drove a whole generation to settle this wild country.

Actually, if you think about it, the entire Colonial period was shaped by cultural groups arriving to settle in coherent communities formed around certain themes of safety and liberty. Puritans, Catholics and borderland immigrants all coalesced in geographically defined areas. Then there were the Quakers, the Mennonites and innumerable anarchist sects of the nineteenth century that formed their own communities. In all these cases, they found the liberty and security they were seeking. Rather than merely dreaming of a new life, they worked to put their dreams into practice in whatever way this world allows.

The Free State Project is different from these only in the sense that the invitation is to move somewhere within the state. And the driving force is simply to be left alone. It turns out that being around others who share your values helps that goal. If the police pull over a Free Stater, I'm told, a dozen others show up within minutes with video cameras. If you go to jail, there are people to defend you to the press. And there is something to say for living among people you can trust, especially in these times when the government is urging everyone to rat out their neighbors, friends and family for any reason.

There is a huge diversity among the 4,000 people who have identified themselves as Free Staters. In my trip, I met attorneys, teachers, bakers, software application developers, people who mint coins, welders, natural statesmen, bloggers, physicians and people from every walk of life one can imagine. Some are religious and some are not. Some look like crazy mountain men, some have oddly dyed hair, some wear suits and ties. They are single, married, young, old, whatever.

Free Staters take any job that suits them. Some run for office, and win, which is not entirely difficult in a state with 400 representatives in the state legislature. Others stay out of politics completely. Some are independent contractors who can relocate, so they choose this state. Others are craft makers who sell their wares from their house or online. Some are wealthy; some are poor.

Their reasons for coming to New Hampshire are all over the map. I met one young person who had graduated from high school two years ago with straight As and a perfect transcript for going to any college she wanted. But she didn't want to deal with the debt, was tired of the indoctrination and had seen too many people waste four or eight years in school and not find any work afterward. She didn't want that for herself. So she works various jobs, pays the bills, enjoys a rich social life and is completely happy. Most kids of her generation can't say the same.

At the opening reception of the Liberty Forum, I stood back, studying the huge crowd with puzzlement at first — the culture of the event might best be described as bourgeois bohemian — but then it became clear to me what was going on. These people were extremely well-read. They had developed a love of liberty, and it became a passion in their life. They realized that freedom is the precondition for everything else in life we love. Without freedom, all dreams die. But they weren't satisfied to read and reflect. They wanted to do something real, something practical. Moving here and joining this movement was the best hope they found.

Human liberation never happens in a social or cultural vacuum. The great steps forward in the history of liberty were preceded by

periods in which the social and practical infrastructure had undergone years of development and maturation. The American Revolution was the culminating moment of 150 years of colonial experience with liberty. The abolitionist movement was preceded by many years of the development of a robust culture and experience of free men and women in both slave and nonslave states. The repeal of Prohibition was made possible because of the giant network of speakeasies and bootleggers and the ever-increasing demand of the population for the freedom to drink.

Perhaps, then, it is necessary that people take up the charge to live their own visions of liberty in whatever way they can, even in open defiance of our overlords, in order to prepare the ground for a brighter future.

A film has already been made about the movement: *Libertopia*. News coverage is increasing. And the movement is clearly growing as trends in the U.S. get worse and worse. And after this election season, when it becomes very obvious to disillusioned liberty lovers around the country that national politics are now and will forever be hostile to the philosophy of individualism, I can easily imagine that the Free State Project will have another wave of immigrants ready to wave the flag: “Live Free or Die.”

It’s a New World, and America Is Not Leading It

In the last decade, something astonishing has happened that has escaped the attention of nearly every American citizen. In the past, and with good reason, we were inclined to imagine that if we were living here, we were living everywhere. We were used to being ahead. The trends of the world would follow us, so there wasn’t really much point in paying that close attention. This national myopia has long been an affliction, but one without much cost. Until very recently.

One symptom of the change is that it used to be that the dollars in your local savings account or stock fund paid you money. The smart person saved and got rewarded. It seemed like the American thing to do. It is slowly dawning on people that this isn’t working anymore. Saving alone no longer pays, thanks largely to a Federal Reserve policy of zero-percent interest.

But that’s not the only reason. There’s something more fundamental going on, something that Chris Mayer, author of the absolutely essential and eye-opening book *World Right Side Up*, believes is going to continue for the rest of our lifetimes and beyond. The implications of his thesis are profound for investors. It actually affects the lives of everyone in the digital age.

Mayer points out that sometime in the last ten years, the world economy doubled in size at the same time the balance of the world’s emerging wealth shifted away from the United States and toward all various parts of the world. The gap between us and them began to narrow. The world’s emerging markets began to make up half the global economy.

When you look at a graph of the U.S. slice of global productivity, it is a sizable slice, taking up twenty-one percent, but it is nothing particularly amazing. Meanwhile, emerging markets make up ten of the twenty largest economies in the world. India is gigantic, larger than Germany. Russia, which was a basket case in my living memory, has passed the U.K. Turkey (who even talks about this country?) is larger than Australia. China might already be bigger than the United States.

Check these growth rates I pulled from the latest data, and compare to the U.S.’s pathetic numbers:

- ◆Malaysia and Malawi: 7.1 percent
- ◆Nicaragua: 7.6 percent
- ◆Dominican Republic 7.8 percent
- ◆Sri Lanka: 8.0 percent
- ◆Uruguay, Uzbekistan, Brazil, and Peru: 8.5 percent
- ◆India: 8.8 percent
- ◆Turkey and Turkmenistan: 9 percent
- ◆China: 10 percent
- ◆Singapore and Paraguay: 14.9 percent.

Then there’s the measure of the credit-default swap rating, which is a kind of insurance against default. The French rate is higher than Brazilian, Peruvian and Colombian debt. In the last ten years, the stock markets of those Latin American countries far outperformed European stock markets. Also, many emerging economies are just better managed than the heavily bureaucratized, debt-laden economic landscape of the U.S. and Europe. As for consumption, emerging markets have already surpassed the United States.

“These trends,” writes Mayer, “will become more pronounced over time. The creation of new markets, the influx of hundreds of millions of people who will want cellphones and air conditioners and water filters, who will want to eat a more varied diet of meats and fruits and vegetables, among many other things, will have a tremendous impact on world markets.”

Why does he see the trends as creating a “world right side up”? Because, he argues, this represents a kind of normalization of the globe in a post-U.S. empire world. The Cold War was a grave distortion. In fact, the whole of the 20th century was a distortion too. Going back further, back to 1,000 years ago, we find a China that was far advanced over Western Europe.

I read Mayer’s prognostications with an attentive ear, for several reasons. His book is not the result of thousands of hours of Internet surfing or cribbing from the CIA World Factbook. He is an on-the-ground reporter who will go anywhere and do anything for a story about emerging wealth. The result is the kind of credibility that can’t be gained any other way.

But there is another reason. Mayer is often cited as one of a handful of people who saw what was happening in the housing market in the mid-2000s and issued several lengthy and detailed warnings. Not only did he foresee the bust, he explained why the boom was taking place. He saw a perfect storm brewing with a combination of subsidized loans, too-big-to-fail mortgage agencies and a Federal Reserve policy that was designed to distort capital flows. He called it like few others.

This is not because he is a magic man. It is because he is schooled in solid economic theory — this becomes obvious in page after page — and also because he is intensely curious to discover the workings of that theory in the real world. In his way of thinking, if we can’t understand or expect change, we can’t understand markets, much less anticipate their direction.

Another thing: Mayer is less interested in big aggregates like GDP (and other such “economic monstrosities”) and more interested in taking a “boots-on-the-ground view, a firsthand look.” His aim: “stay close to what is happening and what we can understand in more tangible ways.” And he seems close to everything: cement factories, the hotel industry, ranches and farms, coal and cellphone companies, financial houses, glassmakers, water purification companies — all the stuff that makes up life itself.

And what he discovers again and again are localized institutions that are cooperating globally (trade!) to build capital, wealth and new sources of progress that no one planned and hardly anyone anticipated. Here is the story of the building of civilization as it has always happened in history, but tracked carefully and precisely in our times.

In this book, he uses this combination of smarts plus fanatical curiosity to examine all the main contenders for the future: Colombia, Brazil, Nicaragua, China, India, the UAE, Syria, South Africa, Australia, New Zealand, Thailand, Cambodia, Vietnam, Mongolia, Argentina, Russia, Turkey, central Asia, Mexico and Canada. Here he finds innovation, capital, entrepreneurship, creativity, a willingness to try new ideas and a passion for improving the lot of mankind.

His reporting defies conventional wisdom at every turn. Page after page, the reader will find himself thinking: that’s amazing. Nicaragua is not socialist. Medellín, Colombia (the “city of eternal spring”), is not violent. Brazil is no longer a land of rich and poor, but rather home to the world’s largest middle class. China is the world’s largest market for cars and cellphones; even in the rural areas you can buy Coke and a Snickers bar. India is the world’s leader in minting new millionaires. Cambodia (Cambodia!) ranks among the world’s most powerful magnets for investment capital. Mongolia has one of the world’s best-performing stock markets.

He also discovers many large American companies that have seen the writing on the wall and opened up factories, manufacturing plants, financial services and retail shops all over emerging markets. These companies are attracted by the intelligence of the workers, the relatively unregulated and low-tax legal environment and the cultures that have a new love for enterprise. And the returns are there too. The bottom line is sending a signal for them to expand.

It’s particularly intriguing to read about how all these emerging-market entrepreneurs overcome terrible and destructive bureaucracies — they exist everywhere! — that try to gum up the works, as well as bureaucrats who know nothing of business yet have the power to kill

it off. Yet their very inefficiency is the saving grace. They can't control the future. The brilliance of the market somehow finds the workaround.

Mayer's main interest is in finding investment opportunities, and he lays them out in great detail here. If you think about it, this is just about the best vantage point from which to examine a new and unfamiliar world. Commerce is the driving force of history, the road map of where we've been and where we are going. To track down the profitable trade is likely to provide more valuable insight than all the academic speculations.

This is a very exciting book. It weaves history, geography, economics and firsthand reporting into a marvelous tapestry, one that is as beautiful as art and as complex and varied as the world itself has become in our times. A fine stylist, Mayer offers some fantastic one-liners in every section ("Change is like a pin to the balloons of conventional wisdom") and his detailed stories give you the sense that you are traveling alongside him, like walking with Virgil in Purgatorio and Paradiso in one trip.

Mayer quotes Marco Polo: "I have not told half of what I saw." In the same way, I've not told even 5 percent of what's in this extraordinary tour of the world most people don't know has come to exist only in the new millennium. There is no way a short review can do this book justice. There is so much wisdom packed in its pages. It is a meaty and enormously credible look at a world most people have never seen. In ten or twenty years, people will point to this book and say: this guy chronicled and understood what few others did.

Peter Schiff on American Citizenship

You have probably seen Peter Schiff on television, not once, but many times. Among the legions of indistinguishable talking heads out there, he stands out. He makes sense. He draws attention to reality. He is disregarding of the opinions and conventions that prevail on the financial news networks and just comes right out and says what few others are willing to say.

He gets away with it because he makes sense, is super-articulate, and is aggressive in getting his message out. Even if you don't watch television (I don't watch much), he has his own radio show, YouTube channel, blog, social media accounts and much more. You could probably spend a good part of your day living alongside the mind of Schiff and still not hear it all.

He is also the author of *How an Economy Grows and Why It Crashes*. I assure you that there is nothing else like this on the market today. In many ways, it is a work of genius. Imagine learning the complexities of macroeconomics and the business cycle through a series of cleverly drawn cartoons that illustrate a kind of economic parable.

It's great for kids, but also for adults. It was originally written by his father, Irwin Schiff, and became somewhat famous in the 1980s, but this new edition improves the original because the accompanying text reduces one hundred years of scholarship into a plain-English explanation of economic development and the business cycle. The themes throughout are consistent: Production comes before consumption; debt is not a substitute for saving; credit is no fix for debt; economic reality cannot be held at bay forever.

I had occasion to listen to a dinner lecture by Peter at the New Hampshire Liberty Forum. The conventional wisdom is that a dinner speech should be super short — think twenty minutes — because people are slosh-headed with wine and woozy from eating too much. I didn't time his speech, but Peter might have spoken a hundred minutes. Dreadful? On the contrary. Everyone sat in rapt attention. I did too. We could have sat there and listened another hour.

Incredibly, Schiff doesn't use any notes when he speaks. He starts, and the speech rolls out of his mind like a carefully woven Persian rug. His cadence is unusual enough to entice the ear, never missing a beat. His vocabulary is vast. His rhetorical method is as follows: He introduces a topic. He presents the conventional wisdom. He points out what is wrong with the convention, and then adds his spin. Then he piles on evidence to support his opinion until it becomes completely convincing. He provides a nice segue to another point and repeats the method.

His topic was very interesting this evening. He addressed the brain drain from the United States, the very alarming trend that is unique to our times. Everyone wants to talk about the immigration problem, but he says we have an emigration problem. The smartest and wealthiest and savviest young people are trying to get out.

Already in the U.K., the waiting list for giving up American citizenship is long and growing. Americans are also leaving for Mexico, Latin America, China and the Far East. Official data are extremely difficult to obtain, so most evidence of the larger trend is anecdotal, but no less real.

Why would anyone do this? American citizenship was once the ultimate asset. People came here for freedom, and they got it. More and more, citizenship is a liability. A major reason is that the U.S. is one of the few countries in the world that actually tracks down its citizens to force them to cough up taxes on income made in any country.

Instead of being a form of liberation, Schiff said, American citizenship is like a metal ring around your ankle that you can't saw off. The only way is to give it up, but that turns out not to be so easy. The forms alone are \$450, and the wait time can be interminable.

American citizenship also exposes foreign banks and institutions to unwelcome intrusions from American bureaucrats, who no longer care anything about borders. It's as if wherever you go, you drag the American empire with you. This makes you something of a pariah to many foreign institutions. Apparently, American expatriates bump into this problem immediately when they attempt to open bank accounts and brokerage accounts, and even when trying to buy server space from foreign service providers.

As Schiff pointed out, this trend is a signal of larger problems in the United States. The unemployment issue is a huge one, especially among the young. Businesses don't want to hire employees, which cost them far more than the salary. There are insurance mandates, payroll taxes, legal liabilities — not to mention the terrible risks associated with getting the wrong guy and then not being able to get rid of him.

How does this affect young people? It's a disaster. Many newly graduated students are carrying debt in the six figures. They did what they were supposed to do, staying in good schools, obeying their teachers, getting good grades. But when they got out on the market, they found that they didn't have the skills that businesses wanted and they had no work experience that demonstrated that they could bring value to a firm. So they started at a low salary that wasn't even enough to service their existing debt load.

As if to underscore the point, just over the weekend, I met a young lawyer who had graduated from one of the best schools with excellent grades. She couldn't find any position except that of a low-paying position as a public defender — a respectable job, but not one with upward mobility. But here's the catch: She was carrying close to \$400,000 in debt. And this is at the age of 25. Talk about demoralization!

But back to Schiff's speech. The picture he paints of the American future is shockingly grim. The national debt, the regulations that grow and grow, the intrusive and intense tax enforcement, the spying and police impositions, the broken banking system, the shocking level of sheer phoniness in the financial world — all of it adds up to a dark picture.

The rich seem to understand this problem. A news cycle a few months ago mentioned that Mitt Romney keeps some assets in the Cayman Islands. Why would anyone do this, especially given the long reach of the American tax police? There are two factors: reducing legal liability in case of trouble and the general need for political diversification. It illustrates something very important: The smartest and wealthiest among the population no longer trust the future.

And compare with other countries! Contrary to what most Americans believe, other countries are freer, with lower effective taxes, less police intrusions, less spying, fewer regulations on small business. Schiff says that you don't have to go far to find more freedom: Try one country to the north or one country to the south. And while many other countries such as Sweden and Finland are becoming freer, the United States is going the other way, and there are very few prospects for a turnaround.

Schiff is an important voice to alerting us about realities that many people are reluctant to face. To gain insight into a fundamental understanding of economic realities, I can highly recommend his *How an Economy Grows and Why It Crashes*. If something should ever happen to change the ideological culture in this country, this book can be an important tool for reintroducing people to sound economic thinking.

The Speakeasy Economy

There's a Mexican restaurant I like (I'm not saying where it is) that seems to thrive in good times and bad. It never has a shortage of servers, cooks and people to bus the tables, even when there are only a few customer cars out front. Actually, it is hard to tell the workers from the customers, and extended family seems to appear from nowhere, people of all ages, sometimes eating, sometimes just visiting and sometimes going back and forth to the kitchen.

How does this place handle the high costs of this labor? It's the sort of question that is impolite to ask. A passing familiarity with the existing labor regulations, mandates, taxes and edicts on resident documentation permits anyone to figure this out. The place survives and thrives because all these niceties are ignored. The whole arrangement works through quid pro quos, barter, cash, underage labor and undocumented workers.

They know it. We know it. No one is hurt.

Consider another case lately in the news. A report from ABC did some sleuthing on educational institutions all over Australia, where government demands that everyone sign up for public school or officially register as home schooling. The report estimates that 50,000 families completely ignore these rules. Some families don't believe they should have to register. Others have discerned that there is more risk by going legal than schooling underground.

We all know of such cases. We know a person who bakes cheesecakes in her kitchen and sells them to friends — all while ignoring licenses, health regulations, mandates on oven size, zoning laws and all the rest. Her kids help her in exchange for a weekly allowance — an arrangement that looks a lot like child labor. We know of people who have one normal job but also a job on the side making jewelry, designing websites or tutoring. They prefer cash.

All these small anecdotes — and we know many of them — come from every place in the world, especially with the recession's intense economic pressures. Faced with the choice of complying with government or making a decent life for themselves, people tend to choose the latter. So it is with hundreds of street vendors in San Francisco. It's this way for thousands of workers in Shanghai who make licit products in the day and "pirated" products at night.

This will be increasingly true in the digital economy now that the US government has shown its teeth and arrested and destroyed property in the name of enforcing copyright. The Web will not suddenly become the great land of compliance. Instead, those providing gray-area services will become more anonymous, less traceable, more private and obscure.

This is already happening, as ever more people are being forced to use IP-scambling proxies to surf and put their content behind impenetrable walls. There is a tragic loss here, but it might prompt the final showdown in the great struggle between power and market.

Digital or not, the state can't make trading, sharing and associating go away. It only inspires the traders and entrepreneurs to avoid risks in different ways.

During Prohibition, the speakeasies sensing a threat would change the passwords to get in the door. With the massive increase in government all over the world, vast swaths of the world economy have begun to operate just like these speakeasies of old. They were zones of freedom, but their operations were distorted because they didn't have access to law and courts and because the people who ran them were from a class of citizens that was willing to take crazy risks.

We know all of this anecdotally, but what does it all amount to in the macroeconomic sense? I'm right now reading *Stealth of Nations* by Robert Neuwirth. It is a mind-blowing book because it is the first in our time to attempt a broad look at the meaning of all this unregulated, untaxed, unofficial economic activity. Neuwirth estimates that fully half the world's workers are involved at some level in what he calls System D.

This is the sector that is variously called the "underground" and the "informal sector." He prefers System D (the street term derived from the African French word for highly motivated people) because it is nonjudgmental. It refers simply to the sector of economic life that exists "outside the framework of trade agreements, labor laws, copyright protections, product safety regulations, anti-pollution legislation and a host of other political, social and environmental policies."

He documents the amazing workings of System D and demonstrates that it is the world's second-largest economy, amounting to economic productivity of \$10 trillion, which is probably a low estimate. At the pace at which government is growing, System D is set to employ as many as two of three workers by 2020. My own sense is that Neuwirth actually underestimates the size since he overlooks sectors like health, education and finance — which are surely three of the fastest-growing components of System D.

Neuwirth himself is not a libertarian or a free market thinker in any sense. He is a reporter with a lefty bias — a genuine leftist who believes in exalting the contribution of the poor and the working classes to the social and economic order. His reporting led him to discover that a main driving force for the classes is the need for economic relationships, and then also to notice that the state itself is the main barrier to their advancement.

He remains ideologically conflicted throughout the book. For example, he rails against child labor on one page, but then notes that were it not for child labor, many kids around the world would not be able to buy clothes, food and education and would likely turn to prostitution or some form of subjugation. But ideology is not the main contribution here. It is framing up the reality in a way that we can become conscious of the whole.

Reflecting on the sheer vastness of this sector of life, one realizes the fiction, for example, embodied in official government statistics that record only the on-the-books sector of economic life. These agencies are pumping out half-truths and whole myths every day. One further realizes the immense damage that would be done to humanity in general should there come a time when government actually managed to enforce all its edicts. It would be catastrophic. We owe much of our prosperity to people's willingness to enter the rebel class.

Protesting Government Digitally

There's been a long debate over digital technology. Does it help or harm the cause of liberty, individualism and human rights? People who say it has hurt point out that government has been able to use the products of private innovation for its own purposes. The government can watch us as never before. It assembles data on the population as never before. It can spy, intimidate, tax, regulate, control trade and even inflate ever more efficiently using the tools of the digital age.

All of this is true. But what Black Wednesday demonstrated is exactly the opposite point. Major parts of the Web withdrew their consent in protest against legislation in Congress that would have a devastating effect on how the Internet functions. Instead of being a sanctuary from power and control in which information is freely produced and distributed, it would become a delivery system for government/corporate-approved content not unlike the radio of 1930s or the television of the 1950s.

This legislation would transform our lives. The Internet declared its opposition with conviction. The institutions rose up by posting blackout notices, banner ads and messages of open defiance. It was a peaceful protest not unlike those of the past, but with a gigantic difference. Instead of being limited by geography and, therefore, easily ignored or broken up by police, the digital protest was global, impossible to ignore and could not be stopped. It applied to the English-speaking world, but all language groups become involved because the effects of the legislation would be truly universal.

It is always a risky venture to stand up to power. You face loss of commercial traffic. You face the possibility of reprisal, even violence. You face the real possibility of losing the fight and, therefore, not being declared a hero, but rather a fool. And if we look at the sweep of history, we can easily see that the odds of winning against power are extremely low. Liberty is a rarity in history for a reason. Despotism has ruled the day in most times and most places. People who choose to fight the power have to begin with this understanding.

It is only when a few people of conviction stand up to power and their protest is backed by some level of public consensus that the difference is made. It has happened rarely, but look at the effects. The liberty won through withdrawing consent built the modern world. Everything we use to better our lives is a product of this liberty. Our health, education, material prosperity, arts, faith, music and philanthropy all owe their greatest debt to liberty, not to government.

A convenient marker to signal the beginning of the digital age is the invention and popularization of the web browser in 1995 — at least this is the way I tend to think of it. That means that we've had seventeen years of seeing what free information flows can produce, and it is nothing short of astounding. We take it all for granted day to day, but when you step back to look, the transformation seems like a miracle. Anyone can communicate in real-time video at a near-zero price with anyone else in the world. At our fingertips, we have all the world's great literature, music, poetry and science. It is the key to our social networks, to educational efforts, to healing and cooking and every other life activity you can think of. And it all traces to that amazing thing: the ability to share and exchange ideas in whatever form.

Most of the time, people take for granted the products of freedom once they come into being and never stop to imagine an alternative. People go about their daily lives enjoying amazing blessings unaware of what made them possible, and they do not imagine a world in which it could all be taken away.

Even today, in former socialist countries, the young generation has little appreciation of the fact that only a generation ago, the shelves were empty and life was grim and without hope. In the U.S., we just expect and anticipate — almost as a human right — the newest digital toys, the latest upgrades, the ever-more bug-free environment of software lives. We saunter around stores and pick and choose from among the world's bounty and think nothing of it.

This is a serious problem because liberty requires awareness of its blessing to survive. Somehow, and against all odds, the debate over the technical details of the enforcement of intellectual property has sparked some degree of awareness. The protest has been cast as one against censorship, and it is indeed that. It is good to think about the counterfactual reality of a world of information gone dark. But actually, there is more at stake than that. Information is the essential building block of what we call civilization, of all the things that improve the human condition. It is about more than what we can see and what we can read; it is about the human right to share and exchange ideas that makes progress itself possible.

The anti-SOPA movement has been one of the most exciting protests I've seen in my life. It seemingly came from nowhere. It was built over the course of just a couple of months. The tipping point came when Wikipedia announced that it would join the protest. Then it seemed like everyone got involved, and over the course of just a few days. Programmers wrote applications to block out websites. Millions changed their Facebook profile pictures (hey, it's a lot easier than a hunger strike!). Congress was flooded with messages of opposition as never before.

And who and what started all of this? Strikingly and notably, it was the “conservatives” — or even the “libertarians” — who continued to be oddly confused by the whole topic. It was the “civil libertarians” and people associated with what is commonly called the “left” that became the machine behind the protest. This is a beautiful demonstration that you never really know for sure where to find the true friends of liberty.

People have asked for my speculations on the future of this legislation. My guess is that this protest will effectively kill the current versions of the bills in Congress. They will be tabled, and the corporate interest groups pushing them will quiet down. Then in the summer and fall, it will all start up again with less-objectionable legislation that claims to remove the offending powers, but, in reality, does largely the same. Will the protesters sit this one out, or will they see that eternal vigilance is the price of liberty? In the end, the freedom of the Internet can be guaranteed not just by stopping new legislation but also by repealing old legislation. In this respect, this protest represents not an end, but a beginning.

There's No Such Thing as a Stable State

Twenty years ago, and much to the shock of just about everyone, the mighty Soviet Union, the very embodiment of Hegel's view of the state as the divine on Earth, dissolved and disappeared. The malicious foe of the U.S., the deadly grizzly that was said to wander the world seeking whom it would devour, just rolled over.

What's more, the satellite states became independent nations. The empire on its borders devolved into a series of secessions. The map looked totally different from one day to the next.

The central power — said to be ruthless and all-controlling — lacked the will to fight it out and just gave up, completely unable to control events. The pretense of communism in all these places was dropped, industry was privatized, the countries adopted their old names and their populations were rolled into the global division of labor after fifty-plus years of being shut out.

The central plan stopped working, and not only in Moscow. The U.S.'s central plan also excluded the possibility that something this dramatic could happen. A decade of foreign and economic policy had been based on the Kirkpatrick Doctrine that totalitarian states were invulnerable and could only be contained or destroyed from the outside. It was on that basis that the U.S. chose its friends and enemies in the world.

Once the Iron Curtain was pulled back, we found societies ridiculously behind in the march toward material progress. The workers' paradise had never materialized. And everyone wondered what we had really been afraid of all those years.

There's no question that the Soviet state was an incredible threat to its own citizens — between 60-100 million deaths at government hands over 72 years — but was it really a threat to you and me? Far from being a superpower, it became clear that the Soviet Union had been decaying from within for a very long time.

I was raised at the tail end of the Cold War, but I find it nearly impossible to describe to younger people what it was like to be surrounded by the great Manichean conflict of those days. It consumed all political thinking from 1948-1991. Hundreds of thousands of experts devoted their lives to strategizing about it, writing about it and making a living off it in many different ways. It was the whole reason behind the gargantuan military empire that the U.S. put together over half a century. It was all done in the name of keeping us safe.

And then one day, it was gone.

Americans feared the communist menace for most of the 20th century. Russia was the embodiment of all evil but for those few years when, implausibly, Russia was oddly deemed an ally in World War II's even mightier struggle against the horrors of Japan and Germany. Then in 1948, the status quo ante was restored again, and the Red Scare returned with a vengeance — from threat to ally to threat again in a matter of a few short years. It was a turnabout satirized in Orwell's *1984* (flip the last two numbers and you see the point).

The great debate of my early political experience concerned whether Russia should be treated as a unique evil in the world or just another country with whom the U.S. should have diplomatic relations. The thinker and intellectual who won the day was Jeane Kirkpatrick. Long before she became secretary of state, she wrote a famous essay, “Dictatorships and Double Standards.” This 1979 classic became a blueprint for the foreign policy of the next decade.

This powerful piece of writing excoriates the Carter administration for its alleged wimpiness on foreign policy, particularly with regard to its unwillingness to support authoritarian, noncommunist governments against the leftist rebels. The idea here is that we can live with authoritarian regimes and eventually democratize them, whereas once a state falls to communism, it is gone forever.

Therefore, the U.S. should back noncommunist thugs of any variety, whether in or out of power. That's how the U.S. ended up supporting the Islamic fundamentalists in the mujahideen in Afghanistan, for example, that later became the Taliban and later the terror network that the U.S. now says is the mortal enemy.

Kirkpatrick couches her claims in history, noting, “There is no instance of a revolutionary ‘socialist’ or communist society being democratized.” From there, the forecast is implied: It could never happen, ever. “There are no grounds,” she writes, “for expecting that radical totalitarian regimes will transform themselves.”

A little more than ten years later, she was not only proven wrong, but history conspired to shred her entire analytical model to bits and toss it in the air like so much confetti. Not only has the Soviet Union vanished, but China is completely transformed. Cuba is privatizing. North Korea is probably the toughest nut to crack, but it too will relent in time.

Now, one might say that it was precisely the military buildup she inspired that brought about this result. The problem with that claim is that the military buildup was not designed to bring about that result, but rather to permanently “contain” the global Soviet reach and

prevent it from spreading. In the mid-1980s, not a soul — and certainly not Kirkpatrick herself — anticipated that the next decade would open without the existence of the Soviet state at all.

What had been her mistake? She attempted to forge a law of politics based on recent history projected into the future. Her law blew up because there are no laws of politics of the sort she imagined. There are no permanent regimes. There is no impenetrable system of rules. States are created by elites and uncreated by everyone else. They are all more vulnerable than they appear, because they all consist of the few tricking the many into coughing up their property and giving up their lives on grounds that are ultimately revealed to be lies. When people catch on, the states get shaky and eventually crumble, sometimes when we least expect it.

This is a fact to celebrate, for if any state could create permanent rule, human freedom wouldn't stand a chance. This is because every state is a conspiracy against liberty. No state is satisfied with just a bit of power and no more, just a bit of your money and no more. There is never enough. We must give and give until our freedom is completely suffocated. In the end, the people don't like this and will not stand for it forever. This is true everywhere in all times.

Today, our own theorists say that the United States has figured out the key to permanent rule. Madeleine Albright called the U.S. the one "indispensable nation." Mitt Romney said that the U.S. is "the greatest nation in the history of the Earth." Surely, the current configuration of the United States will last forever. Surely, it is destined to be the one stable and eternal global hegemon. It is the U.S. now that embodies Hegel's divine will on Earth.

The lesson of the Soviet collapse is not just that socialism doesn't work. It is that all-embracing statism cannot last, regardless of whether this comes about under one-party tyranny or the illusion of democracy. This experience of 20 years ago ought to instill some humility. In the same way that the Soviet experience was upended, the future history of the last superpower could change just as quickly.

III.

The Wrecking of the Physical World

Government's Idle Hands: Underwear Bomber 2.0

Government has a serious problem. It's got nothing worthwhile to do. All the cool things in life come from the private sector, and this is more obvious than ever. The market is creating whole worlds before our eyes, while the government seems ever more like a hopeless anachronism.

Government's life depends on public frenzy about some grand task it is seeking to accomplish. But today, there is no epic struggle, no grand historic project, no leading us to the light, no vanquishing evil and all those other things government used to claim to do.

It has certainly flopped as the Savior of the Economy. It can't educate the kids, it can't give us riches and it can't even deliver mail.

So its idle hands do the devil's work. Government grabs our money and dishes it out, roughs people up in the name of safety or security or whatever and otherwise hectors and prods us in a billion dumb ways that make it harder and harder to achieve a better life.

Oh, but wait! Let's not forget the War on Terror. Surely, there is a job worth doing.

Just last week, the headlines blared that government authorities had done it again. They had marvelously protected the homeland from a catastrophic bombing. The plot, fortunately foiled, involved an amazing bomb sewn into underwear, to be worn on another U.S. flight.

But the U.S. officials intervened and saved the day. They bombed the heck out of the nasty terror cell, slaughtered a few of these vermin. Ah, the world is safe for another day.

This is what we were told. I saw the headlines and smelled a rat, but I moved on. But then the headlines continued the next day and the next. You know how this happens. You finally relent and read the thing because the editors think it is important and, of course, it is irresponsible not to be "in the know."

But by the time I actually started paying attention to the latest act in this security theater, the story had changed — not just a little, but a lot. It turns out that the U.S. had an agent inside this terrorist operation. He was a Saudi national in the pay of the CIA, and he was operating in Yemen. Pretty exotic stuff.

The details continued to pour out. This guy was not just an informant. He actually delivered the real bomb to the CIA! Now, that's an effective agent. Right? It seems so. What's more, he was the actual guy who was going to carry out this operation.

And the operation itself? A suicide bombing. He volunteered to die. He was given the bomb that he would use. He took the bomb to the CIA. To what extent he was the actual plotter, the guy who talked others into this whole thing and whether the bomb even worked — these things are all unknown. All that is known is that this unnamed informant turns out to be the terrorist in question and that he himself did all of this on behalf of the CIA.

Now, let's just say you are an Islamic follower in Yemen and like nearly everyone else in this region, you are pretty fed up with U.S. imperialism. This young punk from Saudi Arabia suggests a plot to blow up an American airliner. Maybe this sounds interesting and epic, but maybe somewhat reckless.

In fact, you are going to be pretty suspicious of this whole idea, but he is driving everyone crazy with demands that he be given a bomb. Then he even suggests that he be the suicide bomber. You might be thinking, "Hmm, whatever else, at least this plot could result in one fatality: this stupid punk from Saudi Arabia!"

"Here's your bomb. Knock yourself out. Break more than a leg."

I, of course, have no idea if this is what happened. But the CIA's involvement here compromises the narrative enormously.

As David Shieler wrote in *The New York Times*:

"The United States has been narrowly saved from lethal terrorist plots in recent years — or so it has seemed. A would-be suicide bomber was intercepted on his way to the Capitol; a scheme to bomb synagogues and shoot Stinger missiles at military aircraft was developed by men in Newburgh, N.Y.; and a fanciful idea to fly explosive-laden model planes into the Pentagon and the Capitol was hatched in Massachusetts.

"But all these dramas were facilitated by the FBI, whose undercover agents and informers posed as terrorists offering a dummy missile, fake C-4 explosives, a disarmed suicide vest and rudimentary training. Suspects naively played their parts until they were arrested."

In the Middle Ages, there was a profession called the wine taster. His job was not to discern the vintage or tell if the bouquet had a hint of blackberry. His job was to make sure the wine was not poison.

But let's say many years went by and none of the wine was poison. The wine taster started getting nervous for his job and profession. So he went around the city and tried to get people to poison wines. He made himself a presence among all the vandals and vagrants and volunteered to do the poisoning himself.

If the news of his mischief came out, do you think he would have been a hero or a villain? It seems that he would have been and should have been completely washed up. He was going around trying to get people to poison wines as a way of maintaining his job. This is a moral outrage. He would surely be out of work.

This is what the government is doing to us these days. It is trying to inspire terrorism and then claiming credit for having discovered it. Then it scares people into thinking that their job is extremely important, and therefore without it we would all be sunk.

In other words, this looks less like national security and ever more like a racket.

People say that terrorists are desperate cowards. Maybe. But then what phrase is left for a government that does this sort of thing as a way of maintaining its lease on life in times when ever more people are fed up with the whole game?

A Century of Cosmetics: Is the End Near?

The organization Campaign for Safe Cosmetics doesn't just want you to be able to have new choices about the makeup or other products you buy. It wants the FDA to be able to ban and recall products. It will decide for you what is and isn't safe.

And it is prevailing against the industry itself, which has no interest whatsoever in selling unsafe products, but precisely the opposite. The industry is already ridiculously overregulated, and new regulations could come into effect this summer.

What's the excuse? The usual nonsense about safety and security and health. There is a crowd of lobbyists backed by regulators who seem to believe that all of modernity is corrupting and horrible and must be reversed until we are living in the most primitive state of being, sans makeup, of course!

In other words, cosmetics are going the way of everything else. The quality of the product will be depleted by regulations, just as with indoor plumbing, electricity, cars, light bulbs, soaps and gas-powered tools. Entrepreneurship will be hindered and truncated. Innovation will stop. In a few years, you will wonder: Whatever happened to makeup and deodorant and hair spray that actually works? Prepare: The end is near!

Already, I've heard many women complain that cosmetics today are far worse than they were ten years ago. The colors don't behave they way they should, and color is mainly what the FDA currently controls. I don't doubt that whatever problems exist are due to government regulations. Whenever you see consumer products that decline in quality to the point that you have to pay vastly more for

something of good quality, or that high quality suddenly becomes completely unavailable, you will find the hand of government if you look hard enough.

I can't read about this subject without feeling a sense of pride for the life and work (and sadness for the great legacy) of Maksymilian Faktorowicz, who lived from 1872–1938. He was a Polish Jew who lived in Russia under the czars. He started working for a pharmacist at the age of eight, and as he got older, he inhabited the world of wigs designed for the opera in Moscow. At the age of twenty-two, he obtained what amounted to a royal appointment. He was in charge of wigs and cosmetics for the Imperial Russian Grand Opera.

But by 1904, political unrest was making life more than a bit scary for Russian Jews, and he began looking to the United States as a place to settle. In these times before passports and visas, it was just a matter of catching a boat and moving in. So he did. He moved to St. Louis.

His big break came at the glorious pro-capitalist, pro-progress, pro-technology event: the World's Fair of 1904. There, Maksymilian Faktorowicz sold his fabulous cosmetics to great acclaim. All hail the practical arts!

He took the trade name you now recognize: Max Factor. He was a great American entrepreneur.

Following the World's Fair, disaster struck, and his partner stole his stuff and his money and left him penniless. He went back into barbering and crawled his way back, eventually moving to Los Angeles. He opened a shop that distributed cosmetics for the theater.

But it was not enough that he merely distribute what already existed. Max was an entrepreneur above all else. And there was a new industry in town: the movies. The existing makeup withered terribly under the hot lights. He combined his background in pharmacy with his expertise in cosmetics and created a new form of makeup, a thin greasepaint in cream form in twelve different colors.

It was a smash hit. The stars loved it. Soon every emerging star was coming to Max Factor to provide the right look for the camera. And his products kept improving. Eventually, he had an incredible list of clients that included Mary Pickford, Claudette Colbert, Bette Davis, Joan Crawford and Judy Garland. He invented lip gloss, provided huge innovations in nail polish, came up with products specifically for color films and never stopped improving all his products.

His name appears in the Hollywood Walk of Fame. But more than that, Max was the guy who mainstreamed the idea that every woman could look like a Hollywood starlet. As the song goes, "To be an actor, see Mr. Factor / He'll make your kisser look good!"

The term "makeup" that we use today is due to him as well. More broadly, when you consider the influence that Hollywood had on the world, he pretty well defined the 20th-century idea of beauty, both indirectly through his masterful work on the set and directly by marketing Max Factor products to consumers all over the world.

That's a pretty impressive contribution for a poor Polish-Jewish immigrant from Russia! And between his old-world position serving the court and the new position in capitalist America serving the American consumer, which do you suppose he preferred? He made his preference pretty obvious by immigrating and then by absolutely thriving in this land of the free. Free enterprise made this story possible.

Now, I can imagine some readers thinking: "Oh, this is all superficial and irrelevant. Why make this man out to be a hero?" Cosmetics have been part of the human experience since the dawn of time. And today they are an intimate part of the daily life of nearly every existing person on the planet. For women in particular, cosmetics are a crucial part of what makes for a quality life, which is one reason why they constitute a \$20 billion industry globally every year.

Sadly, when you look at the regulations today, you can see that this huge and wonderfully innovative experience could never be repeated. Let's leave aside the point about immigration today, which is a tragedy in its own right. And let's leave aside child labor restrictions that would have prevented him from learning his craft early on.

Would Max have been able to try techniques and colors and solutions for the unique problems posed by the hot studio lights? If he had to obey government regulators, rather than his demanding consumers, would he have thrived as he did?

I seriously doubt it. Entrepreneurs need the freedom to try things. They need to have their experiments tested by the most relevant party, namely the consumer. The standards of excellence have to be set by the people who are using the inventions and buying the products. Because America valued this freedom and opportunity, and linked up geniuses like Factor with the buying public, many generations of American capitalists rose through the social ranks to achieve riches, fame and greatness.

Today, it is different. The regulatory bureaus step between the innovative capitalist and the consumer, causing friction and communication struggles. This forces the entrepreneur to have divided loyalties: Does he serve the bureaucrat, or does he serve the consumer?

Somehow I can't even imagine Bette Davis taking a back seat to any regulator!

Rumor has it that the fate of cosmetics will be sealed by the summer, when the final power of the life and death of any cosmetic product will be handed over to the FDA. This is a terrible tragedy. I can predict the future. The new and improved makeup will not work. It is not supposed to work. It is supposed to please beauty-hating activists and power-mad bureaucrats.

Here we have another instance of government unraveling the achievements of civilization one product at a time. It is Max Factor's grave they are dancing on this time. And that fact alone should infuriate every red-blooded and rosy-cheeked American.

Are You the Next Prisoner?

The United States is home to a gigantic socialist sector, larger and with a greater reach than any in the world, and it is fed by tax dollars and managed entirely by the government. Strangely, the opponents of socialized medicine and socialized industry don't complain about it. In fact, all throughout the 1980s and 1990s, they urged its expansion.

It is called the prison system. It's a fairly new system, but the cruelties of similar systems are so famed throughout history that they are spoken of by the Psalmist: "For the Lord hears the needy and does not despise his own people who are prisoners."

The presumption in the Psalms is that prisoners are despised, ignored, forgotten, dismissed — and they are in our country, where this topic is not even on the list in the mainstream debate.

It's stunning when you think about it. The "land of the free" is home to the world's largest prison population. Americans constitute 5% of the world's population, yet one-quarter of the entire world's inmates are in the U.S. The ratio of the prison population to the general population is higher in than any other nation in the world. Russia is second. China is third.

If the jailed lived in one place, the 2.3 million would be the fourth largest American city, between Chicago and Houston. Every day, 35,948 people are incarcerated, and the only people who even bother to talk about it are considered to be on the fringe left, crazy people who can't stop pleading for special interests.

Maybe we have more criminals who need to be locked up? It depends on how you define a criminal. Some two-thirds of people mired in the justice system (prison, probation, parole) are in for nonviolent offenses. Among federal prisoners, 91% are in for nonviolent crimes. No dictator in the world gets away with this.

And while the prison system as we know it came into existence in the early part of the 20th century, the trend toward mass imprisonment is relatively new. The numbers in prison are five times higher than in 1980, when the war on drugs really became a nationwide mania and sentencing became long and mandatory. Nearly the whole of the change is accounted for by these two facts alone. In 1980, 40,000 people were in the slammer for drug-related charges. Today, it is closer to half a million.

The statistics are not unknown. They have never been more accessible. But people hear these statistics and think: "Well, that seems like a lot of people, but hey, I'm not there and my friends and family aren't there. Regardless, we are probably better off with too many people in jail, rather than too few. At least the streets are a bit safer than they otherwise might be. So let's just forget about it, shall we?"

But it turns out to be very easy these days to trip over that wire that causes you to land in jail. The trouble is that you don't know that until it happens. It could be a mistake that you or a family member made in handling too much cash. It could be a joint that someone smoked at your house party. It could be an unpaid ticket. It could be a tweet you sent that insulted a bureaucrat.

It could be the wrong download, upload or file-sharing act. Or maybe you lost your temper at the airport and said something you

shouldn't in the presence of a TSA agent. Maybe you acted on a stock tip that was slightly too revealing. Even the wrong glance at a cop could cause your life to unravel.

Any of these actions and thousands of others can cause you to become embroiled in a system you cannot control and cannot resist. You spend the night in jail. You are bailed out, but there are endless legal battles ahead to get out of the thicket.

Your life suddenly becomes about keeping your freedom. You pay lawyers. You lose time from work going to hearings. You lose sleep with worry and have to take pills you never thought you would. Your finances are crushed. You can hardly think about anything else. This goes on for months and you are pretty much a wreck.

The whole thing seems crazy and preposterous. Why is the state focusing on you, rather than on real criminals? You are an easier and safer target. Plus, you broke the law. It is a dumb law and it is understandable that you broke it — and you would never do it again, even though many others who have done the same are out free — but you finally have to admit it: You are more guilty than innocent.

It comes time to plea-bargain. Your lawyers make a deal with the system. If you admit guilt, you will be let off. The sentence of twenty years, or whatever it happens to be, will likely be suspended. You agree to the deal, anything to bring an end to this hell. But something goes wrong. The judge sentences you anyway. Wait, this isn't the way it was supposed to turn out! But now there is nothing you can do.

Then you find that the prison system is the crystallization of life under government control. Your Facebook, Twitter, email, phone number are all zapped. Freedoms of association, speech and press are entirely absent. Human rights don't apply. The choices you can make about how to spend your time are allocated to you by wardens and at their discretion. Your person and labor are valued by no one in particular. Everything you consume — whether it is food or space — your masters regard as a favor granted.

Everyone who cares about you is outside the prison. The people on the inside do not care whether you live or die. And to your amazement and shock, you find that the prison is not filled with violent thugs, thieves and murderers. Almost everyone is pretty much like you. They are people, real people with families and friends and lives, who were stopped by a cop and had forgotten to take the marijuana out of the glove box. They are people who exploded in a temporary rage at a bureaucrat. They are people who downloaded and shared the wrong files.

You discover an entire world behind walls, thousands of people just like you, and nearly all of them could be out living productive lives, caring for their families, contributing to life in their communities, living out their dreams on the outside. But here they are in this government institution — like millions of others in our time and throughout history — wasting away their lives in the name of some claim of “justice” that clearly does not exist.

The experience is enlightening and amazing. Prisoners are not who you thought they were. You want to get the news to everyone on the outside. You want to reveal this scandal to the world.

What do you say? The slogans that created this system — “the war on drugs,” “get tough on crime,” “zero tolerance,” “mandatory sentencing” — are about politics, not justice or humanitarianism, and they have nothing to do with the reality you see. It is a cruel system, completely out of control, and one with an immense human cost.

The prison system is a massive human rights violation. It has to be stopped.

But there's a big problem: You can't speak. You can't act. You now know the truth, but now you also know that there is nothing you can do about it. And you also know that everyone on the outside pretty much thinks exactly how you used to think. They do not care.

Take Your Bureaucratic Hands Off My Microwave

The Department of Energy, which is the Supreme Court of your home appliances, thinks you might be wasting precious energy. And the bureaucrats have a plan for doing something about it. They want to take away the clock on your microwave oven. You know, that's the little digital display that we oddly depend on to tell us what time it is.

The bureaucrats say find some other way. Use your smartphone. Buy a wristwatch. Better yet, use a sundial. Whatever you do, just remember: The governing elites hate the time display on your microwave. Prisoners don't really need to know the time anyway.

Yes, this is what these people are paid to do.. The slogan under which the government is wrecking all your home appliances is “energy conservation.”

Consumers are starting to figure out the racket. When a product proclaims that it is super-duper energy efficient, that usually means that it doesn't work as well as it is used to. Your replacement model will be a generation behind the one you bought last time. New and improved is new and degraded.

It's happened to everything in our homes. Our refrigerators are so “efficient” that they wear out in a few years. Our ovens need new coils every few years. Our clothes washers attempt to wash whole loads on a cup of lukewarm water (yuk!). The dishwasher is being killed with a thousand cuts. You have to run the dryer all night and set your alarm to restart the thing.

Home appliances liberated generations from drudgery. The government is bringing drudgery back, one mandate at a time. Think of it. If we wanted to be really, really, really efficient, we would just roll back history to the 1850s. Our streets would be lit with torches, our homes heated by wood-burning stoves and trivialities like microwaves would be unknown. Our refrigerators would be iceboxes, at best.

Every candle would have a big-fat “Energy Star” sticker on it. And it would be true. To the government, the hysteria over electricity at the Chicago World's Fair of 1893 was capitalist decadence run wild. If only Ben Franklin had never flown that kite!

So what's the deal with microwave clocks? Well, some bureaucrat has figured out that the microwave oven has to stay in the on position even when not in use for cooking food, and only to run that digital display. If the microwave were made so that it completely shut down when not cooking food, it could save, oh, a few pennies of energy expense over several lifetimes. Therefore, it has to go.

But hold on there just a minute. Can't manufacturers figure this out for themselves? If consumers really want a feature like auto-shutdown on a microwave, don't the manufacturers have every incentive to make it this way? Of course. This is particularly true with microwaves. For years, the makers have struggled to come up with features that will cause you to buy this one versus that one.

It's cutthroat competition out there. Let's face it: One model can zap that plate of leftovers just as well as the other one. There has been no real improvement in the underlying technology for decades. The improvement has to come from features like rotating plates, cool displays, nice colors and the like. If you could really entice people to buy a new microwave by building an auto-shutdown into it, it would be done in a day.

But it turns out that consumers apparently like the clock display. That could change tomorrow and manufacturers would respond. We don't need the geniuses at the Department of Energy to tell us what we want and mandate it. All they are really doing is imposing yet another thing to go wrong.

And what about the fact that if we don't have this display we have to buy a clock? It would run on batteries or be plugged in. Either way, that uses energy. What, then, would be the next step? How about a mandate that specifies precisely how many clocks you have running in each room? Then we would need home inspections to enforce it.

All in the name of saving energy. You would swear that the bureaucrats are unaware that we do actually pay for the energy we use. The system isn't perfect, because it is a public-private partnership, instead of being purely private. But the fact remains that we pay more when we use more. How about a bit of deference to consumer sovereignty here?

The DoE doesn't see it this way. I swear that these people imagine themselves to be our dictators. Nothing is outside their purview. Nothing in life is permitted to take place without their permission. And their goal is not really to bring us more energy, but rather to take it away from us. They are against wall outlets. They want us drawing all things from the sun and rain like some primitive cave people.

What a far cry we've come from the policy fashions from the 1930s. A big goal of the 1930s in the United States was to bring electrification to the rural areas. Forced progress isn't better than forced regress, but this generation of politicians wasn't so insane as to believe in forcibly driving us back to the Stone Age and expecting us to love them for it.

Foreigners used to say of America that it is a great country because everything works. Sadly, this is no longer true. The litany of stuff

that no longer works is getting ever longer. And there is one reason for this: regulations. Wicked, anti-human regulations. They more they regulate, the less choice we have and the less freedom manufacturers have to serve us. The whole story is starting to read like a dystopian novel. If you like it, they will ban it.

The heck of it is that these people work in secret. Hardly anyone follows their deliberations, and no one reads the Federal Register. We buy things, they break and we blame capitalism instead of the real culprits, who dwell in their concrete palaces in the Beltway, people who were never elected and can never be fired no matter who is president.

This is the very strange form that American tyranny is taking. It makes no headlines. There is no debate. It appears in our homes in a form that we don't notice until it is too late. Not one in a million people understands the real cause.

Get a good look at the lineup of microwave ovens at the store. You might even pick up a spare while you can. The government might soon make them all disappear and replace them with something else. It's always and everywhere worse than what came before.

How Government Wrecked the Gas Can

The gas gauge broke. There was no smartphone app to tell me how much was left, so I ran out. I had to call the local gas station to give me enough to get on my way. The gruff but lovable attendant arrived in his truck and started to pour gas in my car's tank. And pour. And pour.

"Hmmm, I just hate how slow these gas cans are these days," he grumbled. "There's no vent on them."

That sound of frustration in this guy's voice was strangely familiar, the grumble that comes when something that used to work doesn't work anymore, for some odd reason we can't identify.

I'm pretty alert to such problems these days. Soap doesn't work. Toilets don't flush. Clothes washers don't clean. Light bulbs don't illuminate. Refrigerators break too soon. Paint discolors. Lawnmowers have to be hacked. It's all caused by idiotic government regulations that are wrecking our lives one consumer product at a time, all in ways we hardly notice.

It's like the barbarian invasions that wrecked Rome, taking away the gains we've made in bettering our lives. It's the bureaucrats' way of reminding market producers and consumers who is in charge.

Surely, the gas can is protected. It's just a can, for goodness sake. Yet he was right. This one doesn't have a vent. Who would make a can without a vent unless it was done under duress? After all, everyone knows to vent anything that pours. Otherwise, it doesn't pour right and is likely to spill.

It took one quick search. The whole trend began in (wait for it) California. Regulations began in 2000, with the idea of preventing spillage. The notion spread and was picked up by the EPA, which is always looking for new and innovative ways to spread as much human misery as possible.

An ominous regulatory announcement from the EPA came in 2007: "Starting with containers manufactured in 2009... it is expected that the new cans will be built with a simple and inexpensive permeation barrier and new spouts that close automatically."

The government never said "no vents." It abolished them de facto with new standards that every state had to adopt by 2009. So for the last three years, you have not been able to buy gas cans that work properly. They are not permitted to have a separate vent. The top has to close automatically. There are other silly things now, too, but the biggest problem is that they do not do well what cans are supposed to do.

And don't tell me about spillage. It is far more likely to spill when the gas is gurgling out in various uneven ways, when one spout has to both pour and suck in air. That's when the lawn mower tank becomes suddenly full without warning, when you are shifting the can this way and that just to get the stuff out.

There's also the problem of the exploding can. On hot days, the plastic models to which this regulation applies can blow up like balloons. When you release the top, gas flies everywhere, including possibly on a hot engine. Then the trouble really begins.

Never heard of this rule? You will know about it if you go to the local store. Most people buy one or two of these items in the course of a lifetime, so you might otherwise have not encountered this outrage.

Yet let enough time go by. A whole generation will come to expect these things to work badly. Then some wise young entrepreneur will have the bright idea, "Hey, let's put a hole on the other side so this can work properly." But he will never be able to bring it into production. The government won't allow it because it is protecting us!

It's striking to me that the websites and institutions that complain about government involvement in our lives never mentioned this, at least not so far as I can tell. The only sites that seem to have discussed this are the boating forums and the lawn forums. These are the people who use these cans more than most. The level of anger and vitriol is amazing to read, and every bit of it is justified.

There is no possible rationale for these kinds of regulations. It can't be about emissions really, since the new cans are more likely to result in spills. It's as if some bureaucrat were sitting around thinking of ways to make life worse for everyone, and hit upon this new, cockamamie rule.

These days, government is always open to a misery-making suggestion. The notion that public policy would somehow make life better is a relic of days gone by. It's as if government has decided to specialize in what it is best at and adopt a new principle: "Let's leave social progress to the private sector; we in the government will concentrate on causing suffering and regress."

You are already thinking of hacks. Why not just stab the thing with a knife and be done with it? If you have to transport the can in the car, that's a problem. You need a way to plug the vent with something.

Some boating forums have suggested drilling a hole and putting a tire stem in there and using the screw top as the way to close the hole. Great idea. Just what I wanted to do with my Saturday afternoon, hacking the gas can to make it work exactly as well as it did three years ago, before government wrecked it.

You can also buy an old-time metal can. It turns out that special regulations pertain here, too, and it's all about the spout, which is not easy to fill. They are also unusually expensive. I'm not sure that either of these options is ideal.

It fascinates me to see how these regulations give rise to market-based workarounds. I've elsewhere called this the speakeasy economy. The government bans something. No one likes the ban. People are determined to get on with their lives, regardless. They step outside the narrow bounds of the law.

It wouldn't surprise me to find, for example, a sudden proliferation of heavy-duty "water cans" in one- and five-gallon sizes, complete with nice spouts and vents, looking almost exactly like the gas cans you could get anywhere just a few years ago. How very interesting to discover this.

Of course, this law-abiding writer would never advocate buying one of these and using it for some purpose other than what is written on the package. Doing something like that would show profound disrespect for our betters in the bureaucracies. And if I did suggest something like that, there's no telling the trouble that it would bring down on my head.

Ask yourself this: If they can wreck such a normal and traditional item like this, and do it largely under the radar screen, what else have they mandatorily malfunctioned? How many other things in our daily lives have been distorted, deformed and destroyed by government regulations?

If some product annoys you in surprising ways, there's a good chance that it is not the invisible hand at work, but rather the regulatory grip that is squeezing the life out of civilization itself.

How Government Wrecked Our Mowers

When I was a kid, lawn mowers worked. You pushed them and they cut grass. The grass went into the bag. Then you emptied the bag. The results were great. There was no grass to rake. It all went into the bag, because that's what lawn mowers did.

Then the feds got involved. Or so I now gather. I didn't know this for a long time. Every time I would buy a mower, I would be

disappointed in the results. I kept buying mowers with ever-larger engines. Then I would buy them with different bag designs, and then a different brands, and then different features. Nothing worked.

The problem was always the same. I would mow and most of the grass would go in the catcher. But some didn't. Some landed on the lawn in a line. When the grass was wet, it left an even bigger trail. Or when I would go from the grass to the sidewalk, a big clump would fall out from underneath the mower onto the sidewalk, requiring that I get a broom and sweep it up. Then I would have to empty the bag long before it was full.

It took me many years of thinking to figure out the problem. After all, I never had this problem when I was a kid. Have companies started making lawn mowers that don't work? Are manufacturers worse than they used to be? It all seems crazy. I would mow with a smartphone in my pocket that could check my blood pressure, make the sound of a flute or surf the Web. Why can't private enterprise seem to make a mower that works?

I would try to forget about the problem, adjust to the downgraded reality and finish up the growing season. But the next year, it would all come back to me. Grass trails. Clumps on the sidewalk. Emptying too often. Buying a new mower and finding the same problem all over again.

What is the source of the problem? The spinning blade cuts the grass and creates a flow of air that lifts the grass and throws it into the catcher. A flow requires circulation, and where does the circulation come from? It can't be a vacuum seal. You can't create a small wind tunnel without a source of air. Where is this coming from? Nowhere. The base of the lawn mower is flush against the grass. The blades spin but create no suction effect.

Why is the base so low to the ground? I tend to mow my grass pretty low just because of the variety of grass and the topsoil level. But doing this causes a perfect seal between the mower and the ground, cutting off all airflow and denying the blade the air it needs to create the wind tunnel to empty the grass.

It is pretty obvious, right? So why have manufacturers not responded by raising the steel casing on the lawn mower? Why would they keep selling mowers that don't work well? I'm hardly the only person who has the problem. Lawn mower forums all over the Internet are filled with people asking exactly the same questions and having the same symptoms. The manufacturers are shy to mention the real reason. They talk about changing blades, removing obstructions and things like that. Users know better. There is another factor.

I was just looking at the detailed regulations for lawn mowers. In particular, the relevant passage is 16 CFR PART 1205 — the Safety Standard for Walk-Behind Power Lawn Mowers. Here we find that the height of the lawn mower case must be low enough to pass a "foot probe" test. No matter how high or low the wheels are adjusted, it cannot be possible to stick your foot under the case.

Now, when I was young, you could stick your foot under the mower. We didn't do that, of course, but we could. Therefore, there was suction. The air sucked from underneath and swirled up and out in the grass catcher. It was like running a vacuum cleaner over a floor. It shaved the grass, and not one grass blade was left anywhere in sight. It all went into the catcher.

The new regulations, which apply only to walking mowers that you use at home, went into effect sometime after 1982. I still used my old mower for years after that date. I fact, I didn't have a reason to buy a new one until about fifteen years ago. That's when my troubles began.

Now I know the cause. The bottom line is that federal regulations have degraded the lawn mower. In the name of safety, the government has forced all manufacturers to sacrifice functionality. They are forced to sell equipment that doesn't do what it is supposed to do. All the while, I've been blaming private enterprise. It turns out to be the fault of government.

The government's central plan for walk-behind mowers is mind-boggling. That bar you have to squeeze and hold on the handle to make the wheel move? Mandated by government. That annoying plastic piece that covers the blowhole for the grass that you have to push out of the way? Mandated by government. The government has mandated the blueprint for the whole machine and thereby frozen its structure in place with an inferior and unalterable design.

It is not enough that regulations have invaded the bathroom, ruined our showers and toilets, degraded our detergent, made it ever harder to unclog drains and made essential medicines hard to get. Now I find that regulations have even made it difficult for me to do something completely American like mow my own lawn!

This also explains why so many of my neighbors are using lawn mowing services that have giant riding lawn mowers. It turns out that these particular regulations do not apply to them. It wouldn't surprise me to find that lawn services were actually instrumental in lobbying for these safety regulations. This is how commerce works these days: Compete for a while, but when that doesn't work, turn to the government to wreck the competition.

Government hates lawns — except at the White House, of course. They consider private lawns to be wasteful and vain, a symbol of conspicuous consumption. If they had their way, we would all have rocks in our front yards. Or maybe we wouldn't have front yards. We would have little window boxes, and surely that would be enough for us.

It's all in the interest of your safety. And security. What about your freedom? It's been mowed under, and it landed like clumps of grass on the sidewalk.

The Great Lawn Mower Hack

The functioning of millions of our consumer products has been wrecked by government regulations in ways that are extremely hard to detect and difficult to narrow down. I wrote above about discovering the reason lawn mowers have mysteriously stopped working and stopped improving over the last decade or so. (I now have a hack that I can tell you about.)

But that's just the beginning. Someone pointed out to me that Band-Aids no longer stick. That seems right to me. I began to fish around the regulations for a clue. It is extremely difficult to find the one thing that caused it, since no regulation states outright that "Sticky Band-Aids are hereby banned." The reason is usually very complicated.

Looking around, I found myriad restrictions on how bandages can be produced. Most pertain to the types of glues used. I found a mandate that forces manufacturers to put a long and terrifying warning label on any product that uses a particular type of glue and wondered if perhaps this is the problem: Manufacturers are declining to use the stuff because they don't want to terrify the people they are trying to heal.

But I wasn't sure. I took a break and went to the store, where I saw a friend of mine who is a doctor. I asked him outright why Band-Aids no longer stick.

Without missing a beat, he said, "Because government banned the glues that work!"

I can't prove he is right, but I assume so. Sometimes only industry insiders know these sorts of things. For example, I wouldn't have known that government banned cloth aprons in commercial kitchens had a restaurant owner not told me the story of having to throw away piles of great stuff and start buying government-approved aprons.

It applies to so many products that don't work like they used to. Today, unless your toilet makes some explosive bomblike sound when it flushes, it is probably not doing the job and probably not staying clean after use. Unless you add phosphates to your detergents, your dishes and clothes are not getting clean. Government regulations are the reason your refrigerator died too soon and why your white paint turned yellow.

You can dismiss these points as nothing more than "first-world problems," but it's actually more serious than that. The essence of civilization comes down to whether the small things in life perform as they should and improve over time. Regulations are stopping this, systematically bringing about regress. These people are wrecking the world one consumer product at a time.

But let's return to the lawn mower. I touched on only one major aspect of the problem: the clumping problem from the bagging process. There are more problems, such as how the "self-propelled" mower moves more slowly and pathetically than it used to. Government regulations mandate that the wheels must stop moving within three seconds after the propulsion bar is released. That mandate

required manufacturers to weaken the engines.

And why is it that we can't just push our mowers forward with our fingers, rather than having to hold down a long bar with both hands? This, too, is a government mandate. The bar must be there, and it must be held down with both hands. This is the way it has to be because the government has actually drawn up an official blueprint for gas-powered, walk-behind, grass-bagging mowers. There can be no progress under these conditions.

The problem I focused on above was how regulations mandate that steel casing go all the way to the ground to prevent a "foot probe." This cuts off the airflow that makes the grass fly up and into the bag.

Your ability to collect your grass in a bag was mandatorily sacrificed for your own good. What? You have no interest in sticking your foot underneath a running mower? Doesn't matter. Government is protecting you.

In any case, here is a short history of life: Government erects barriers to progress, and then the market finds some workaround that is not perfect but helps blunt the effects of government's attack. It's true in the lawn mower case as well.

There are two engineering issues to overcome: airflow and grass redirection. A company called Arnold, which specializes in parts for outdoor equipment and prides itself on innovation, invented what it calls the "extreme blade" that does two things. It uses an elevated blade tip for redirecting grass into the bag, and it also puts extra slits into that tip. The slits help use the existing air in the sealed lawn mower casing to create a windy circulation, as well as to chop up the cut grass even further so that the clippings are lighter. The result is absolutely marvelous.

The blade is more expensive. And you have to go through the trouble of taking off the old blade and adding a new one. Most consumers won't even think to do this and imagine that they aren't qualified to even try. They will never figure out that there is an answer to their woes. After all, I went through three mowers in ten years before being clued in that some company had invented a workaround to the problem of government regulation.

This is the archetypical case of how all these things happen. Some product works great, and then the government wrecks it through a stupid new mandate. The thing stops working. Consumers get mad and blame the product maker. A few years go by and some entrepreneurial company jumps out in front with a decent workaround. Meanwhile, millions of consumers are stuck with the stupid old thing and get mad and don't know the fix. They start to blame the manufacturers for their woes. In the worst case, the company that finds the fix patents the answer, which means that others can't copy the solution.

This scenario pertains to a vast number of products, including many that we haven't noticed along the way are gradually depreciating our standard of living. We just get used to it. Government regulators have a field day with our liberties, and we live vaguely vexed lives.

Another workaround — and really the best approach — to get around government regulations is to buy the product that is so revolutionary and amazing that there aren't government regulations yet crafted that ruin it. This is pretty much how it works in the digital world. Apple and Google and others — not government agencies — are responsible for authorizing applications that come along daily. That's why the digital world is progressing.

This same level of progress doesn't usually happen in the physical world because it is so heavily controlled. However, as long as we are talking about lawn mowers, have a look at something truly revolutionary. It is called the Robomower. It is amazing. It mows your lawn for you. That's right. You turn it on and the whole yard gets mowed on its own.

A reader actually told me that the whole thing works wonderfully well. But the price is unapproachable: \$1,500-2,000. The producer has a lockdown on the patent. That situation will exist for some time, thereby preventing the price from falling and restricting this wonderful innovation to only the elite in society. The way that patents slow down innovation and limit access to cool stuff is a subject for another day.

Regardless, if you have a drink in your hand (provided by private enterprise), offer a toast to the free market and its ever-amazing capacity for overcoming the barriers to the good life that government puts up.

How to Ruin a Kid's Life

I was just down at the "feed and seed" buying two baby chicks to replace my female duck that was carried off by a bird of prey, leaving one lonely male duck behind. No one told me that ducks don't like chicks. The rest of the story is, well, let's just say "it's complicated."

In any case, the details distract from the reason I'm bringing this up at all: The store was bustling with activity and filled with rural people of all ages. Yes, lots of kids too. Prepare yourself for a shock: these kids actually work on the farm!

We city people don't really understand this world. We know that, and so do they. That's okay. I marvel at the social structure of rural agricultural life, the way kids learn and work from an early age, how extended families and communities all share in the work, how impervious and protected the culture is from the mechanized, regulated and planned life the rest of us live.

To me, the milk on the farm tastes like butter and the butter tastes like cheese, and I don't really understand where and how all this food comes from, much less how it is that young kids can learn to drive gigantic tractors and shoot varmints out the kitchen window with shotguns without blinking an eye. But it is all marvelous, regardless.

And on this very day, the news came across my screen. The Department of Labor had planned to destroy it all, and then barely pulled back when faced with massive protest. The bureaucracy was on the verge of passing new rules that would have banned many kids from working on farms. An exception in the law against "child labor" has always been made for agriculture. FDR would have been impeached if the 1938 law had not included that exception. (Other exceptions include family businesses, child actors and wreath makers.)

As a member of the Corleone family might say, the Obama administration don't respect nothin'. The urban elite who run the government think it's just awful that kids are getting up at the crack of dawn to feed chickens and bale hay when they should be reading a civics text that instructs them about the glories of government. Another sector that probably finds it awful: big agriculture that is fed up with dealing with these pesky extended family farms that keep honing in on its monopoly.

The proposed regulations were being pushed as an update to the last update from 1970. In government parlance, an update always means worse. The list of "shall not's" was extremely long and tedious and amounted to a complete ban on work by anyone under the age of sixteen or, in the case of driving tractors, the age of eighteen.

The proposal was first made last August, to the cheers of "Human Rights Watch," which apparently doesn't believe in the right to be productive. Since that time, the Department of Labor had been getting closer and closer to making it law. Such a rule would transform rural life in America. Or maybe people will just ignore the law and stick with tradition? The government thought of that. The Department said it would use "all enforcement tools necessary to ensure accountability and deter future violations."

Just think of it. One in two college graduates doesn't have a job. Teen unemployment has never been higher in the whole of American history. Young kids are desperate for opportunities. So what does government do? It proposed to ban yet another opportunity, spreading misery as far and wide as possible.

But look at it this way. If this wiped more people off the labor rolls, unemployment would go down again. This is truly how this works in an Orwellian sort of way. It's like poisoning people to death and then happily noting that sickness among the living is down.

The proposed law made an exception for children of parental owners, but no one took comfort in that. Most farms use extended family to help: nephews, cousins and the like. You can't draw a strict line between nuclear families and extended families and not cause havoc in this world. For this reason, rural farmers protested bitterly and the Obama administration backed down — for now.

Anyone who has been exposed even slightly to the agricultural lifestyle knows that working on the farm or ranch is not really like any other job. It is part of who you are and what you do. Everyone pitches in from the earliest ages to the oldest. There is great pride among all these people in the life they lead. A rule like this would be devastating.

Also as part of the legislation, reported *The Daily Caller*, the government would have mandated replacing 4-H training programs and

private systems with a government-administered program. To be sure, I know nothing about 4-H, but I do know that for many people in this world, this program is as central to one's childhood experience as Sunday school in the suburbs or Catechism class in Catholic communities.

Thank goodness the Department of Labor has backed down. Regardless, this kind of thing should not be a threat in a free society. There would be no hectoring from Washington about things government can't possibly manage or understand. The outrage is that this is threatened at all. No one should have to protest such a law; it should have never been proposed in the first place.

And while we are at it, let's put in a good word for the city folk too. These so-called child labor laws came about 1938 only as an effort to prettify the unemployment data and give some extra market leverage to the labor unions that FDR was trying to win over.

Look at the thirteen-, fourteen-, and fifteen-year-olds today. They have no opportunities to learn anything useful. They are denied a chance to be part of the world of remunerative work. They are thereby denied the opportunity to learn adult-like responsibilities and serious skills beyond repeating what the teacher says while they are strapped in their tax-funded desks.

These laws have been wrecking lives for far too long. And with labor law enforcement today, there are ever fewer opportunities to work for cash. Then when that magic day comes when they graduate from college and we shove them out into the workforce and say, "Go to it!" it should be no surprise that they have no idea what to do.

The feds can't think of anything better to do except make sure that this pathetic situation spreads to another sector of life — and do it on behalf of big agriculture. And what will the bureaucrats say when yet another generation is wrecked by mandatory sloth in prison-like educational institutions? Maybe they will tell us that they all should have become child actors. That exemption still lives. For now.

The Banishment of the Marginal Worker

Do you know about Europe's problem with the NEETs? This is the name being given to those mostly young workers who are not in school, not employed and not in training. The designation applies to one in five people aged twenty-four and younger.

Unemployment among this generation is frighteningly high all over the eurozone. These people are wandering and lost. They are slumping and rioting from Athens to London, and not one politician in power has a viable plan for what to do about it.

The United States is a step behind this curve but going the same way, with unemployment among this generation in the 18-19% range, according to official statistics (12 years ago, it was 6%). The trend line is still up. Looking at the broad measure of all people who gave up applying or who are working in low-wage part-time jobs and begging for more hours, we are now in the third year of a gigantic demographic shift in which young people are being shut out by the millions.

Step back from this a moment and you realize just how crazily inexcusable this situation is. The digital age is requiring all kinds of new skills from workers, and no group is more adaptable in this respect than young people. This entire generation is comfortable with digital media in a way that their parents are not. This should be a time when the marketability of young minds should be at its height.

What's gone wrong? It's not that there is no work to do. There is always plenty of work to do at some price. And earning some wage is better than earning nothing at all. At least you get your foot in the door. The list of barriers to entry is a long one. It includes mandated benefits that business can't afford: the restrictions on moving people in and out of firms, fears of legal liability, mismatches between state-funded education and real-world workplace demands.

But let's just deal with the no-brainer: the minimum wage. This policy is a human rights violation. It forbids workers from negotiating directly with an employer and coming to mutually agreed-upon terms of employment.

The minimum wage says to workers the police power of the state prohibits you from offering your services for less than \$7.25 per hour. If you strike such a deal, heads will roll. You might want to work for less, and your employer might be hip to this too, but the law absolutely forbids it. If you are caught making such a deal, you will be thrown out on the street where you belong.

How does this help anyone? It helps existing workers, perhaps, by lessening competition for their jobs. But it also guarantees a certain level of unemployment. How much? Art Carden at *Forbes* cites research showing that among the youth population of minorities, the minimum wage increases of the last three years have caused more job loss and unemployment than the recession itself.

This sounds about right, but these kinds of issues are notoriously difficult to quantify. All we do know is that the high minimum wage shuts workers out of the market. We don't know by how much precisely, and we don't know how many people would be suddenly employable if it were repealed. All we know is that repeal would help fix a disastrous situation.

Frankly, I find it ridiculously hypocritical for any politician to whine about youth unemployment while not pushing to repeal laws that make employment illegal. If you make work illegal under a certain wage ceiling, guess what? You are going to see more unemployment than you otherwise would. This is not rocket science.

And how high is the minimum wage? It is nearly twice as high today as when it was first implemented in 1938. The first minimum wage was \$0.25, which translates to about \$4 today. Would that we had the New Deal back today! Millions would suddenly be back at work. Some politician should propose the FDR Memorial Labor Act that reduces the minimum wage to \$4. That would be fun to watch.

But let me tell you about some amazing research that will change the way you look at these laws. The researcher here is Thomas C. Leonard. His remarkable paper "Retrospectives: Eugenics and Economics in the Progressive Era" was published in the *Journal of Economic Perspectives* in 1995.

Leonard proves that the minimum wage is not a case of good intentions gone wrong. It is not as if people didn't understand the fallout. Quite the reverse. It was originally conceived of as a means to toss people out of the workforce. To prove this, he returns to the economic writings of the Progressive Era to reveal some remarkable prehistory here.

Leonard summarizes: "Progressive economists, like their neoclassical critics, believed that binding minimum wages would cause job losses. However, the progressive economists also believed that the job loss induced by minimum wages was a social benefit, as it performed the eugenic service ridding the labor force of the 'unemployable.'"

He offers massive proof in the words of the economists themselves, all written for respectable journals and books at the time.

"[O]f all ways of dealing with these unfortunate parasites," Sidney Webb (1912, Page 992) opined in the *Journal of Political Economy*, "the most ruinous to the community is to allow them to unrestrainedly compete as wage earners."

Henry Rogers Seager: "If we are to maintain a race that is to be made of up of capable, efficient and independent individuals and family groups, we must courageously cut off lines of heredity that have been proved to be undesirable by isolation or sterilization." The minimum wage was central to the isolation strategy.

Royal Meeker, Wilson's labor czar, wrote: "It is much better to enact a minimum wage law, even if it deprives these unfortunates of work.... Better that the state should support the inefficient wholly and prevent the multiplication of the breed than subsidize incompetence and unthrift, enabling them to bring forth more of their kind."

Florence Kelley, whom Leonard says was "perhaps the most influential U.S. labor reformer of the day," "endorsed the Australian minimum wage law as 'redeeming the sweated trades' by preventing the 'unbridled competition' of the unemployable, the 'women, children and Chinese [who] were reducing all the employees to starvation.'"

Frank Taussig was even more brazen. In the context of wage floors, he said that they were a good way to deal with the criminal class and the tramps who "should simply be stamped out." "We have not reached the stage where we can proceed to chloroform them once and for all; but at least they can be segregated, shut up in refuges and asylums and prevented from propagating their kind."

This was about one hundred years ago, when people were writing this kind of disgusting material as a defense of how the minimum wage would work. Well, in this sense, the minimum wage has worked. It has helped to shut out a generation from participating in the division of labor. Now they wander the streets in Europe and America, despairing for the future. They will grow older like the rest of us and some day be adults — without training, without work experience, without the learning and socialization that comes with productive employment.

Good intentions gone awry? Think again. There are certain people with influence over the shape of the law whose stated regrets about the current situation are just a bit implausible. Do they care about the rise of the NEETs? Do they care enough to repeal their stupid laws that created them?

Unemployment Solutions Both Weird and Scary

There was a brief moment of joy at the news that retailers hired 206,000 new people in November. But only one day later, the other shoe dropped: Jobless claims are, again, past the 400,000 mark — meaning that the unemployment problem is, overall, getting worse, not better. The broadest measure of unemployment exceeds 17%. It is much higher among new college graduates. And this doesn't even speak to the larger problem of job downgrades; there's a personal tragedy embedded in each one.

The longer the unemployment problem persists, the more we are seeing oddball theories and proposals for dealing with it. Ben Bernanke remains enthralled with the antique view that the way to cure unemployment is to depreciate the value of money. You have to blow the dust off some old Keynesian macroeconomics texts, surely to be found in some dingy library somewhere, to see his rationale.

I'll cite two additional cases in point (one news story and one commentary) as indicators of a more widespread problem.

A *New York Times* news story by Adam Davidson regrets how the economic changes of the last half-century have made job opportunities fewer than ever. He cites the common complaint about international trade. Steel, textiles, toys, furniture, electronics were once domestic industries, but these goods are, mostly, made overseas now, presumably, leaving less for us to do.

This is the common protectionist line, and it is rooted in fallacy. Offloading these industries where they can thrive more efficiently does two things: it saves American consumers money so that they can save or spend on different things, and saves American workers from wasting time making things that can be made more cheaply elsewhere, so that they can do things that are more productive, rewarding and remunerative.

The end result should be more and better jobs at home. (I'll get to why that is not happening in a bit.)

His second complaint is straight out of the Luddite playbook. Davidson regrets how technology (capital) has replaced human hands with machines. This isn't about technology only recently online. He regrets that "countless secretaries were replaced by word processing, voice mail, email and scheduling software; accounting staff by Excel; people in the art department by desktop design programs." It gets worse. He seems to regret even your ability to buy a bookshelf at OfficeMax because there are no longer "a bunch of people ... helping measure things and making sure everything worked correctly."

My goodness. He might as well regret the invention of the wheel, because those employed to carry others around on their backs are now out of work. If we take this logic far enough, we would be back to the Stone Age, when, it's true, everyone had jobs to do. Then again, the living standards were rather low.

It seems trivial to point it out, but market-created technology is not violence to society. It appears because we want it, and we want it because it helps our lives. We become better at what we do. The outmoded technology no longer needs to be made — shed a tear for typewriter manufacturers! — but there are new jobs in making the new technology, and industries that use that new technology can expand because they are more efficient than ever.

I'm sorry for wasting your time by pointing out some commonplace refutations of brainless nostrums, but apparently, there is nothing so brainless that it is unworthy of being featured in *The New York Times*. And if it is being featured there, it strongly suggests the need for refutation. So let us visit yet another piece along these lines, this one even wackier and more wicked than the last one.

In "The Age of the Superfluous Worker" by Columbia sociologist Herbert Gans, we discover an even-more-bizarre explanation of why unemployment persists. He begins by pointing out that having surplus workers is hardly a new problem; it has been an issue faced by all countries in all times. But in the old days, he writes, surplus workers were afflicted with "illnesses" that caused them to be "incapacitated" or were otherwise "killed off."

Wow, bring back the old days, huh? What's more, he writes, wars were a blast, because they "absorbed the surplus" of labor by employing people to kill or be killed. Ah, the salad days of mass bloodshed when "sufficient numbers of those serving in the infantry and on warships were killed or seriously enough injured so that they could not add to the peacetime labor surplus."

Sadly, those days are long gone, he writes, because people are so much healthier now. Not even war works its magic on the labor pool anymore: "Iraq and Afghanistan wars have left many more service members injured than killed." (This whole line is based on a myth that war and death have an economic upside.)

So we are in a pickle. Gans says that we need an "industrial policy" that brings together government and business to make new jobs. An example he offers: "Reducing class sizes in all public schools to 15 or fewer would require a great many new teachers, even as it would raise the quality of education."

We could have government employ some people to dig holes and other people to fill them back up again. Laugh if you want, but this is precisely what J.M. Keynes suggested in his *General Theory*. His plan was to have government fill up bottles with money, throw them into mines, fill the mines with trash and have private enterprise set loose to find them. Voila, no unemployment. He failed to add that this would be incredibly stupid and a ghastly waste of resources. (The best refutation of this fallacy should be distributed by the case.)

Gans ends his theorizing with the suggestion that government restrict everyone to working only 30 hours per week. When that time is done, presumably, others will be standing right by to step in to fill up the rest of the week, while the first workers go home to vegetate and wait for their turns at the wheel again. Actually, I don't know why he says 30 hours per week. We have a growing population. Maybe we should all be forbidden by law from working more than ten or even five hours per week! That would, surely, bring prosperity.

All these cockamamie theories are deeply dangerous, and they evade the incredibly obvious point as to why there is unemployment in the first place. If you read economics books from the 15th-19th centuries, there was hardly a word written about unemployment at all.

Why is that? Because there is more than enough work to do in this world. There is no shortage of jobs, now or ever. The only question concerns the terms of exchange between the worker and the person who is being hired. Only in the 20th century and, mostly, beginning during the Great Depression has there been widespread unemployment, and that is because of the government's interventions in the relationship between workers and employers.

What kinds of intervention? There are legal restrictions that make hiring and firing a litigator's paradise. There are high payroll taxes that vastly increase the cost of new workers. There are minimum wage laws, labor union privileges and "child" labor laws that cartelize the workplace to benefit the few at the expense of the many. There are restrictions on immigration that make it very difficult for many businesses to function and expand. If you could somehow get rid of all these problems in one fell swoop, the so-called unemployment problem would vanish rather quickly.

The problem of unemployment is not really an economic problem; it is a political problem. It is one of the many costs imposed by a state that involves itself in things it ought to leave alone. But rather than eliminating these costs, there is a growing fascination with wacky ideas, which will only guarantee that a bad problem grows ever worse. If you know a *New York Times* editor, send him or her a book on the basics of economics, and soon.

As for Bernanke, he has never met a problem in life for which he doesn't see the solution as more paper-money printing. If he could find a way for the Bureau of Engraving and Printing to hire seven million people, and another 6 million to fly the helicopters needed to distribute the new bills, we'd had full employment, and absolutely no reason to work.

The Case of the Missing Low-Mileage Car

How would you like to drive from New York to Los Angeles with just one stop for gas? It seems incredible and wonderful, but it can happen. In late 2010, the Volkswagen Passat BlueMotion set a new world record for the "longest distance traveled by a standard

production passenger car on a single tank of gas.” It travels 1,526.63 miles. It translates to a fuel economy of seventy-five miles per gallon.

Sweet! Only one thing — this passenger car is for the U.K. You can’t drive this car in the United States. We have a Passat, but it gets nowhere near this excellent mileage. Even stranger, many of the engines in these, which are driven all over Europe, are actually built in the U.S. The trouble is that it can’t jump through the regulatory hoops in the land of the free.

This fact was first brought to my attention by a video blogger who had been driving a van version of this amazing car in the U.K. He came home to ask his Volkswagen dealer about it. The dealer quickly informed him that this model is not allowed on U.S. roads. The Passat in Europe runs on a 54.1-fluid ounce common-rail four-cylinder engine. The standard in the U.S. is a 67.6-fluid ounce engine. For this reason and a few others, the version you can drive here gets 45 miles per gallon.

The blogger was furious as he reported this, and he further explained the absurdity. It seems that the emissions regulations are calculated based on a per gallon basis. The U.K. Passat does not pass because its emissions pollutants are slightly over regulation.

The blogger further pointed out the silliness: The car goes much farther than the American version on a single gallon, resulting in less overall pollutants. But that doesn’t matter, given the manner in which fuel-efficiency happens to be calculated. In the U.S., a car with low emissions could get 1 mile per gallon and pass, but one with slightly higher emissions couldn’t get through, even if it went one hundred miles on a gallon.

Infuriating, yes. But because the video was widely circulated, the revisionists started getting to work to debunk the claim. One blogger called Volkswagen. The spokesman made several salient points. A gallon in the U.K. is actually slightly larger than in the U.S., thereby reducing the mileage disparity between the U.K. and U.S. models. Further, these 54.1 engines are actually not that popular in the U.S. market because Americans don’t really care that much about mileage. Finally, mileage is actually calculated differently in the U.K., so the cars aren’t quite comparable in this sense.

Now, that’s all very interesting, and provides an interesting corrective, but it begs the critical question: Can this record-breaking, high-mileage car be sold in the U.S.? It would appear that the claim of the original video blogger stands: It cannot. You might want this car. VW might want to sell it. Europeans love it. But we, as Americans, are not permitted to buy it, and VW is not permitted to sell it. Regardless of the details, these are facts. The VW spokesman was really just talking around the point, as all corporations do when they are confronted with the awfulness of regulations.

The original blogger suggested conspiracy. But then, there is Hanlon’s Razor: Never attribute to conspiracy what can easily be explained by stupidity. Regulations are inherently stupid because they presume the perpetuation of an existing technology and production model. They can never account for change or improvement.

No matter how you write them, no matter how smart you are, there will come a time when the intended results of all regulations will reverse themselves. They will inhibit, rather than advance, progress. They will degrade, rather than improve, products. They will block, rather than inspire, technological improvement. This is an unavoidable fate, no matter how smart the regulators are.

In a private market, rules and standards adapt to change. This is because private parties get that the point of a rule or standard isn’t the rule or standard but the results. The point is to achieve results. If the exact reverse of the point is observed, the rule is changed over time. In this way, private markets are flexible in ways that government regulations can never be.

Let’s raise a point about another incredible and wonderful thing: the flying car. It appears that the Terrafugia “roadable aircraft” is finally going into production and might be available for purchase sometime next year. It has recently been subjected to vast media attention, and that’s all to the good.

Now, one might suppose that the journalism on this car would focus on what an amazing thing this really is, how it takes us a step toward the Jetsons’ world, how it might make a contribution to unclogging highways and so on.

But no, that’s not what the stories have been about. It seems that the major “work” that has gone into the engineering behind this flying car has nothing to do with making it amazing for you and me. It is all about the endless government regulations that have stood in its way. The bureaucrats, not the consumers, rule the day.

Imagine: It’s hard enough to build a car that complies with regulatory bureaus. It’s hard enough to build an airplane that complies with the mandates of regulatory bureaus. It appears to be darn near impossible to make something that complies with both! It has to pass emissions tests, crash tests, navigation tests, design tests, mileage tests and a million other tests. Then there’s the problem of licenses for the drivers and fliers and the compliance with airport and road regulations. What a nightmare! It seems that the bulk of the energy of the company has been spent on this.

The actual reality of the flying car has been around since the 1930s. It keeps being revived again and again. What’s making it flounder? The problem is that this innovation is neither fish nor fowl from the point of view of government bureaucrats. Therefore, they don’t know what to do with it.

The results are, quite frankly, rather disappointing. The Terrafugia is a small plane with foldable wings so that you can drive it around. That’s it. There will be no levitating out of traffic. There will be no landing in your driveway. You have to drive it like a car to the airport, and then take off, fly, land and drive home again. That’s kind of cool, yet it raises the question: Why not just park your car and hop in your airplane?

You have to have a wild imagination to see the world that would exist were it not for government controls. These controls wreck innovation. They deny us access to seeming utopias. They kill the entrepreneurial spirit and set society back. They thwart progress and forbid us from working toward a future that is better than the past.

We will never know what we are missing so long as we continue to allow government to throw the whole of society into a regulatory thicket. Life is pretty amazing, true, but it could be far more so. Instead, we suffer in ways we don’t know. This is the big, horrible picture.

It’s Treason to Disagree

A horrifying aspect of modern life is how nearly daily threats to fundamental freedoms and human rights require that citizens become politically aware and active.

Here we are struggling to put food on the table, cultivate a civilized private life, support things we care about, manage our households and otherwise meet all the challenges of modern life and then some jerk politician pushes some dangerous legislation that poses an all-out attack on everything we take for granted.

One of those things we take for granted is the freedom to disagree with the government and its policies.

Consider the Enemy Expatriation Act now being pushed by Republican Charles Dent of Pennsylvania and Independent Democrat Joe Lieberman of Connecticut. This act adds to existing law that makes it a crime to support materially governments with which the U.S. is at war.

As Dent explains, the U.S. no longer limits its wars to governments. It takes on what it calls terrorists without regard to national identity. Therefore, he says, we need a new law that grants broader power to the state to crush its homegrown foes.

The Enemy Expatriation Act, therefore, allows the U.S. government to strip citizenship from anyone found to be “engaging in, or purposefully and materially supporting, hostilities against the United States.”

This proposal is surely the worst proposed law since the Alien and Sedition Acts, against which the entire citizenry reacted by making Thomas Jefferson president in 1800 so that he could bring some sanity back to public life. The new version of these old laws would effectively forbid speaking or blogging against any foreign policy-related policy of the United States, with the unthinkable penalty of permanent banishment.

When I heard the name of the law, I also thought of the World War I law called the Trading With the Enemy Act. It was designed to bring about speech controls during wartime. You would get jailed for expressing any doubt about the war. But the law never went away,

and was the thing invoked by FDR in 1933 when he confiscated gold. So far as I know, this law is still on the books.

So anyone who tells you that the Enemy Expatriation Act is actually narrow, that it doesn't forbid civil disagreement with the government, that it won't actually bring about routine banishment of responsible critics, that anyone who sounds alarm bells is hysterical...don't believe a word of it. Every new power government has government will use, and always and eventually in the worst possible way.

Bureaucracies love this sort of law. "It is the invariable habit of bureaucracies, at all times and everywhere," wrote H.L. Mencken, "to assume...that every citizen is a criminal. Their one apparent purpose, pursued with a relentless and furious diligence, is to convert the assumption into a fact. They hunt endlessly for proofs, and when proofs are lacking, for mere suspicions."

I'm not even sure that it is necessary to read the fine print to discover this. The chief sponsors are actually rather open about it. Their slogan seems to be "Government: Love it, or we'll destroy you." In their view, these are extraordinary times that call for extraordinary measures. One of those measures is for the U.S. government to begin acting exactly like the terrorists that the government claims to oppose.

This isn't unusual. It always seems to happen in wartime. We fight tyranny abroad by becoming more tyrannical at home. We oppose internment camps abroad by building them at home for those who doubt the merit of the policy. We oppose the creation and proliferation of dangerous weapons abroad by creating and proliferating more of them ourselves. We fight Islamic extremism by instituting national thought and speech controls, punishable by expatriation.

The more objectionable and egregious a government policy is, the more the government depends on brute force to enforce it. So you can know for sure that when such laws are proposed, there are plans for the wars of the future to be even more objectionable, immoral and unjust than the wars of the past. If you have to criminalize and banish dissent, it is likely that every intelligent person is going to be a target.

But what of those people who really are seething in anger to the point that they actually do feel some sympathy for enemies abroad? Are the bill's sponsors correct that such a person has relinquished his right to be a citizen?

Again, let Mencken speak: "The notion that a radical is one who hates his country is naive and usually idiotic. He is, more likely, one who likes his country more than the rest of us, and is thus more disturbed than the rest of us when he sees it debauched. He is not a bad citizen turning to crime; he is a good citizen driven to despair."

This seems about right. The traditional notion of American citizenship is very different from that of the Old World. It is not about loyalty to the regime. It is not about the willingness to hold your tongue when you disagree with the civic priority of the moment. It is about the love of liberty, and surely, being wholly free to disagree with the powers that be is the core of what it means to be free.

The ironic effect of a law like this is that the best citizens we have will end up being stripped of their citizenship, leaving only the cowards, sycophants and brainless as the model citizens with full rights to live here and vote. Granted, it is the dream of every government that all its subjects obey without question. The day that dream comes true is the day we should all welcome banishment.

Is Taxation Voluntary?

Have you ever heard the claim that paying income tax is voluntary? The term "voluntary" is variously used in government documents, including the 1040 form itself, and some very naive people have actually taken this to mean that they don't have to pay if they don't want to. They think that "voluntary" actually means voluntary, as in the free exercise of human volition.

It's an odd position that seems not to comprehend the meaning of the word "tax." What makes a tax different from a contribution or a trade is that the revenue is extracted by force. You can choose not to comply just as you can choose to resist arrest. But then you must face the consequences. A truly voluntary tax is like a friendly insult, a peaceful war or a healthy cancer. The two words just don't go together.

By the way, this point doesn't apply to just the income tax. It is true for all taxes. You sometimes hear that excise taxes are voluntary because no one is forcing you to buy the taxed good or service. This is false. The point is that if you buy gasoline, cigarettes or anything else that is taxed at the point of sale, you have no choice but to fund the government with part of your purchase price. That is not voluntary.

Yet many people, convinced that they should take the government at its word, persist in believing otherwise. The courts have been dealing with these people for decades. They file what the government calls "frivolous lawsuits." In fact, the IRS has heard this claim enough to actually address it on a special webpage it has created to address these and other far-flung claims made by people who imagine that they have a right to keep what they earn.

The agency writes:

"The word 'voluntary,' as used in Flora and in IRS publications, refers to our system of allowing taxpayers initially to determine the correct amount of tax and complete the appropriate returns, rather than have the government determine tax for them from the outset. The requirement to file an income tax return is not voluntary and is clearly set forth in Internal Revenue Code 6011(a), 6012(a), et seq. and 6072(a). See also Treas. Reg. § 1.6011-1(a).

"Any taxpayer who has received more than a statutorily determined amount of gross income is obligated to file a return. Failure to file a tax return could subject the noncomplying individual to criminal penalties, including fines and imprisonment, as well as civil penalties. '[A]lthough Treasury regulations establish voluntary compliance as the general method of income tax collection, Congress gave the secretary of the Treasury the power to enforce the income tax laws through involuntary collection...The IRS' efforts to obtain compliance with the tax laws are entirely proper.' United States v. Tedder, 787 F.2d 540, 542 (10th Cir. 1986)."

In other words, you are free to comply. If you choose not to comply, you could go to prison. As proof that this is law, the agency cites court cases from 1938-88. Guess what? The courts, as creations of the government, have sided with the government's right to collect taxes from your income. But you say that this is not fair. This is not just. This is un-American. This contradicts the government's own claim that its system is voluntary.

Well, if you are writing the dictionary, you get to define words however you want to define them. However the government uses language, the reality is that the money is being taken from you without your consent. The only real difference between the robber (such as what was once called a "highwayman") and the government, as Lysander Spooner said, is that the robber doesn't claim to be doing this for your own good:

"The highwayman takes solely upon himself the responsibility, danger and crime of his own act. He does not pretend that he has any rightful claim to your money, or that he intends to use it for your own benefit. He does not pretend to be anything but a robber. He has not acquired impudence enough to profess to be merely a 'protector,' and that he takes men's money against their will, merely to enable him to 'protect' those infatuated travelers who feel perfectly able to protect themselves, or do not appreciate his peculiar system of protection. He is too sensible a man to make such professions as these. Furthermore, having taken your money, he leaves you, as you wish him to do. He does not persist in following you on the road against your will, assuming to be your rightful 'sovereign' on account of the 'protection' he affords you. He does not keep 'protecting' you by commanding you to bow down and serve him; by requiring you to do this, and forbidding you to do that; by robbing you of more money as often as he finds it for his interest or pleasure to do so; and by branding you as a rebel, a traitor and an enemy to your country, and shooting you down without mercy if you dispute his authority or resist his demands. He is too much of a gentleman to be guilty of such impostures and insults and villainies as these. In short, he does not, in addition to robbing you, attempt to make you either his dupe or his slave."

What strikes me about the legions of marginalized people who file "frivolous" lawsuits is not that they hate the government, as people often believe. It is not that they have lost confidence in the system or otherwise treat their public servants as their enemies.

My impression is exactly the opposite. They have actually underestimated the depth of the problem with the system. They believe that the courts really are independent and will side against the interests of the government. They imagine that the system is surely and fundamentally just and fair, and once challenged, it will take their side. They imagine that agencies of the government will stick to their word. They imagine that the system is not so corrupt as to not give them a fair hearing.

Keep in mind that there was no income tax in this country for the 126 years after the Constitution was ratified, except for a brief period during the Civil War. Even after the Constitution was amended to make income taxes possible, only a few actually paid. It was much later before it hit almost every American. Before that, your income was your own, period. Imagine! Most people can't.

The 16th Amendment represented a fundamental change in the nature of the American regime. From that point forward, there was a shift in ownership over national wealth. It belonged first to the government, and then to you only as the administrative apparatus permits.

These “frivolous” people who claim taxes are voluntary are doing what good citizens do. They are reading founding documents. They study the American Revolution. They contemplate the words of Jefferson, Paine, Madison and all the others. They take their words and ideas seriously. They look at the current system and see that it resembles the founding vision only in the most superficial ways. And they imagine that it is their right, as Americans and as human beings, to stand up to the powers that be.

What they lack is that critical intelligence to comprehend that the present regime does not agree. There is no real consent of the governed. There is no authentic social contract. The government isn’t really of, by and for the people. To realize this is the beginning of true political wisdom. On this core point, it appears that both libertarians and the tax police are in full agreement.

IV.

Commerce, Friend of Humanity

Commerce, Our Benefactor

What if we had the following economic system?

This system would shower the globe with free goods day and night, asking nothing and giving nearly everything. Most of what it generated would be free goods, and every living person would have access.

Anyone who amassed a private profit would do so only because he or she served others, and the system would require this person to cough up communally-owned information: Everyone on the planet would know the reason for anyone's success.

It would serve all races and classes this way. It would serve the common man slavishly and knock the elites when they become proud and arrogant. It would make it beneficial to everyone to include ever more people in its productive potential and give everyone who wants it a stake in the outcome.

That system has a name. It's called the free market. This is more obvious in the digital age, but the proliferation of free goods has always been a major feature of capitalism. It's just that people haven't really talked about it, though Robert Murphy's outstanding *Lessons for the Young Economist* does an excellent job.

In fact, the free market is the most misunderstood idea out there, by its detractors and, just as often, by its proponents as well. As for the characterization of the market as a utopia for profiteers, moguls and scammers, one doubts that people who think this way have ever really tried to make a buck in a competitive system. It's hard as heck. The whole process is seriously tilted against private gain at public expense.

Now, I could go on with a theoretical argument here, but sometimes personal examples get the point across better. To be sure, we do not live in a free market now; instead, the world's largest and most intrusive apparatus of intervention interferes with ours. But there is enough of a market remaining in this world to clue us in to how it works, and sometimes the simplest retail example suffices.

So let me tell you about the barbershop I stumbled into yesterday. The people there cut hair. But they also have ping pong tables, darts, pool and free beer that you can drink at a bar.

I walked in with a friend and stood marveling at the ping pong table and asked: "Can we play?" They said, "Oh, sure." So we played and played.

Finally, after a while, I asked, "Pardon me, but can I have a haircut?" They were pleased but surprised since they thought I was just another person who wanted to only play ping pong! They were perfectly happy to let me play for free.

The haircut happened; I hung around for a beer, continued to be dazzled by this extraordinary entrepreneurial venture and finally asked if they had a Facebook page. "Of course," came the answer. I took a picture, posted it on my page, liked their page and, within minutes, people all over the world were talking about this little place. "Salon de barbier avec tables de pool et ping pong, dards et bière gratuite," said one share in France that swirled around that network.

Now, consider this: Did I do the place a favor? The owners probably think so. It is a new business just starting out. It needs advertising and promotion. On the other hand, look what I did: I immediately alerted every other potential competitor to a great idea to get customers in the door. Now every barbershop in town can "steal" the idea. They can buy a ping pong table, grab a case of beer, put up a dartboard and off they go.

The barbershop would absolutely love to find a way to reach possible customers without also giving away its tricks to its competitors. But you know what? This is not possible. One comes with the other. Information is a free good; once it is released, it can be consumed and used by anyone who runs across it.

What then happens to the competitive advantage enjoyed by the new and struggling place? It is seriously threatened. It faces wicked competition, even from big chains that can implement these suggestions in a few days at very little cost. The thing that made the new place cool and great is now copied by everyone else. If this happens, the new place will face new pressure on its bottom line. It will be forced to innovate again.

To be sure, every other barbershop in town is unclear whether this pool-and-darts thing really is the magic bullet to achieve success. So rather than emulate that strategy right away, others might wait to see how it works for the first adopter. It might flop. Or it might be amazing. If it is amazing, others will adopt the practices, but there's a problem: The first mover has the advantage. It already has a loyal clientele and a fan base.

Billions of bits of information (free goods!) hit business owners every day that allow them to copy the successes (and failures) of others. Knowing which to implement and which not is an essential part of the job. It might even be the hardest part of the job.

But here's the point I'm making: It is not possible to succeed in this market without giving away the "secret recipe" to success. Fortunately, there is no patent or copyright on things like putting a pool table in a barbershop, so the government can't stop learning from taking place. And this is the way it would be in a pure free market in every industry. To succeed means first to give — giving goods and services to customers (this is the key to profitability) and then giving away the method by which you succeed (or the reason for your failure) to everyone in the world who cares. The very act of doing commercial enterprise — which always tends toward being an open-source undertaking — makes your methods an object of study.

The information you give away is the price you pay for the prospect of profits. But those profits are always being threatened by competitors who emulate your successes. This means that you can never rest, you can never be satisfied with the status quo. You must innovate and revamp on an ongoing basis — and you have to do this with an eye to bringing the public what it wants in the most efficient possible way. This is what gives the market such dynamism, such forward motion, such an innovative spirit.

Chances are that you are reading this book in a venue that is perfectly free to you. Maybe you saw it on a website you did not pay for or saw it linked on a social network that you do not pay to use. These are free goods, the means that capitalists use to entice your interest in what they are doing.

But these free goods are only the start of what the market offers. The most valuable free good that the market is cranking out by the minute is the ocean of information about success and failure, about what people want and don't want, about what works and what doesn't work. This vast reserve of information is being poured out globally and constantly, and it is like a relentless shower of blessings on civilization. Digital networks have increased the blessing by degrees no one ever imagined possible.

The example of the barbershop might not seem like much, but if you understand it — really understand it, and the underlying dynamic it reveals — you understand the thing that has lifted the entire world out of the state of nature into the glorious prosperity that is currently spreading all over the world. This is the market at work — that network of exchange, cooperation, service, innovation, emulation and competition that makes the world tick, all in the service of human well-being. The more market we have, the more progress we will see.

So let's ask the question: Why is it that so many people think they are against the free market? It must be because they don't really

understand it. I would first suggest Robert Murphy's book. Then I would invite them to join me for a beer and a game of ping pong and ask what they think made this little slice of heaven possible?

The Wonderful World of Commerce

It's fashionable to put down commercial culture, but, when you think about it, this makes no sense. Commerce is the driving force of human progress, in more ways than we often realize. Americans in the 19th century knew this and celebrated this. Our commercial culture was a source of pride and the envy of the world.

I've just returned from a most spectacular public museum. It is the Jay Van Andel Museum in Grand Rapids, Michigan. It is right across the street from the Gerald Ford Museum, which specializes in highlighting the miseries of the 1970s. In contrast, the Van Andel museum focuses on the wonderful world of commerce in Grand Rapids from the 19th century to the present.

If politics is about messing things up, commerce is about improving life for everyone. For example, consider the washing machine and clothes dryer, two common household items that were not part of the mainstream of American life until the 1950s. At this museum, I was able to see real television commercials from the period, along with advertisements and newspaper reports. It was truly inspiring.

What did this washing machine and clothes dryer mean in those days? The phrase that keeps appearing over and over is this: "liberation from drudgery."

I like this phrase! It seems that it was still in use by the late 1970s. Ten years later, it seemed to disappear, simply because the drudgery from which people were being liberated had largely disappeared. Technology, efficiency, and household appliances became the new normal. It was universal. Drudgery of the past was unknown.

Without much fanfare, women in particular found themselves free from the grueling toil and domestic routines that had defined their lives from the beginning of recorded history until the decade following the end of World War II.

Instead of spending an entire day or days turning cranks on washers, and hanging clothes out to dry on clotheslines — in addition to hundreds of other menial tasks — these two machines did the work for them. It meant freeing up two days of the week for other pursuits like reading, going to the park, shopping, spending time with kids, and developing professional skill. They enabled women to live more fulfilling lives.

Technology was the basis of the real women's liberation movement. The household machines that became mainstream from the 1950s to the 1970s added more concrete, real-life liberty to women's lives than all the marches and protests and pushes for the Equal Rights Amendment. While the political movement created divisions and ruckuses, technology had been quietly working in the background to free up women's lives through electric appliances, ever-wider distribution of clothing and ready-made food, indoor heating and cooling, ovens that cook without wood, and machines that reduced the time of domestic work from hours to minutes.

It's disturbing how little public consciousness of this reality even exists today. But the Van Andel museum reminds us of the past, what life was like and how technology, or what was once called the practical arts, changed life in such fundamentally wonderful ways.

Consider too the timing of all these great advances. They waited for peacetime to spread throughout the whole population. World War II delayed the upgrade of civilization.

Once the upgrade happened, everyone was free to forget about what life was like before. Then as now, the improvement was seamlessly rolled into our lives, and the new way takes on the appearance of being a human right.

It's for this reason that I especially appreciated the Van Andel recreation of a street from Grand Rapids in the 1890s. It is done at a three quarter scale. It is fully enclosed so that you gain the sense of the real streets and shops at the time. There is a printer, a grocer, a drug store, a gun shop, a funeral parlor, a barber and more.

I stood for probably thirty minutes just staring at the products available in the grocery store. For this time, this was all great stuff: cereal, baking powder, flour, syrup, jello, spices like cloves and pepper, and canned goods of various sorts. None of this would have been popularly available 50 years earlier.

Recall too that the 1890s in a place like Grand Rapids was a heaven of prosperity as compared with every spot on earth in the whole of history, a place where the middle class lived better than kings of any previous century. This was a mecca of what the modern capitalist world could provide.

But there is something oddly missing from the store: any items that you put in the refrigerator. The pickles and eggs were in jars, soaking in vinegar to keep them fresh. There was no meat or fish or milk, and the cheese that was there had to be kept at room temperature. The sausages were hard and cured. Why? Oh yes, the refrigerator would need to wait another 40 years before it became commonly available.

The print shop was absolutely captivating. Only a small portion of the place was taken up with the printer itself. Most of the square footage was consumed by huge racks with drawers that held tiny letters in multiple font forms. Every letter had to be taken out and set in molds, one tiny letter or punctuation mark at a time. This is where the word "typesetting" comes from.

The technology had not changed in its essentials from Gutenberg's time. I found it alarming, especially when the true-believing proprietor tried to show me that his printer was faster than a modern printer. But in the 1890s, remember, this was all amazing. It was advanced, luxurious, and modern in every way. This was their Valhalla. It was a social order doing what a social order should do: lift up and ennoble the lives of average people.

The museum also had cars. And band instruments — things that allowed anyone to make music. And so many great machines for sewing, making furniture, making possible ever more accurate clocks. These were a people who believed in the possibility of a peaceful, thriving, happy form of progress.

The museum also features posters of the 19th century that advertised for immigrants:

TO THOSE WHO
YEARN TO BE FREE
TO DECIDE THEIR OWN DESTINY
There has never been, in the History of Mankind, a time
of Better Opportunity for anyone who wishes to
CAST HIS LOT TO
IMPROVE HIS CONDITION
Prosperity awaits the settler who, with axe in hand might fell the tall forest trees and hew his own path out of the hard
marble of human life.

Here is our history. Here is the view of life that gave rise to the greatest society ever known until that point in history. Here is the theory and practice of freedom itself.

The Warehouse: Beauty and Solemnity

The great recession continues in so many ways but online commerce is booming as never before, increasing in the last quarter of 2011 at the fastest rates in six years.

Before you know it, the retail side alone will account for \$300 billion in sales per year. We click and pay, and if it's not a digital good, the good arrives at our home a few days later. Do you remember "allow six-eight weeks for delivery"? That's gone. Everything comes fast. And if it isn't in stock, we are notified. When it is shipped, we are notified. We can track our packages online, following them stop by

stop.

The goods go straight from the manufacturer to the warehouse, and then to our homes, eliminating the display racks, storefronts, retail outlets, salespeople and everything else in between those stages. The most unassuming stage — and the stage that is increasingly important in modern commerce — is that warehousing stage, in which products rest and wait for consumer volition to awake them from their slumber.

The warehouse has been a feature of the commercial world since the most ancient times. Jesus even has a parable that involves a grain warehouse who amasses evermore grain without selling any, and then finally dies. Yes, that's how the story ends.

The warehouse, in our times, is assuming ever-greater importance. The globalization and digitization of commerce has turned the warehouse from a useful institution into the very heart of commercial life.

The technology that drives the warehouse has undergone upheaval over the last ten, and even five, years. Once, it was all about faxes and typewriters. Now Web services in the cloud can connect warehouses around the world to a dozen different shippers and hundreds of retail websites, all communicating with each other in a fraction of a second.

The time between the end-user's purchase and the printing of the label on the box is down to minutes. It is entirely possible to order at 8 p.m. and receive the goods the next day, even without paying for the rush.

Despite this incredibly modern technology, the warehouse is a world as cloistered as a medieval convent. Its underlying purpose is not the salvation of souls in the afterlife, but the betterment of mankind in this one.

Cities around the country have reported gigantic increases in the demand for warehouse space. The orders keep becoming ever more stunning: 10,000 square feet, 100,000 square feet and even 650,000 square feet. Whole communities are emerging from coast to coast that consist of nothing but huge metal buildings with loading and unloading docks.

The same is happening in China, India, Malaysia and Latin America. Formerly uninhabited spaces — warehouses tend to emerge in low-price areas — are being converted by the day.

Remarkably, most people will never enter a warehouse and never experience their strangely busy-but-contemplative environment, which is unlike any other on this earth.

The lighting is lower than one might expect and peculiar because it exists in a giant, windowless space sealed tightly on all sides. The only natural light one can see is from the dock for loading and unloading, a space that gives the otherwise directionless cavern a spatial orientation and purpose.

The ceilings are unnaturally elevated, with shelf after shelf soaring up to ominous heights. The visual orientation is equally weighed vertically and horizontally, like an old European cathedral, and the employees are as comfortable navigating one direction as the other.

They can speed from one point to another as quickly as they can leap into the air on their specialized machines. Their digital charts might indicate a need for a pallet 150 feet up, and they will traverse the space and come back with their prize — it could weigh several thousand pounds — in what seems like seconds.

They do this without comment, or even notice from anyone else. They are nonchalant about the feats that amaze visitors. Indeed, the employees in the warehouse do not talk without purpose. And when they do speak, they use a language that is entirely about their craft. It seems like a code, but they all understand each other. The volume of their voices is low, and they speak in quieter tones than one would expect.

The temperature varies based on the season, but the warehouse is tightly sealed on all sides but the dock. It can be bracingly cold in the winter, employees wearing heavy coats and gloves indoors — and uncomfortably warm in the summer — but always to a lesser degree than the world outside.

Nothing in the warehouse is designed to be beautiful, but the sheer utility of every physical thing in it creates its own beauty. Its orderliness — nothing is unaccounted for — conforms to one ancient definition of beauty itself.

And its cleanliness is also unexpected. Surely, a space this gigantic, used only for storing things, would have its pockets of dust and grime. Not so. The staff works hard to keep the dust and dirt at bay, treating the space the way a fussy homemaker treats the domestic space.

The noises one hears are almost entirely mechanical: beeps, hums, grinding conveyor belts, stamping machines, trucks coming and going. They can be random and loud; but for those who work there, nothing is startling. You begin to discern all movement within the space by the sounds alone, same as you can tell what people are doing in your own house by the noises they make.

What about the people who work here? There are permanent employees and temporary workers who specialize in helping out in high-volume seasons. There are bosses, owners, strongmen, accountants, managers, packers and the inevitable geek who is running and managing software behind the scenes.

They stick to the task all day, but mingle very well socially during lunch and other break times, which come as regularly as prayer times in monastic life. During these times, they talk about anything but business. They revel in the differences in their eating habits, talk about movies, share tips on places for happy hour and generally find commonalities in the usual joys and sufferings of daily life.

Then the clock signals that it is the time to begin the work again, and the place starts humming with the coordinated and orderly mechanism of machinery, software and human effort: a dazzling integration of all forms of motion possible in this world.

Think of this: Every item stored in a warehouse is seemingly idle in an economic sense, not currently employed in consumption or production. Everything is held here on the presumption that, at some point, someone will purchase it. This cannot be known for sure. It is a speculation, an entrepreneurial judgment that could be right or wrong.

If there were perfect information about the future, the warehouse wouldn't exist at all. All goods would be manufactured on a need-be basis only, with no storage needed or necessary. Despite its stillness and orderly calm, then, the warehouse embodies a wild leap into the unknown — a physical monument to the human capacity to imagine a future we cannot see.

This isn't a bug of the system. It is a feature. And it's the same with banking institutions of old, which served a warehousing function as well. The money wasn't idle, contrary to what the opponents of the gold standard and pushers of fractional-reserve banking said. Not at all. It was a service that came to terms with the reality of uncertainty of the future.

No government mandates caused these warehouses to come into existence. In fact, we the consumers have caused this, not with direct demands but with subtle market signals derived from interpreting profitability spreadsheets.

Hayek would use the term "spontaneous order" here, but the warehouse puts the emphasis on order. It is a prime example of how a market operating on its own, with no one in particular in charge, can create these cells of coordination — symphonic exhibitions of productivity in the service of humanity.

Rooted deep in history yet uniquely modern, the warehouse has emerged with its own culture, shape and conventions, all created and shaped by market signaling and entrepreneurial insight.

People are always looking for things to do with their kids. They take them to amusement parks and movies, thinking that wonderful things must always be fictional. Even better is when the real world itself is wonderful. Most warehouses enjoy visitors and love showing off the business. It's off the beaten path but it is worth your time to go and see for yourself all the things I've described here.

The Juice That Defied an Empire

What's great about POM Wonderful? Sure, this pomegranate juice tastes great. POM is one of the few drinks that seems to have the same scrunch-up-your-mouth effect that you get with a bold dry red wine.

When I was a kid, it didn't exist. Like everything wonderful in this world, it comes to us because of the grand beneficence of human volition and entrepreneurial enterprise; that is, people helping people to have a better life.

The company was founded only twelve years ago, and its owners are doing just fine, thank you, and the customers are gleeful to have

a way to consume these fruits without having to crack the hard shell, dig through all those horrible seeds and stain their hands and clothes.

But that's not why I'm writing about POM. What's especially great is how the company pushed the envelope with its health claims. They've been extremely specific on the benefits for the heart, prostate, longevity and every other thing you can imagine and some you don't want to think about. The owners and entrepreneurs, Stewart and Lynda Resnick, are true believers and great ambassadors for their product.

Especially Lynda. She is a "force of nature," as one person put it. She believes in this stuff. In fact, she is a fanatic. She lives and breathes the juice. No surprise: serious entrepreneurs love their products, probably more than any one of their customers.

In interviews and in advertising, POM smashed through a barrier with all these claims. These days, the government has nearly every food and drink manufacturer terrified to even mention what its makers regard as the health benefits of its product. They fear being dragged through the bureaucracy and facing some awful government judge.

Why isn't this an imposition on free speech? It is, and it's bad for consumers too. We are left to guess or search the Internet while shopping just to figure out ways in which our diet relates to our health. Or we have to visit some witch doctor at the local health food store who thinks we should eat eye of newt or soak our feet in some crazy fluid to become pure, or something like that.

I always have the feeling these days that lots of information — important information that the manufacturer wants me to know — is being hidden from me by regulations.

POM not only tore through this regulatory barrier; the company poured tens of millions into funding scientific studies that no one else wanted to do. That's serious. Sure enough, these studies have proven what the owners suspected. This is good stuff. No, it is not magic, but nothing is. As far as a drink is concerned, this is healthy juice. It beats soda.

But of course, the government didn't like what POM was saying and came after the company. Rule of thumb: if something is exciting, new, popular, and profitable, there's a government lawsuit in the making that is planning to end it all. That's the role of government these days, to be the monkey wrench thrown in the wheel of progress.

First it was the Food and Drug Administration, which said that its health claims suggest that the juice needs to be regulated like a drug, in which case it has to face what other drug makers face. Then the Federal Trade Commission got involved and said that its advertising claims amount to deception of the consumer.

POM never backed down. It fought all the way through, and continues to fight even after the ruling on May 22, 2012. The press reported that POM lost miserably, and cited the result of a twenty-year cease-and-desist order. That's very puzzling because here is what the FTC judge actually said:

"Competent and reliable scientific evidence supports the conclusion that the consumption of pomegranate juice and pomegranate extract supports prostate health, including by prolonging PSA doubling time in men with rising PSA after primary treatment for prostate cancer."

"Pomegranate juice is a natural fruit product with health-promoting characteristics. The safety of pomegranate juice is not in doubt."

"Competent and reliable scientific evidence shows that pomegranate juice provides a benefit to promoting erectile health and erectile function."

At the same time, said the judge, "The greater weight of the persuasive expert testimony demonstrates that there is insufficient competent and reliable scientific evidence to substantiate claims that the POM products treat, prevent or reduce the risk of erectile dysfunction or that they are clinically proven to do so."

Do you see the subtle difference here between reducing risk of dysfunction and promoting function? I'm not entirely sure that I do. Sounds like legalistic baloney to me. And it is any surprise that a dedicated entrepreneur would be a bit hyperbolic about the product he or she is promoting? This seems like a clear case of harassment of a business, not prevention of fraud. Pomegranate juice never hurt anyone. And all these studies do indeed show that it promotes health. So whatever.

POM put its company on the line and staked everything on its right to get consumers information about its products, information that people want and need. Would-be customers are free to look up the claims for themselves and decide. Consumers can reject the claims if they find them crazy and cranky, or embrace them completely. It's up to the buyer. But shouldn't people be entitled to know things that businesses want to tell them? One might suppose so.

POM believes that there was more at stake in this hearing than just its business and its health claims. The company believes that the FTC/FDA were preparing the ground to regulate all health products as drugs that should be subject to the entire regulatory control of the government. That would be absolutely catastrophic. Imagine!

In this respect, says the company, "the FTC tried to create a new, stricter industry standard, similar to that required for pharmaceuticals, for marketing the health benefits inherent in safe food and natural food-based products. They failed."

The company has been fabulously and delightfully defiant and brassy in the face of all this intimidation. In response to the ruling, the company said, "Although we disagree with the finding that some of our ads were potentially misleading, Roll Global will make appropriate adjustments if necessary to prevent that impression in the future."

Catch that? It will make "adjustments if necessary." If! Love it!

At least one enterprise in America is not willing to curl up into a tiny ball and beg for life when faced with government harassment. Not only that — and this is even better — the company rightly saw that this judge's ruling was a great marketing opportunity. So it took out giant and expensive advertisements in *The New York Times* and touted its innocence using the judge's own words. That takes guts these days.

May its sales soar to the moon!

I seriously resent how virtually the entire mainstream media presented this FTC decision as some sort of deadly blow to the company. It was not. But at least the company saw that it, and it alone, needed to bear the burden of telling the truth. It didn't even attempt to crawl. It stood up strong and proud for its product, and their right to tell consumers what they believe to be true. Again, that takes guts.

Maybe the rest of Corporate America needs a drink of this juice!

In fact, let me add an additional and slightly implausible claim about POM Wonderful: This drink can cause your company to be proud of its product and defy even gigantic and powerful government bureaucracies that have zero interest in the well-being of American citizens and only want to expand their power and control at the expense of Americans' right to know and right to choose.

So sue me!

Five Pillars of Economic Freedom

The great debate between capitalism and socialism suffers from a lack of clarity about definitions. This is why when Walter Block lectured in Brazil this past week, he was very careful to distinguish between crony capitalism and authentic capitalism. And it's why when I was interviewed, the question came up immediately: What precisely do you mean by capitalism?

Every day, for example, we read how the European economic mess is a "crisis of capitalism." Huh? It's been more than a century since governments let these economies grow on their own without bludgeoning them with regulations, taxing and looting the public, littering financial systems with fake money, cartelizing producers, shoveling welfare benefits, funding gigantic public works and the like.

Some advocates of market liberty believe that the term "capitalism" should be jettisoned permanently because it causes confusion. People might think that you favor using the state to back capital against labor, using public policy in a way that supports prominent producers over consumers or pushing political priorities that advance business over labor.

If a term elucidates an idea with accuracy, great. If it causes confusion, change it. Language is constantly evolving. No particular arrangement of letters embeds an immutable meaning. And what is at stake in this debate about market freedom (or capitalism or laissez-faire or the free market) is a substance of profound importance.

It's the substance, not the words, we should care about. Civilization really does hang in the balance.

Here are five core elements to this idea of market freedom, or whatever you want to call it. It is my short summary of the classical liberal vision of the free society and its functioning, which isn't just about economics but the whole of life itself.

Volition. Markets are about human choice at every level of society. These choices extend to every sector and every individual. You can choose your work. No one can force you. At the same time, you can't force yourself on any employer. No one can force you to buy anything, either, but neither can you force someone to sell to you.

This right of choice recognizes the infinite diversity within the human family (whereas state policy has to assume people are interchangeable units). Some people feel a calling to live lives of prayer and contemplation in a community of religious believers. Others have a talent for managing high-risk hedge funds. Others favor the arts or accounting, or any profession or calling that you can imagine. Whatever it is, you can do it, provided it is pursued peacefully.

You are the chooser, but in your relations with others, "agreement" is the watchword. This implies maximum freedom for everyone in society. It also implies a maximum role for what are called "civil liberties." It means freedom of speech, freedom to consume, freedom to buy and sell, freedom to advertise and so on. No one set of choices is legally privileged over others.

Ownership. In a world of infinite abundance, there would be no need for ownership. But so long as we live in the material world, there will be potential conflicts over scarce resources. These conflicts can be resolved through fighting over things or through the recognition of property rights. If we prefer peace over war, volition over violence, productivity over poverty, all scarce resources — without exception — need private owners.

Everyone can use his or her property in any way that is peaceful. There are no accumulation mandates or limits on accumulation. Society cannot declare anyone too rich, nor prohibit voluntary asceticism by declaring anyone too poor. At no point can anyone take what is yours without your permission. You can reassign ownership rights to heirs after you die.

Socialism is not really an option in the material world. There can be no collective ownership of anything materially scarce. One or another faction will assert control in the name of society. Inevitably, the faction will be the most powerful society — that is, the state. This is why all attempts to create socialism in scarce goods or services devolve into totalitarian systems.

Cooperation. Volition and ownership grant the right to anyone to live in a state of pure autarky. On the other hand, that won't get you very far. You will be poor, and your life will be short. People need people to obtain a better life. We trade to our mutual betterment. We cooperate in work. We develop every form of association with each other: commercial, familial and religious. The lives of each of us are improved by our capacity to cooperate in some form with other people.

In a society based on volition, ownership and cooperation, networks of human association develop across time and space to create the complexities of the social and economic order. No one is the master of anyone else. If we want to succeed in life, we come to value serving each other in the best way we can. Businesses serve consumers. Managers serve employees just as employees serve businesses.

A free society is a society of extended friendship. It is a society of service and benevolence.

Learning. No one is born into this world knowing much of anything. We learn from our parents and teachers, but more importantly, we learn from the infinite bits of information that come to us every instant of the day all throughout our lives. We observe success and failure in others, and we are free to accept or reject these lessons as we see fit. In a free society, we are free to emulate others, accumulate and apply wisdom, read and absorb ideas and extract information from any source and adapt it to our own uses.

All of the information we come across in our lives, provided it is obtained noncoercively, is a free good, not subject to the limits of scarcity because it is infinitely copyable. You can own it and I can own it and everyone can own it without limit.

Here we find the "socialist" side of the capitalist system. The recipes for success and failure are everywhere and available to use for the taking. This is why the very notion of "intellectual property" is inimical to freedom: It always implies coercing people and thereby violating the principles of volition, authentic ownership and cooperation.

Competition. When people think of capitalism, competition is perhaps that first idea that comes to mind. But the idea is widely misunderstood. It doesn't mean that there must be several suppliers of every good or service, or that there must be a set number of producers of anything. It means only that there should be no legal (coercive) limits on the ways in which we are permitted to serve each other. And there really are infinite numbers of ways in which this can take place.

In sports, competition has a goal: to win. Competition has a goal in the market economy, too: service to the consumer through ever increasing degrees of excellence. This excellence can come from providing better and cheaper products or services or providing new innovations that meet people's needs better than existing products or services. It doesn't mean "killing" the competition; it means striving to do a better job than anyone else.

Every competitive act is a risk, a leap into an unknown future. Whether the judgment was right or wrong is ratified by the system of profit and loss, signals that serve as objective measures of whether resources are being used wisely or not. These signals are derived from prices that are established freely on the market — which is to say that they reflect prior agreements among choosing individuals.

Unlike sports, there is no end point to the competition. It is a process that never ends. There is no final winner; there is an ongoing rotation of excellence among the players. And anyone can join the game, provided they go about it peacefully.

Summary. There we have it: volition, ownership, cooperation, learning and competition. That's capitalism as I understand it, as described in the classical liberal tradition improved by the Austrian social theorists of the 20th century. It is not a system so much as a social setting for all times and places that favor human flourishing.

It's not hard to discern my political outlook then: If it fits with these pillars, I'm for it; if it does not, I'm against it. Now, you tell me: Is the European crisis, or the U.S.' own, really a crisis of capitalism? On the contrary, an authentic capitalism is the answer to the biggest problems in the world today.

Greedy Governments and the Double Irish

Beginning last year, mainstream reporters began kvetching about a rather brilliant tax strategy used by Google, Apple and hundreds of other technology firms. It's been the path to survival for these companies. It relies on a feature of digital goods that would have otherwise been impossible with physical goods. Firms are setting up revenue-receiving subsidiaries in lower-tax states and countries as a means of lowering their overall tax liability.

The most colorful tactic is called the Double Irish With a Dutch Sandwich. It involves setting up holding companies to receive profits in Ireland, where corporate taxation is 12.5%, and in the Netherlands, too, rather than the in the U.S., with its outrageous rates that can be above 35%, including state taxation. Another step is to create virtual corporate offices in states with no corporate taxation.

These tactics are saving Apple, for example, some \$2.4 billion annually from being confiscated, according to a report in *The New York Times*. Wal-Mart and other physically bound companies can't do this. "Technology giants have taken advantage of tax codes written for an industrial age and ill-suited to today's digital economy."

That is true enough, and this is true in many more ways, as well. Thank goodness the tax code is ill-suited for the digital economy; if it were suited, the digital economy would be far less advanced than it is!

It is precisely because so many features of digital economic life escape the anachronistic regulatory machine that the technology sector is booming while almost everything else is breaking under the weight of government control.

Consider that the latest data on U.S. economic growth are pathetic — anemic! And this is the stuff the government dishes out, which probably paints a prettier picture than the grim reality.

Yet how can anyone be surprised given the explosive growth of government power and debt over the last 10 years? It's crowded out private growth and left hardly any room for enterprise to breathe at all. If you doubt it, ask anyone who is actually trying to make a buck these days.

After all this bludgeoning, the real question is why hasn't the American economy been actively shrinking 5% per year? Why are there any signs of life at all?

It has something to do with the emergence of digital technology. That's been our one source of salvation. It's as if government sank the

economic Titanic and then lifeboats made from digits suddenly appeared in the water to save us all. Without the growth of technology, we would all be sleeping with the fishes by now.

Digits are light and quick and can scoot around to avoid the killer sights of the government tax police. The production of their most valuable assets can take place anywhere on tiny units. They are scalable, copyable and infinitely reproducible, to permit the marginal unit production costs of items sold to fall to zero, or close to it.

Put this all together and you have a workable model for escaping the grasping clutches of greedy governments all over the world, especially those whose systems of exploitation are rooted in analog anachronisms like Keynesian-style macroeconomic planning.

In a laissez-faire world, the advent of the digital revolution would have inspired double-digit growth like we see in many other countries today. In the American case, the government has been stealing so many of the gains that our heads are barely above water.

It is one of history's great missed opportunities. In the Gilded Age, with relatively little regulation and taxation — plus a gold standard and a Congress that was restrained by it — innovations led to growth like we have never seen before or since in the United States. (See Thomas DiLorenzo's *How Capitalism Saved America*.)

In these years between 1870 and the end of the century, lives lengthened dramatically. Per capita income soared. Innovation begat innovation. Wealthy, successful entrepreneurs were national heroes. A new model for building civilization through trade and commerce captured the imagination of an entire culture.

The things that were amazing back then were railroads, wide availability of steel, communication improvements, electricity and the possibility of commercializing automobiles and flight. That was all great stuff that showered humanity with unimaginable blessings.

But in our times, our things are even more amazing. We are all using miracle technologies we keep in our pockets that presidents couldn't have accessed ten years ago. We have more computing power in our digital devices than existed anywhere in the world in the 1990s. The whole world is universally and instantly networked. What's more, the prices are falling and falling for all these things.

It's a hinge of history, a new world. You would have to try pretty hard to prevent a moment like this from giving rise to historic levels of economic growth. And it has in countries like China, India, Turkey and Ethiopia. Indeed, a quick look at World Bank charts shows that 150 nations of the world are growing at faster rates than the United States.

Where is the outrage? It is there, but it is entirely misplaced. Opinion culture is decisively in favor of even more looting of more private wealth. According to the Institute on Taxation and Economic Policy, the top 1% of earners are funding 21.6% of all taxes taken by governments at all levels. This is wildly disproportionate. Yet a dominant policy idea out there is to loot the 1% ever more, and rope the digital economy into the planning apparatus.

It is not a scandal that Google and Apple have discovered fancy ways to reduce the extent to which they are being looted by the tax state. The real scandal is that they have to spend so much money and energy finding ways to keep the money they make. They are serving us; our governments are looting them.

If we want to restore prosperity and bring to the United States some of the economic growth other countries are enjoying, a first step would be to dramatically cut corporate taxes from their current confiscatory level. If we want to avoid the injustice of double taxation (never forget that individuals are paying too!), the right level should be zero.

A change to zero corporate taxation in the United States would bring an instantaneous end to the Double Irish.

Wal-Mart: Victim of Extortion

To do serious business in America requires vast campaign contributions to several layers of elected politicians, an army of lobbyists in Washington, retired government employees on your board and public devotion to the American civic religion. It goes on every year and restarts every election cycle.

Even then, it is hard to know if you are going to get what you pay for.

It's easier and more efficient in Mexico. You pay bribes directly. The decision maker gets the money. He or she clears the path for you to do the thing. The facilitator takes a slice. People mostly keep their promises. The deal is done.

Apparently bribe paying in the United States is a sign of a healthy, functioning democracy; doing the same thing in Mexico in a more streamlined way is a criminal violation of the standards of good corporate governance.

Here we have *The New York Times* "exposing" the shocking and presumably ghastly fact that over several years, Wal-Mart paid out some \$24 million in payoffs to politicians, bureaucrats and petty gatekeepers in Mexico, all in the hope of employing people who need jobs and bringing goods and services to those who need them.

The breathless and bloviating *Times* exposé is written as if these intrepid reporters were exposing a violent mob engaging in killings to get its way. You never quite get that Wal-Mart would much rather have used the money to expand its business, hire more employees or beef up its inventory. Money used for bribes is a loss to any company, a terrible price of doing business under the state.

In any case, the trove of information was shoveled on the paper by disgruntled employees. And it is hardly unusual. It's how business is done. Regardless, the *Times* is out for blood — not from the extortionists who run the system but from the victim, Wal-Mart.

Last count, there were 1,200 news stories about this on the wire. *Forbes* reports: "Wal-Mart Stores will likely face the wrath of the U.S. Department of Justice for reining in an internal investigation into bribery allegations at its Mexican subsidiary."

I'm sure that congressional investigations are around the corner, with all the named executives hauled before committees and harassed by regulators.

The bitter irony is that it will transfer more of the Mexican system to the U.S. To survive, Wal-Mart will be forced to spend more than the \$12 million-plus it already spends every year on campaign contributions and lobbying.

All that enforcement of the Foreign Corrupt Practices Act (FCPA) does is increase the amount of domestic corrupt practices. Indeed, that is the way the system is supposed to work. Truly, if the FCPA were actually enforced as written, business around the world would come to a grinding halt.

Under the well-known Mexican system, people called "gestores" specialize in interfacing between business and bureaucracy. They deal with inspectors, permit issuers, environmental bureaucrats, labor officials and zoning regulators. If the gestores can make the deal, they keep 6% as a matter of convention. Even average citizens use these people to stand in line for them — all in an effort to find non-violent means around the bureaucrats.

Given the ridiculous barriers in place, it's not a terrible system. Corrupt government that you can buy your way around is far better than "good government" that blocks all progress.

The rap on Wal-Mart is that it did far worse. When the company discovered this was going on, it buried it, rather than going public. No kidding. Maybe the company imagined that it would be smeared and attacked?

Bribing officials is illegal in Mexico, just as it is in the United States. But of course, that is just the gloss. Anywhere there is government, there is corruption. That's the purpose of barriers to enterprise, to extract wealth from those who want to get past them.

Is it worth it? It is either pay or don't do business, which means lasting poverty. Today, Wal-Mart Mexico employs 209,000 people and is the country's largest employer. It has provided a fabulous example of the merit of private enterprise in this country, which is finally getting on its feet economically. It has brought food, goods and services to millions of people who otherwise would not have them. It has done more in ten years for Mexico than all the government bureaucrats have done in one hundred or a thousand years.

For its crime of bringing economic development to this country, it must be smeared, beaten and forced to pay obeisance to the American political class. Why should Mexico enjoy such largess when there are millions of American bureaucrats who need to be part of this gravy train?

You can read thousands of academic papers on the problem of "corruption" in countries around the world and completely miss the central point. The way to eliminate the corruption is to eliminate the barriers to enterprise. Why is this not obvious? Because many people

imagine a utopian ideal that does not now and never has existed: good government. They imagine that government rules can be enforced impartially based on science or the public good.

It's sheer nonsense. As Ludwig von Mises wrote in *Human Action* in 1949:

"Unfortunately, the office-holders and their staffs are not angelic. They learn very soon that their decisions mean for the businessmen either considerable losses or — sometimes — considerable gains. Certainly, there are also bureaucrats who do not take bribes, but there are others who are anxious to take advantage of any 'safe' opportunity of 'sharing' with those whom their decisions favor.... Corruption is a regular effect of interventionism."

But here's the part that upsets me so much. Somehow, private enterprise is always and everywhere blamed for perpetuating it, when the truth is obviously that the blame rests with government. It's like watching a mugging and blaming the mugged for carrying too much money with him. It's like telling anyone who has faced the demand "your money or your life" should always choose to give up his life.

The background here is nothing short of anti-capitalist resentment. The elites loathe Wal-Mart for its achievement in putting on display the incredible reality about capitalism that you never hear about in school: It is a system that is maniacally focused on the well-being of society in service of the common man.

Go to Wal-Mart, and you see the workers and peasants not rebelling against the system, but buying stuff that makes their lives better. It looks rather mundane. It's how civilization is built: one economic exchange at a time. The people who stand in the way don't deserve a dime, but private enterprise is kind enough to cough it up, anyway. Wal-Mart deserves sympathy, not condemnation.

Economic Lessons of Silly Putty

We loved it as kids — that amazing substance called Silly Putty. I recently found a version in a hotel room the other day, re-branded as Thinking Putty. It turns out that the names differ based on the targeted market segment. In any case, the whole phenomenon is curious. How it is that this seemingly ridiculous stuff could become a product that links the generations?

A closer look reveals that you can learn so much about the way the world works just by looking at this history of this pliable plaything.

Who invented it? There are several competitors for the title, and at least two patents. Earl L. Warrick, who died in 1992, always claimed that he and a colleague at Dow Corning, Rob Roy McGregor, invented it in 1943. But the claim is so uncertain that Warrick's *New York Times* obituary even hedged. It appears that James Wright, who was a researcher at General Electric, also has a claim and a patent dated from 1944 to prove it.

More likely, it is a case of simultaneous invention. It turns out that this is not unusual in human history. It is actually the norm. In fact, if you look at the history of just about anything from the cotton gin to the telephone to flight itself, you find a raging dispute over who was first. Patents settle nothing: The bureaucrats approving those things mix things up constantly, and much depends on how the lawyers write them.

Lesson No. 1: The legend of the lone inventor in his lab is a myth. We all breathe the same air of ideas. Those ideas get mixed and remixed. Researchers in the history of invention have found that innovations occur on the margin and simultaneously over large parts of the world, a bit of improvement here and there, all stemming from trial and error and the targeted purpose of the product. This applies not only to products, but also to ideas.

To freeze one stage and isolate one inventor with a government monopoly grant of privilege (the patent) is wholly artificial and injurious to the process of discovery. This is why the lawsuits by Apple against Samsung (among a million other wasteful patent lawsuits) are so pointless. Everyone "steals" from everyone else, except that it is not stealing to learn from others, adapt, improve, remix. That's how society advances.

In any case, the scientists who discovered the initial putty imagined revolutionary uses for the new rubber substitute. Guess what? No one ever found such a use, unless you include the desire to make a quick and rubbery copy of your favorite Sunday comic. The main use of this stuff turns out to be pretty much what it was in the lab: a fun thing to play with.

Lesson No. 2: No man is smart enough to foresee the most highly valued economic contribution of any good or service. We think we know, but we do not. The only way to discover economic value is to put something out there in the marketplace and see what happens. Most of the time, we are surprised.

In any case, Silly Putty languished in the world of labs and science until the owner of a toy store in New Haven, Conn., Ruth Fallgatter, saw some potential and put it in the catalog. It was a smash hit, selling millions, for adults at first and later to kids. Even then, Ruth didn't quite see the possibilities here. It took the marketing executive that she hired, Peter C. L. Hodgson, to push it to the limit and become the first Silly Putty millionaire.

It wasn't easy, however. Everyone told Hodgson that he was crazy, that this stupid stuff had no use. He forged ahead in any case, making more millions in the early fifties. Then the Korean War nearly shut him down with its rationing of essential ingredients. Still, after the war, he persisted and adapted to the changing market.

Lesson No. 3: Invention is never enough. You need marketing to make something wonderful and change the world. Nothing sells itself. You can invent the greatest food, drink, drug or shoe in the history of the world, but it will languish unless there is someone around to take the risk to get it to market. In the course of this marketing, the product often changes. Invention is overrated; marketing is underrated. And even when there is a successful push, it still takes a special entrepreneurial mind to see a possible future of continued success.

By the 1960s, Silly Putty was huge, a massive seller all over the world. It was the classic case of a fad gone wild, except for one thing. It wasn't a fad. This stuff continues to be an integral part of the cultural experience, generation after generation. In fact, consider this: How many consumer products that you know have been largely unchanged for 50 years and yet still sell millions per day?

Lesson No. 4: Nothing can be dismissed a priori as a fad, and nothing can be declared a priori as a valuable item destined to be a classic. There is no way to know for sure. This is because what we call value is ultimately bound up with the individual human mind. Value is subjective, as the Austrian economists say. We make value by our thinking, and our thinking is notoriously unpredictable. What is useless and what is useful is bound up with human experience. No one can know in advance, which is one reason that central planning is impossible.

Peter Hodgson, the world's great champion of this stuff, a man whose whole life was dedicated to selling a stretchy, bouncy substance, died in 1976. The next year, the product and the marketing apparatus was taken up by the same company that sells Crayola crayons. It remains an amazing success, unchanged from its long tradition.

Lesson No. 5: Corporate takeovers do not spell disaster. They are sometimes the best means for preserving a tradition and taking it to a new level. It all depends. In the case of this one product, Silly Putty has been an amazing seller for decade after decade. Even for huge corporations, the rule still applies: If it isn't broken, don't fix it.

Looking from the outside in, taking on the role of a dictator who knows what we need and what we don't, one would never say that Silly Putty was an essential contributor to life just because, for some odd reason, we are intrigued by its capacity for both bouncing and stretching. And yet there it is — a staple of civilization as we know it. And why? It makes us happy. That's a good enough reason.

Jetsons, Episode 5,437: "The Kroger Vending Machine"

You have heard of unmanned flight. Much more impressive to me is the unmanned grocery store that could be coming to a street corner by you. It's being pushed by Kroger. It is a large-scale machine stocked with 200 items from the grocery store.

Crackers, cheese, milk, bread, chips and dip, maybe even some fruit and cold cuts — most of the common items found in the grocery store — are all in this brilliant vending machine now being tested at select places around the United States.

The prices are more comparable to the grocery store but it has more convenience than the convenience store. The savings to the company includes no twenty-four-hour staff, no high insurance for security risks, no sky-high real estate, no maintenance of building, and

the foregoing of the endless headaches of wacky customers, untrustworthy employees, bathroom catastrophes, theft, and more.

It seems like a sure thing. It's not. People have to keep it stocked. There are many inventory tweaks that have to be done over the coming months. My first thought was that these machines had better carry beer and cigs else people won't go to them, but of course that wouldn't be compatible with the nanny state's existing age restrictions. So it might work and it might not. Only the balance sheet will say for sure.

This is something new that private enterprise is bringing to us. It begins small. It could grow and grow and become something widespread and common and amazing. I recall seeing reports of even more amazing machines in Japan that sell live crabs, hot food, and bananas (very popular in Japan). These could all come to the U.S., but, again, it all depends. The profit-and-loss statements tell us what's what, whether something should stay and expand or contract and die.

We are rather used to this sort of relentless progress in the world of free enterprise. In the last decade or so, it seems like the world turns upside once every twelve months, so that reverting even a year in progress would be unthinkable. If people have to give up even one benefit of this progress — my favorite example is Skype video conferencing from hand-held wireless devices — there would be wailing and gnashing of teeth.

We are surrounded every day by the glories of free enterprise and risk taking. We don't have to lobby for the progress. We don't have to vote for it. We don't have to stop our lives and get involved in some stupid pressure group and march around with signs that say: "We want to do our grocery shopping through vending machines!!"

Instead, the entrepreneurial companies are working constantly to figure out what it is that we might like and then working hard and taking the risk of offering it to us. It's up to us to decide that we are for this or against that. If we use the service, it stays and expands. If we don't, it goes away and something else comes along.

I was thinking about this as I stood in line at the post office last week. The line was long. There were two clerks and they seemed to be moving at a pace that was completely disregarding of the long line. The clerks, who seemed to be nice enough people, seemed to be telling nearly every customer what the customer had done wrong, and also instruct them on various mandates with which they needed to comply.

The environment inside is joyless, dingy, bureaucratic, dutiful, stale. The distance between the employees and the customers was great. They were guarded by a high counter. We were kept at bay by various lines on the ground. While we waited, we read signs about what we were required to do. Absolutely no one was happy to be there: not us and not them.

I make it a task to try to dissect government agencies like this and try to figure out what is wrong with them. Sometimes it is hard to figure out why these buildings are so depressing, why the service is so bad, why a sort of terrible dreariness pervades these institutions. It's beyond what any "management consultant" could fix, beyond what any house cleaning would repair. The sense of lifelessness, sadness, and anachronism is pervasive and seemingly unrepairable.

Meanwhile, service gets ever worse. The post office is lobbying Congress to let it cut out Saturday service altogether because otherwise it will bleed red beyond even what Congress will be willing to support. I can't think of the last time that the post office offered anything that seemed splashy or wonderful. Just looking at the general structure of its business model, it doesn't seem to have changed much in a hundred years.

Why is private enterprise so amazing, always on the side of progress, while government institutions are so dreadful, dreary, and backwards? Some people figure that this is because the wrong people are in charge of government. We need to elect better rulers so they can shape up the bureaucrats and reform them so that we get "good government" instead of staid, belligerent, inefficient, anachronistic government.

That's not the reason. The core of the cause was explained by Ludwig von Mises in his 1944 book *Bureaucracy*. He wrote it as a follow up, 25 years later, to his original book on *Socialism*. As Mises explained, socialism could never work because there could be no profit-and-loss test to discover the best use of resources in society. The balance sheet is built from data that emerges from the real-life exchange of private property. Eliminate private property and exchange — as socialism does — and you crush the very heart of economic life.

Mises took the next step to point that the same problem that dooms full-blown socialism is integral to bureaucratic management as well. There is a wedge driven between the producer and the consumer. The producer is not acting based on any feedback it gains from those who depends on its production. The balance sheets reflect inputs and outputs but are not profit-and-loss statements that emerge from real-world experience. There is no real market at work here. The bureaucrats, at best, are playing market but not actually experiencing one.

What difference does it make? It makes the difference between regress and progress, between systemic and sustained failure, on the one hand, and a system that is forward driven and self-correcting, on the other. The difference matters for our daily lives. Improvement lifts our spirits, lengthens our lives, boosts our standards of living, grants us more fulfilling lives. A world of stasis and decline denies all of this to us.

It's remarkable, isn't it, that what kind of institutions society creates — and a seemingly small factor like whether an institution's balance sheet is built by markets or legislatures — could have such an incredibly profound affect on the whole of the way we experience life itself.

If you pass one of these cool new vending machines, remember to consider what its very existence implies about our world. Think of the way that the unplanned order of the market economy serves society in ways we hardly ever think about, and consider too how absolutely dreadful the world would be if the whole thing were organized by politicians and the misnamed public sector.

I propose what we might call the "munchy test." If you have the munchies at 1:00am, and you just have to have an ice cream and soda, who is going to give it to you? The institution that cares to feed your eccentric eating habits is the one that cares about your life and well-being.

A Hymn to Taco Bell

We've all visited Taco Bell a thousand times — two billion of us at least once every year — but now I've taken the time to examine why it is we love this place so much.

Let's just start with the obvious thing: the food. It is, of course, wonderful and full of varied textures: crunchy shells, robust meat, cold and fresh lettuce, stringy cheese, and all the fatty stuff that we love because it both satisfies and gives us energy. It arrives quickly, and it's ready to eat, mostly with your hands, which is really how we all want to eat.

The menu itself is an absolute blast. Should we get a dozen tacos, mix in a few steak burritos, throw in an enchirito or two, or just fill up on nachos? And what's the deal with these prices? For \$2 I can get just about any standard menu item. For \$10 I can walk away with a case full for great stuff to share, or, better yet, munch on from breakfast through to the midnight snack.

But there's more going on than just fun food. The company obviously puts a great deal of thought into the ethos of the restaurants themselves. The decor gives us things to look at that we don't see anywhere else. The colors are all those we associate with the Southwest, but not in a conventional way. The shapes are geometric and modern, with a daring flare that delights the eye and fires up the imagination.

The details around the place add to the sense of adventure, but you don't take note of them individually unless you are looking closely. The backs of the chairs all have a bell shape cut out in the steel. The lighting is not mainly in the ceiling but rather comes from orange hanging glass lamps in the shape of cones, and I was trying to think where I had seen this before. Is it like the knave of a chapel in a monastery in a Spanish mission territory? Maybe that's it. I'm unsure but it conjures up something different.

Hold on here. Perhaps you have already realized this and I'm slow on the take, but the whole Taco Bell experience is suggestive of that Spanish mission sensibility. That's why the buildings are shaped the way they are. And, obviously, that's the whole meaning behind

the bell, and why it adorns the front entrance of the place. It's a church bell! It taps into something deep and lasting in our cultural sensibilities, something that shaped our ancestors and their communities, and presents it all anew in our times.

Have you seen the paintings on the wall? They are very peculiar and aggressive in their use of color and shape, kind of like the iconography of Latin America. Most seem to have some walking man or robot, abstractly designed but with sharp edges, and the words "Taco" and "Bell" appear somewhere on them. They are unframed, such as you might see in a gallery. I want to meet the person who put these together. He or she has talent, for sure, and I want to congratulate this person for using that talent in the service of the public good.

Next time you are there, take a close look at the gorgeous photography of the dishes themselves. There's never been a prettier taco, never been a burrito that looks more exciting, much less a plate of nachos that seems as if every chip is practically dancing with joy at the prospect of being eaten.

Each image features a splashy use of color, depth, and action. How do you make food look this way? It must be a rare skill. I could take pictures of tacos with my iPhone all day and never get one to look presentable by comparison.

Now, the usual response is to point out that the food doesn't actually look this way once it arrives on your plate. No kidding! But does anyone really care? Not really. The point of the images is to get you in the mood to eat the thing, rev you up into the spirit of the moment, create that deep sense of longing for the real deal.

You don't feel a bit of disappointment when the food doesn't look like the picture, and why? Because you can't eat a picture. And the food is right there in front of you ready to be eaten. Part of Taco Bell's secret must be that it makes its images so ridiculously unrealistic that you sound like an idiot to point it out.

This restaurant came into existence in 1946 and really caught its stride in the 1990s. It's another reason we are all fortunate to live in our times, right now.

Go ahead and dismiss that statement as hyperbole if you want to. But I seriously submit to you if you had dropped this restaurant on any spot on the planet before about 1940, to say nothing of 1200 or 1000BC, all the people would have been in profound awe and regarded it as a sector of heaven that had somehow dropped from the sky. There weren't enough travelers and traders alive to make it possible, much less affordable.

This is the free market at work. It has gathered corn, flour, beans, tomatoes, meat, and fresh lettuce from all the ends of the earth, combined it with advanced kitchen technology, added experienced management, brilliant entrepreneurship, and a service ethic to give us something more wonderful than that the teller of tales of yesteryear could have ever dreamed up in his wildest imaginings.

It's inconceivable to me that a small group of parasitic activists could have targeted this place for destruction. But that's what they did a few years ago with the lawsuit against Taco Bell. They claimed that Taco Bell was not serving 100% beef in its tacos. Of course the organized left rallied around this lawsuit, a fact which confuses me because you would think that they would be glad that the company doesn't serve 100% beef. They hate the cow for its demand for vast pasture land on which to graze and even its biological functioning which allegedly adds to the "problem" of climate change.

The whole hysteria was like a joke. Of course Taco Bell adds stuff to its beef to make the final product. So do you when you make tacos at home. At least I hope so. You drain the fat and add spices and flour and other things to turn it into the right texture for eating. I don't see the big deal. But the activists were so desperate to destroy this place that they acted like this company, which is all about service, was somehow guilty of mass fraud.

The news media jumped on the campaign in hopes of giving Taco Bell a bad name. The response by the company was brilliant. It added a whole new series of menu items not based on hamburger but on sliced up steak. These are the most expensive items on the menu. So now you go in with the intention of spending \$3 and instead spend \$7 or more! Good for Taco Bell.

Even better, after the dopes withdrew their silly lawsuit, Taco Bell launched a nationwide advertising campaign with the slogan: "Would it kill you to say you're sorry?"

Fantastic!

The genius of capitalism is that it always ends up outwitting its opponents, whether they are central planners and regulators or crazed activists armed with lawsuits. But capitalism is not just an anonymous, nameless, faceless force operating in the universe. It is flesh, blood, and brains dedicated to serving humanity at a profit and always through voluntary means. The owners and workers at every one of its 5,800 restaurants deserve our admiration and thanks.

Does the Market Preserve or Wreck Tradition?

The fliers from the local grocery arrive by the day.

"Buy your complete holiday meal for \$40!"

To me, this is just thrilling. You get a golden brown baked turkey, rolls, salad, stuffing, cranberries, and the rest of the works, straight off a Norman Rockwell painting, all for a low and memorably even price, and it is bundled up and delivered right to your front door. Even if you decline the deal, and you end up slaving over the stove, fighting for oven space, washing and washing huge pans, trying to remember how to make that family recipe, and when it is all over, the consumers bail out to watch football while leaving the mess to a handful of responsible people, these fliers implant a little idea in your head: for forty bucks, I could have avoided all of this! Maybe next year!

The offering becomes especially attractive given the latest reports on the price of a Thanksgiving dinner for four. It is up 13% this year, to a whopping \$49. You can not only save time by buying the thing pre-done at the store; you can save money now too.

To be sure, some people look at these commercial offerings and balk. This is an attack on tradition! What has this world come to when we even commercialize sacred rituals like the cooking of holiday meals? Is there nothing left that we truly treasure, nothing that is immune from poisoning by the dollar economy, nothing outside the cash nexus?

This is a critique of markets that has been made for a century by both the left and the right. Everyone seems to agree that the market is at war with tradition. The left says that our lives are being gobbled up by giant corporate conglomerates that are sapping our ability to manage our lives. The right says that these commercial deals are ripping up our cultural and civilizational roots, attacking our community ties, and replacing ties that bind with the cold calculation of the balance sheet.

Nonsense. Once you strip away all the rhetoric and melodrama, these attacks on the market really make no sense at all. If people want to buy a precooked turkey from the store, the store has given these people an opportunity to do so. Everyone is free to accept or reject the deal. There is no force involved. No one is ripping up roots or gobbling up lives. This is about people and their choices. I fail to see how the world would be any better off if grocery stores were somehow prevented by law from offering people food and services that people want.

But what about the critique that this is really an attack on tradition? I can't even follow what this could possibly even mean. What the stores are doing is reinforcing a tradition and making it possible to live within its structures in a way that is more readily accessible and affordable. What if all the people who buy this pre-set meal deal would otherwise be opening cans of soup for the holidays? The stores are making it possible for these people to partake in a tradition that would otherwise not live in their home.

In other words, the commercialization of these holiday rituals is not destroying tradition but rather causing them to be more widespread. This goes for all the Christmas accouterments that are filling up the shelves at the stores. In fact, the commercialization of the holidays has been the very means by which all the holiday traditions have been preserved — and, in many cases, commerce created these traditions in the first place.

We only need to look back at the first Thanksgiving to see this. William Bradford, the governor of the Plymouth colony, had imposed a form of managerial socialism, expecting everyone to work for the good of all and throw their proceeds into a common pool. The system didn't work. People became lazy and thieving and nearly starved.

Bradford saw the error of his ways and let everyone take possession of their own plots of land and enjoy the proceeds for themselves. This led to trade, honesty, hard work, and eventually bounty. This is why the crop yields of 1621 were catastrophic and the yields of 1623 were bountiful. The celebration of Thanksgiving really dates from a market-produced bounty. In other words, what is most traditional about our holidays is the integral relationship that private property, markets, trade, and commerce have with what we consider our folkways. Markets enable our rituals, and often create them. They certainly make them more fun.

People rail against the free market but without it, our culture and our traditions would suffer. They might cease to exist. We might end up like those poor residents of the Plymouth in 1621. We need wise thinkers like William Bradford who can recognize the error of their ways and embrace commerce now when we need it most of all.

Who Moved My Juice Bottle?

Most people think of the capitalist marketplace as the venue for the unleashing of the human ego. Selfishness reigns as those with financial means buy and build whatever they want, acquiring and amassing with no concern for the fate of anyone but themselves.

Bah! I can't even imagine a more inaccurate description of real life. In fact, the opposite is true. The marketplace encourages community-mindedness like no other institution. It prods and pokes and corrects, the rich especially, all with the purpose of inspiring decision makers to leave the self and the individual ego aside and think mainly about the needs of others.

By way of illustration, let me jump right in from a scene from the grocery store this morning. For more than a year, my favorite fruit juice was displayed right as you walked in the front door. There they were lined up. Early-morning shoppers could grab a juice and check out in minutes. It made it all very convenient.

I recall thinking, "Wow, what a science it is to know where to display stuff in a store!" One might expect that these juices would be with the produce, but no. Their inventory signals tell them about the existence of people like me who want to get in and get out in a hurry. Juice is what we want, and we want it fast. Good business!

But this morning, a change rocked my world. I went to my spot at the front of the store, and there was no juice. There were hats, scarves and a wine display, of all things. I was stunned. I called over the friendly store manager and asked him what gives. He politely pointed out to me that two weeks ago, the juice had been moved to the produce section. Stunned, I logged all the way over there — it was like a hundred yards away — and then back again.

Slightly burned, I confronted the guy again.

"Surely, you are losing sales. People want this juice when they first walk in. No one wants to walk to the other side of the store for one item!"

He laughed and pointed out that he had thought this, too. But then last week, a memo arrived from inventory management at the central office. Their tests had revealed that the fruit juices sell more when they are with the fruit. Taking a chance, but not really being a believer, he bundled them all up and moved them, completely changing the front-of-the-store display.

"And how is this working out?"

To my amazement, he had the data for me off the top of his head. It turns out that in the two weeks since he made the move, sales of the precise juice I bought were up by 160%! I was completely wrong. Good thing I'm not in charge around here. I'm only one guy among thousands. My behavior, which I had thought was what "everyone did," turns out to be eccentric.

Not only that, but the manager was completely wrong, too. His intuition and his ego had been checked by the actual sales data. The profit-and-loss accounting system dictated another result.

Now, to be sure, the manager did not have the final answer. This new system for juice display could change again next week. Maybe there is somewhere else in the store that the juice could generate even more sales. Or perhaps last year, the juice at the front model was the best possible way.

There is actually no way to know, no way to perform perfectly controlled experiments that yield final results. The marketplace is not a laboratory with unchanging variables and elements that behave in predictable ways. The marketplace is made up of human beings who have the crazy habit of making choices and changing their minds for no apparent reason.

This means that the successful business enterprise must be constantly on alert to the decisions that people make. No detail is too small. Moreover, the business must change the way it operates in the face of the evidence of what yields the most profit.

The business that is led by egomaniacs who are always right about everything, implementing a rigid formula that can't adapt to new influence, is absolutely doomed in a competitive world in which your competition is always free to copy your past successes.

Profits are always tending downward in absence of innovation. There must be new successes all the time, and these depend completely on the ability to bury the past, suppress the perception of managerial infallibility and adapt to seemingly random change.

What applies to the juice bottle applies to every single item in the entire grocery store.

Let's say you are in charge, but you have no experience. You have to put the maraschino cherries somewhere. Play the game, please: Do they go with baking supplies (fruitcakes!), canned fruits (it is a canned fruit) or with cocktail mixers (they are great in drinks)? Which is it? It can't be all three. That would create a terrible inventory problem, and shelf space is too scarce. You have to choose.

It's a serious problem. Your chosen way may or may not be right. You have to try things out, look at the evidence, be prepared to change your mind. You must defer to the buying public. You must be community-minded. You have to be willing to admit error. You must be humble, open to correction. The unleashed ego has absolutely no place here.

(My store went with cocktail mixers.)

Again, this applies to every product in the store. Not only that, but this applies to every good and every service offered in the world economy, all untold billions of them. It's not just about store display. It is about the whole of the production process: what to make, how much to make, how to make them, where to sell them, what features they should have, how they should be sold. There is a mind-boggling array of alternatives.

As you try to parse out this conundrum, you are free to be a jerk, to be an egomaniac, to be unteachable, to be uncorrectable. No one is stopping you. But you pay the price. You are in business to make money, and the only way to do that consistently over the long term is to be slavishly devoted to the needs of others over the rightness of your own position.

This is why I say that the market instills humility and service as an ethic. After all, you might be in this only to make a buck. But experience tells you that the only way to do that is to defer to and seek out the needs of others. The profits are a reward, but you dare not rest on your laurels. The service can't ever end. After a while, this sensibility begins to shape the human character. You develop an outward gaze and leave aside the childish demand to always get your way.

This is what is forgotten in all the frenzied concern about how websites are collecting data on our shopping and browsing habits. Why are they doing this? Because they want to invade our privacy? No, it is because they care about us. They want to serve us better. They care for the same reason that the grocery store cares to put the most demanded items at eye level. They are there to meet our needs.

No, we don't always get our way. But rather than a society in which know-it-alls rule with a fixed model, I would prefer to live in a society with a service ethic that drives economic life, one in which there are no final answers, one in which every decision is subjected to a test and that test is graded by the people and their everyday choices. In other words, a free economy is better than a controlled economy precisely because the free society curbs the human ego and keeps the infallibility complex at bay.

Put Those Kids to Work!

I was reading a wonderful set of small biographies of Gilded Age entrepreneurs and took note of something we all know once we think about it. These men and women worked in productive labor from an early age.

They universally credit these early work experiments for instilling an ethic to stick to the job, be alert to opportunities and feel that sense of accomplishment that comes from the exercise of stamina. They don't typically talk about school. They talk about the barges they steered, the rocks they hauled, the mines they dug, the rivers they navigated. Their work was their main teacher.

This was hardly unusual. All through the 18th and 19th centuries, all kids worked. This was not at the expense of academics. Kids still learned to read, write and do math. Work was something that they did in addition to schooling and was part of schooling. So it has been through all of human history. The idea that a healthy kid of fourteen years old would do nothing but sit in a desk for seven hours every day and then play video games and chat on Facebook the rest of the time would be unthinkable.

In the developing world, matters are different. Everyone works. *Stealth of Nations*, a new and mind-blowing book by Robert Neuwirth, shows that in the fastest-growing economies in the world, kids are working from the age of ten. This is not exploitation — quite the opposite. It means that the kids are getting a great education in the real world of commerce. This gives them a leg up in life, and a firmer hold on the future than America's young people have.

I think about my own life and remember in vivid detail the jobs I had. I'm grateful for every one of them. My first job was working at a company that moved pianos. I recall going up several flights of stairs and being terrified that the whole thing would fall and cause disaster. I was ten years old.

Then I worked my way up to be a worker with an organ tuner. I crawled around dusty organ lofts, wearing a mask to protect myself from contagious diseases spread by dead pigeons, whose bones I crushed under my feet as I walked.

Then I did roofing. Then it was fence building. Then it was water-well digging. Then I mowed lawns. Then I did cleaning for a haircut place. Then I washed dishes.

It was five years before I had my first real job with regular hours and a W-2 paycheck. It was a job cleaning restrooms in a department store. This was the highest responsibility I had ever been given, and I was intensely aware that the fate of the store was in my hands. If a customer went to the restroom and found a mess or a stall that lacked toilet paper or something gross around the sink, they would forever have terrible memories and not come back.

I recall taking on bathroom messes like a centurion took on a battle. War is hell.

To get that job, I was fifteen and I had to lie about my age. You could get away with that in those days. The paperwork requirements to get a job were minimal. There feds weren't involved in enforcing so-called "child labor laws" — outmoded work rules that deny opportunities to people perfectly capable of getting great training.

This is no more. To get any job before sixteen years of age is exceedingly difficult. There are so many forms, mandates, documents and restrictions. The minimum wage is preposterously high for a first-time employee. Many young people are shut out of the market, and they stay that way through high school, college and even after (which is no surprise).

The youth unemployment rate for all classes of people has never been higher. It is essentially one-third of people sixteen to twenty-four years of age. Not working in remunerative labor amounts to training for a lifetime of being a drone and a dependent.

To be sure, when I was young, it was much easier to be paid in cash, essentially working under the table, as almost everyone my age did in those days. Now the government has every employer terrified. You risk everything by hiring a young person.

The laws against "child labor" do not date from the 18th century. Indeed, the national law against child labor didn't pass until the Great Depression — in 1938, with the Fair Labor Standards Act. It was the same law that gave us a minimum wage and defined what constitutes full-time and part-time work. It was a handy way to raise wages and lower the unemployment rate: Simply define whole sectors of the potential workforce as unemployable.

By the time this legislation passed, however, it was mostly a symbol, a classic case of Washington chasing a trend in order to take credit for it. Youth labor was expected in the 17th and 18th centuries — even welcomed, since remunerative work opportunities were newly present.

But as prosperity grew with the advance of commerce, more kids left the workforce. By 1930, only 6.4% of kids ages ten to fifteen were actually employed, and three out of four of those were in agriculture.

In wealthier, urban, industrialized areas, real child labor (as distinct from teen labor) was largely gone, as more and more kids were being schooled. Cultural factors were important here, but the most important consideration was economic. More-developed economies permit parents to "purchase" their children's education out of the family's surplus income — if only by foregoing what would otherwise be their earnings.

This was widely seen as a wonderful thing. I'm actually not so sure. Education was already being subsidized by the state. The relentless flow of young people out of the commercial sector to the state sector to sit in classrooms meant too many resources being diverted to the professional ideas industry and away from the production of real stuff and a different form of education that went along with it. In any case, this trend was blown up by World War II, which drafted people out of both so that they could kill and be killed.

Regardless, the law itself forestalled no nightmare, nor did it impose one. In those days, there was rising confidence that education was the key to saving the youth of America. Stay in school, get a degree or two and you would be fixed up for life. Of course, that was before academic standards slipped further and further and schools themselves began to function as a national child-sitting service.

Yet today, when young people grow up faster than ever before, we are stuck with these laws, which have the opposite effect of infantilizing teens. They are incredibly complicated once you factor in all state and local variations. Kids under the age of 16 are forbidden to earn income in remunerative employment outside a family business. If your dad is a blacksmith, you can learn to pound iron with the best of 'em. But if dad works for a law firm, you are out of luck.

From the outset, federal law made exceptions for kid movie stars and performers. Why? It probably has something to do with how Shirley Temple led box office receipts from 1934-38. She was one of the highest-earning stars of the period.

If you are fourteen or fifteen, you can ask your public school for a waiver and work a limited number of hours when school is not in session. And if you are in private school or home school, you must ask your local social service agency — not exactly the most welcoming bunch. The public school itself is also permitted to run work programs.

This point about approved labor is an interesting one, if you think about it. The government doesn't seem to mind so much if a kid spends all nonschool hours away from the home, family and church, but it forbids them from engaging in private-sector work during the time they would otherwise be in public schools drinking from the well of civic culture. The legal exemption is also made for delivering newspapers, as if bicycles, rather than cars, were still the norm for this activity.

Here is another strange exemption: "Youth working at home in the making of wreaths composed of natural holly, pine, cedar or other evergreens (including the harvesting of the evergreens)." Perhaps the wreath lobby was more powerful during the Great Depression than in our own time?

Oh, and there is one final exemption, as incredible as this may be: Federal law permits states to allow kids to work for a state or local government at any age, and there are no hourly restrictions. Virginia, for example, allows this.

The exceptions cut against the dominant theory of the laws that it is somehow evil to "commodify" the labor of kids. If it is wonderful to be a child movie star, congressional page or home-based wreath maker, why is it wrong to be a teenage software fixer, grocery bagger or ice cream scooper? It makes no sense.

Once you get past the exceptions, the bottom line is clear: Full-time work in the private sector, for hours of their own choosing, is permitted only to those "children" who are eighteen and older — by which time a child has already passed the age when he can be influenced toward a solid work ethic.

What is lost in the bargain? Kids no longer have the choice to work for money. Parents who believe that their children would benefit from the experience are at a loss. Consumers who would today benefit from our teens' technological know-how have no commercial way to do so. They have been forcibly excluded from the matrix of exchange.

There is a social-cultural point, too. Employers will tell you that most kids coming out of college are radically unprepared for a regular job. It's not so much that they lack skills or that they can't be trained; it's that they don't understand what it means to serve others in a workplace setting.

They resent being told what to do, tend not to follow through and work by the clock, instead of the task. In other words, they are not socialized into how the labor market works. Indeed, if we perceive a culture of sloth, irresponsibility and entitlement among today's young, perhaps we ought to look here for a contributing factor.

The law is rarely questioned today. But it is a fact that child labor laws didn't come about easily. It took more than a hundred years of wrangling. The first advocates of keeping kids out of factories were women's labor unions, who didn't appreciate the low-wage competition. And true to form, labor unions have been reliable exclusionists ever since.

Opposition did not consist of mining companies looking for cheap labor, but parents and clergy alarmed that a law against child labor would be a blow against freedom. They predicted that it would amount to the nationalization of children, which is to say that the government, rather than the parents or the child, would emerge as the final authority and locus of decision making.

Young people have to be creative to be productive today. Seeking unpaid internships can work and is far better than doing nothing. There are also ways to get paid without receiving cash. A kid can work in a neighbor's garden in exchange for some vegetables for the family. You can fix people's computers and receive Amazon store credits in compensation. You can work at a country club and receive tennis instruction in a barter-style arrangement.

You have to think outside the regulators' box. You need connections with people you trust. You need to push past that default position of doing nothing. Regardless, work is essential for the well-formed life, starting early. Sixteen is probably too late, even if you manage to get a job this late.

If you have kids, nothing is more important for their future. You can spend \$150,000 or more on their college education. You can pay for expensive tutors to get them through their standardized tests. You can buy them the most expensive computers and tools to become smart. But if they do not understand the meaning of work from experience, they will not be prepared for a creative and prosperous life.

One way or another, put those kids to work!

Capitalists Who Fear Change

Digital technology is reinventing our whole world, in service of you and me. It's free enterprise on steroids. It's bypassing the gatekeepers and empowering each of us to invent our own civilization for ourselves, according to our own specifications.

The promise of the future is nothing short of spectacular — provided that those who lack the imagination to see the potential here don't get their way. Sadly but predictably, some of the biggest barriers to a bright future are capitalists themselves who fear the future.

A good example is the current hysteria over 3-dimensional printing. This technology has moved with incredible speed from the realm of science fiction to the real world, seemingly in a matter of months. You can get such printers today for as low as \$400. These printers allow objects to be transported digitally, and literally printed into existence right before your very eyes.

It's like a miracle! It could change everything we think we know about the transport of physical objects. Rather than sending crates and boats around the world, in the future we will only send lightweight digits. The potential for bypassing monopolies and entrenched interests is spectacular

But here is what Andrew Myers reported in *Wired Magazine* last week:

Last winter, Thomas Valenty bought a MakerBot — an inexpensive 3-D printer that lets you quickly create plastic objects. His brother had some Imperial Guards from the tabletop game Warhammer, so Valenty decided to design a couple of his own Warhammer-style figurines: a two-legged war mecha and a tank.

He tweaked the designs for a week until he was happy. "I put a lot of work into them," he says. Then he posted the files for free downloading on Thingiverse, a site that lets you share instructions for printing 3-D objects. Soon other fans were outputting their own copies.

Until the lawyers showed up.

Games Workshop, the UK-based firm that makes Warhammer, noticed Valenty's work and sent Thingiverse a takedown notice, citing the Digital Millennium Copyright Act. Thingiverse removed the files, and Valenty suddenly became an unwilling combatant in the next digital war: the fight over copying physical objects.

There we have it. The American Chamber of Commerce — the supposed defender of free enterprise — is in a meltdown panic, determined to either crush 3-D printing in its crib or, at least, to make sure it doesn't grow past its toddler period.

In the 1940s, Joseph Schumpeter said that the capitalists would ultimately destroy capitalism by insisting that their existing profitability models perpetuate themselves in the face of change. He said that the capitalist class would eventually lose its taste for innovation and insist on government rules that brought it to an end, in the interest of protecting business elites.

An example: when music and books started going digital, there was an outcry. How will authors and musicians survive this onslaught?

The truth is that there was no onslaught. It was a windfall for consumers that turned into the greatest boon for music and literature ever. Today we see how this is working, and not only working but there are more authors and musicians making money today than ever before. My best example: the Laissez Faire Club. The methods could never have been anticipated in advance. Some give away their content and sell their performances. Some have found interesting new methods of distributing content behind pay walls that are affordable and convenient. Authors are starting to self-publish through fantastic numbers of venues.

I've been touring museums lately, and I've begun to realize something important about the long process of technological improvement. Through our long history of improvement, every upgrade and every shift from old to new inspired panic. The biggest panic typically comes from the producers themselves who resent the way the market process destabilizes their business model.

It was said that the radio would end live performance. No one would learn music anymore. Everything would be performed one time, and recorded for all time, and that would be the end.

Of course that didn't happen. Then there was another panic when records came out, on the belief that this would destroy radio. Then tapes were next and everyone predicted doom for recorded music since music could be so easily duplicated ("Home Taping is Killing Music"). It was the same with digital music: surely this would be the death of all music!

And think back to the mass ownership of books in the 19th century. Many people predicted that these would destroy new authors because people would just buy books by old authors that were cheap and affordable. New authors would starve and no one would write anymore.

There is a pattern here. Every new technology that becomes profitable causes people to scream about the plight of existing producers. Then it turns out over time that the sector itself thrives as never before but in ways that no one really expected.

The great secret of the market economy is that it embodies a long-run tendency to dissipate profits under existing production and distribution methods. This is how competition works. This is how competition not only inspires improvement but makes it unavoidable. And this is one reason that so many capitalists hate capitalism.

The process goes like this. The new thing comes along and it earns high profits. Then the copycats come along and do the same thing cheaper and better, robbing the first producer of the monopoly status. Profits eventually fall to zero and then something even better has to come along to attract new business, earn new profits, elicit new copycats, and the whole thing starts all over again.

I've never understood why leftists complain about profits going to capitalists. In a vibrant market economy, profits are the temporary exception to the rule. They accrue only to the most innovative and efficient firms, the ones that serve the consumer best, and the gains are never permanent. As soon as the company loses its edge, entrepreneurial profit vanishes.

Under free-market competition, writes Ludwig von Mises, the trajectory of existing production and distribution models is always to

reduce profits to zero. For those who want to hang on to profits, there can be no rest. New and improved must be an everyday experience. There must be a ceaseless striving to serve consumers in ways that are ever more excellent.

This is why business is always running to government for protection. Kill this crazy new technology! Stop these imports! Raise the costs on the competition! Give us a patent so that we can clobber the other guys! Impose antitrust law! Protect me with a copyright! Regulate the newcomers out of existence! Give us a bailout!

Aside from this, there is a public fear of the new. Otherwise, people would not find the self-interested protests of the existing establishment to be persuasive.

Here is a striking fact about the human mind: we have great difficulty imagining solutions that have yet to present themselves. It doesn't matter how often the market resolves seemingly intractable problems; we still can't become accustomed to this reality. Our minds think in terms of existing conditions, and then we predict all kinds of doom. We too often fail to consistently expect the unexpected.

This poses a serious problem for the market economy, which is all about the ability of the system to inspire discovery of new ideas and new solutions to solving the problems. The problems posed by change are obvious enough; but the solutions are "crowd sourced" and emerge from places, people, and institutions that cannot be seen in advance.

Capitalism is not for wimps who don't want to improve. If you want guaranteed profits for the few rather than prosperity and abundance for the many, socialism and fascism really are better systems.

The push to stop market progress won't work in the end, of course. Technology eventually mows down its forces of resistance. The mercantilists can only delay but never finally suppress the human longing for a better life.

Who Should Control the World?

In the days following the gift-giving holidays, many millions of people stand in judgment over the quality of the gifts they gave and the gifts they receive. Did they arrive on time? Did the quality hold up? Did the reality match the advertising hype? The Internet ads an extra wrinkle. Anyone dissatisfied can post blistering attacks on any merchant and the products in question. Anyone can vote up or vote down.

The down votes are what make the news. *The Wall Street Journal* tells the story of Scott Mitchell of Connecticut, who purchased from Best Buy the Playstation 3 for his two sons ages 10 and 14. The company let him know via an email that the goods didn't arrive. He was furious and wouldn't stop posting diatribes against the company. Eventually, the suits got involved and sent him his full bundle of goods at a low price plus a \$200 gift certificate.

"While I can't say I'm happy, I wound up being satisfied," Mr. Mitchell told the Journal.

The case was cited as one of many such cases. Consumer demand was so intense that Best Buy got behind. The company didn't have the inventory it needed to fill all requests. Cyber Monday overloaded the staff and they couldn't respond fast enough. Any business that hears the story thinks: nice problem to have. Inventory decisions like this require daily clairvoyance.

What's more important here is what this anecdote indicates about the social order. In this setting above, who is in control? Mr. Mitchell is just one lone guy with one problem with a company that serves untold millions. But he had a voice and his voice was heard. The company scrambled to please him.

Justice was served, and not because he was part of a big pack of people going to voting booths once every four years. There were no hearings, committees, testimonies, debates, complex systems of legislation and signings, judges and juries, regulations and legal rights. He was served because he was a consumer. One man with a credit card beat the system.

The institution that allows this great thing to happen is known as consumer sovereignty and it is an intrinsic part of the market. The preferences and rights of one individual prevailed even though he was not in the majority, even though he never registered for any system in a political apparatus, even though he had no lobbying firm or friends in high places. He complained and the giant corporate monolith bowed to his wishes. And they did so for self-interested reasons. It's bad for business to have dissatisfied customers. So the corporate execs fell to their knees in supplication.

This is a good system. Who set it up? No one. There was no votes, no constitutions, no committee hearings, no lobbying. It emerged spontaneously from the decisions of self-interested parties. The company exists to make a profit by finding ways to get goods to people who want them. Mr. Mitchell was among those who decided on his own volition to trade with the profit-seeking company. That trading relationship is one of billions and billions that go on every day, all day, all year. Put them all together and you have what is known as the market economy.

Philosophers from the ancient world to the present have tried to imagine how to set up a society in which every individual matters, a society without exploitation, a society without violence, a society with peace, justice, and prosperity. They have usually imagined that this world would have to emerge from the political process. That is where their speculations and plans usually begin. They were and are wrong. The society that does these things is right before our eyes and found within the framework of our own choices, actions, and trades with others.

We are often told about the evils of corporate power and the grim nightmare of the market in which we are all swallowed up by the forces of materialism and consumerism. Where is there evidence of any of this in the sphere governed by voluntary exchange?

In the market economy, the buyer is the decision maker. He or she determines what gets produced, how much, and directs the pattern of change. The supposedly powerful fat cats of the corporate world are daily submitting to the wishes of the little guy with a computer and a credit card. Any company in a market can be shut down in a matter of weeks if the consumers switch loyalties. This happens every day.

Nothing like this system exists in our dealings with the state. For years now, masses of people have been screaming about the indignities imposed upon us by the TSA. The TSA responds with a propaganda blitz designed to make us believe that they are strip searching us electronically for our own good. The institution doesn't comply with all our wishes, much less the wishes of one person. Instead it sets out to change our thinking, trying to make our mental habits conform to those with the power.

In other words, the TSA operates on the opposite principle of the free market. In the market, we are in charge and the producers slavishly attempt to find out what we think and try to conform their operations to our point of view. In government, we are told that we are the ones that must change. We must submit. We must comply. We must go along no matter what. We can choose to be grumpy about it or happy about it, but, in either case, there is no choice. We must obey. And the institutions of government never really go away.

And so it is with every government agency at all levels. The little guy doesn't matter. There is nothing like the consumer/producer relationship that we see in operation in every instant on the market economy. Instead, the government takes our money by force and spends it as it wishes. If we don't like the system, we are invited to slog our way to designated spots every four years and choose among a slate of drones who want to be our designated leaders.

Government vs. the market: which system is better? Granted that neither system provides utopia. The real issue is: which system is better capable of self-correcting in our favor? The market does this every day. There is a ceaseless struggle going on globally with the goal of winning us over as consumers. The market is always saying: "How can I help you?" The government is always saying: "Help us or else."

Looking at the choice here, it seems rather obvious that the market — as a particular application of the principles of choice and free association — is the best approach to organizing society. No one designed it. It is controlled by us in the very exercise of our free will. It gives power to the people. The statist approach can only lead to less satisfaction, less mutual benefit, less control, and ultimately the very nightmare that we all want to avoid.

Think of all that the market contributed to your holidays and all it will do for you in the year ahead. As a form of social organization, nothing is more deferential to your needs and wishes.

V.

The Love of Money

The Great Monetary Debate

When National Public Radio airs a segment on the gold standard, you know that the debate over the quality of money has reached the point where it can no longer be ignored. Another sign came last month when Newt Gingrich, who has never shown the slightest interest in the cause of sound money, suddenly began to talk about restoring the gold standard.

The last time there was talk about this issue was more than thirty years ago, after the devastating inflation of the late 1970s robbed an entire generation of their savings, upended American family life, and launched a debt addiction that has destabilized economies all over the world. The Nixon administration promised a rose garden after the paper dollar; the results were very different.

The crisis in our times is not (yet) hyperinflation, but it is just as serious. The problems of the Fed-managed paper dollar system are too many to name, but they can be reduced to three that hit the average person most seriously.

First, it is no longer possible to earn a conventional return on saving money. That reality pretty much undermines the whole practice and ethics that built prosperity as we know it. The reason is directly related to the quality of money: Lacking any independent substance at all, its value and yield is managed by a small group of technocrats in a marble palace. They have used that power to impose the ultimate price control on the relationship between time and money.

Second, the problem of unemployment and the ever-shrinking labor participation rate has hit the young generation in a way that we've never seen before. This has terrible economic effects but just as devastating cultural ones. It attacks the core hope that people have for the future. Again, the paper dollar, as the generating force behind the bust and boom, is a cause.

Third, there is a growing movement against the power, secrecy and insider racketeering by the Federal Reserve, which prints and throws around inconceivable volumes of loot to its friends and clients in total disregard for the political process or the fate of the American middle class. This angers people of all political persuasions. The opening up of the records and dealings of the Fed has not calmed people down, but rather has confirmed the worst possible fears.

In the 1970s, writers like Henry Hazlitt struggled mightily to get people to see the connection between monetary policy and the falling value of the dollar. While the Ford and Carter administrations lashed out at business and speculators, Hazlitt and others pointed to the real cause. His message stuck. By 1980, even the Republican platform included a call for a sound dollar. Congress formed a gold commission.

The connection between the Fed's paper money and our economic plight is even more difficult to make this time around. But the intellectual foundations have been in place for years, and they have been given voice in the relentless hammering away at this issue by Ron Paul in interview after interview. He never misses a chance to talk about this previously unspeakable subject.

A tricky issue for the movement now is dealing with the diverse political coalition coming together against the current monetary system. The biggest critics of the Fed, for example, agree that the current system is a mess but don't seem to agree about what to do about it.

This week in D.C., I debated Dean Baker of the Center for Economic and Policy Research. The setting was fantastic: a speakeasy environment sponsored by the beautifully named Empire Unplugged. Baker is a strong critic of the Fed for reasons both good and bad. On the good side, he is as appalled as Ron Paul at the insider racketeering of the central bank. On the bad side, he would like to see its powers transferred to a body with more political oversight and democratic influence.

This is the exact opposite of what I argued for: the complete depoliticization of the entire system. We went back and forth for an hour on these topics, agreeing on the great evil, but disagreeing on what should replace it. As is typical of progressive critics of the Fed, he raised fears that market control of money and banking would revive the wildcat banking of the 19th century. This camp conveniently forgets that the age of the gold standard (which was never perfectly adhered to) also happened to produce history's largest and most positive economic transformation, propelling the creation and entrenchment of what is called the middle class.

Do these debates matter that much? On the level of theory, yes. In practice, not so much. These mirror the kinds of debates in the middle stages of the collapse of socialism in Eastern Europe. Recall that the movement against Polish central planning began not as a movement for private ownership of capital, but rather as a labor union protest against power and privilege of state-connected oligarchs.

This tendency made the champions of free markets squeamish, for good reason. Replacing a state monopoly with a state-protected labor monopoly does not necessarily look like improvement. But that's not what ended up happening in Poland. Solidarity was the major vehicle that wrecked the regime as it stood. At one point, the major labor organization Solidarity had 9.5 million members. That mass movement upended history. Today, Solidarity is a normal union like any other, with membership at half a million and declining and no serious power. The result was not a labor monopoly, but a beautifully prosperous market society.

The lesson here: Sometimes you have to topple the system that exists and see what happens. This is why Ron Paul has been tolerant of a wide divergence of views within the anti-Fed movement. He is right to do so. Writers at *The Wall Street Journal* and elsewhere wring their hands about the dangers of political control of money in the post-Fed age. But history shows that the reform is not so easily managed. Breaking up the current monopoly is the most important priority right now.

If the Fed were an Eastern European socialist government, the year would be about 1987. If the economy takes another dive after the fake boomlet that Bernanke's printing presses have manufactured, he should make sure that the helicopter on the roof is in good working order.

Mere Mortals at the Fed

The secrecy of the Federal Reserve is legendary, but pressure in recent years has led to some opening up. Already in the last 12 months, we've seen some eye-popping records of who received credit during the 2008-09 credit crunch. We've seen lists of institutions that the Fed favors, and these lists have confirmed the worst fears. Hint: It's all about the big banks.

But now we get the really fun stuff. The transcripts, released five years after the fact, of the open market committee meetings provide a fascinating look into how the Fed was thinking about the world just before the greatest market meltdown in modern times. No one at the 2006 meetings saw it coming. Thousands of market commentators, economists and bankers saw it coming, but the Fed — the all-wise and all-knowing Fed — did not see it coming.

That the Fed actually played the largest role in producing the bubble that turned to bust only adds to the irony that the Fed was clueless about the emerging reality on the ground. Ben Bernanke saw some softening in home prices and needed correction to the run-up, but he was somehow sure that there would be a soft landing.

The meetings opened that year with Alan Greenspan at his final meeting and saying his goodbyes. There was some talk about long-term pension problems. Greenspan dismissed it, pointing out that, "We have enough trouble forecasting nine months." Everyone laughed. Ha ha. Thanks for admitting this — in private.

At this final meeting, the group also heard one of the clearest statements in all the transcripts that there were troubles on the horizon. Fed chief economist David Stockton stated very clearly: “As I contemplate our outlook and the things that I worry about the most on the domestic side of the economy, I’d say the housing sector is clearly one of the biggest risks that you’re currently confronting.”

But the gloom didn’t last long, and the meeting ended with a wildly upbeat report from none other than Timothy Geithner, now secretary of the Treasury. He begins with an over-the-top tribute to Greenspan (“I’d like the record to show that I think you’re pretty terrific”) and continues on with an upbeat forecast of endless growth and happiness forever. Even though he was spectacularly wrong, he is now running the show.

The opening meeting with Bernanke set the tone for all the meetings that followed. Stockton probably sensed that he might be free to speak his mind for the first time in years. He compared the situation in housing to riding a roller coaster blindfolded. “We sense that we’re going over the top, but we just don’t know what lies below.”

But Bernanke intervened to stop all such crazy talk. “I think we are unlikely to see growth being derailed by the housing market,” he said. He assured all present that “the strong fundamentals support a relatively soft landing in housing.”

Ever the pleaser, Geithner agreed. “Equity prices and credit spreads suggest considerable confidence in the prospect for growth,” he said. “Overall financial conditions seem pretty supportive of the expansion.”

Later that summer, Fed Gov. Susan Bies tried again to introduce some caution, pointing out that the banks were all using models that presume falling interest rates and rising home prices. This has allowed many American families to depend on home equity loans more than they should. “It is not clear what may happen when either of those trends turns around,” she cautioned.

Once again, Bernanke smacked down the naysayer. “So far, we are seeing, at worst, an orderly decline in the housing market.... As I noted last time, some correction in this market is a healthy thing, and our goal should not be to try to prevent that correction, but rather to ensure that the correction does not overly influence growth in the rest of the economy.”

From the point of view of economic theory, there is an interesting comment made by Dallas Fed president Richard Fisher. He pointed that everyone on the planet was talking about the housing problem, but he cited this as a reason not to be concerned. “If we have not discounted what has been happening in the housing market, we have been living on Mars.”

In other words, he was saying that if something awful were going to happen, it would already have happened. Because everyone was talking about something meant that the awareness of the risk was surely already built into the existing data.

This amounts to a reversal of the old joke about the economist who refused to admit that there is a \$20 bill on the ground in front of him on grounds that if the bill were there, someone would have already picked it up. In the same way, if this economist were going to be hit by an oncoming truck, it would have already hit him.

The year ended with Gov. Bies again warning that the risk is much more serious than anyone had yet acknowledged. “A lot of the private mortgages that have been securitized during the past few years really do have much more risk than the investors have been focusing on,” she said. But Bernanke shoots her down yet again: There will be a “soft landing” for the economy.

Look, there is no crime in not knowing the future. No one knows: no palm reader, no philosopher, no economist. You can assemble all the data the world has to offer, but it tells you only about the past. Forecasts are fine, but they are always speculations. The people assembled in the Fed’s meeting room were doing forecasts not unlike what every business in the world does every day. Sometimes they are right, and sometimes they are not.

What is significant here is not that Bernanke did not see the future. The significance is that the power and responsibilities of the Federal Reserve itself are premised on the idea that somehow its managers know something that we do not. They are charged not with planning the past that they can know, but with planning a future that they cannot know. This is the essential error of the central bank’s planning powers.

And there is another problem. The Fed has an institutional bias, and this is clear from the transcripts. It is especially obtuse in taking note of risks and problems that the Fed itself is responsible for creating. In this way, it is just like every other government agency. They all see problems in the world but not those that the institution itself caused.

The congratulatory praise of Greenspan at that opening meeting of 2006 is a metaphor for the arrogance and self-congratulatory culture of the entire institution. The Fed imagines itself to be the solution for every problem. The truth is that the Fed itself is the source of a vast number of our problems.

The Fed’s Men Behind the Curtain

The debate about the Fed is under way, and thank goodness. But as with many policy debates, there really shouldn’t be a debate at all. That’s because, if you think about it, the idea of central banking makes no sense.

We don’t have a government-created central repository that plans and manages shoe distribution. The market takes care of that. We don’t have one for cabbage, keyboards or curtains. Somehow we get books, clothes, tree-cutting services and everything else we need and want without a central planning agency that manages the quantity available, fixes the prices of the products, and bails out the firms when they overextend themselves.

Why should money and banking be any different? Money is a commodity. Banking is a business. They both originated in the market, not the state. They should have been left that way, so that the quality of the product could be subject to market discipline. In a market economy, things work themselves out. There is supply and there is demand. Entrepreneurs take notice of profit opportunities and jump in to pull the two together.

This is how the world works for us. This is how it has always worked. This is how we get our software, coffee, sheet music, and beef. It’s how we get our cars, the parts that keep them running, and the gas that fuels them.

The world is man-made in every respect, and the hands that made it productive, efficient, dynamic and socially beneficial operated within the market matrix. The simple relationships of learning, exchanging and competing gave rise to a glorious system that manages to sustain a global population of seven billion people.

The Fed is a nonmarket institution, much like public housing and the space shuttle. It is a Dark Age creation that still exists for no apparent reason. By Dark Age, I mean, of course, the world before 1995, when the Web — meaning all information — became accessible to the world. Before that, the world remained mostly in the dark, when government controlled the information we could access and private truth had to be shared through paper sent through the government mail system.

During the Dark Age, only geniuses like Ludwig von Mises and F.A. Hayek knew that the Fed was a hoax. Almost everyone else imagined that the people at the Fed were doing magical, wonderful things inside hallowed walls so that the economy would be stable and grow. Its Board of Governors was populated by people who knew the economic future and held the power to steer it in a way that benefited everyone.

Thanks to the digital age, we now have access to what really goes on. In the last twelve months alone, we’ve been inundated by reports of what actually goes on at the Fed. In 2006, according to released transcripts of its board meetings, its wise men were busy reassuring themselves that absolutely nothing was fundamentally wrong with real estate and that all other economic structures were humming along beautifully.

It is fascinating to read those candid transcripts. Far from being an open forum for discussion, Greenspan and Bernanke preside with all power to determine results, practically daring any of their subordinates to disagree with the consensus they arrive at beforehand. The Fed economist sometimes pops up his head to say that all is not well, but it’s like a game of Whac-A-Mole: He gets the hammer on the head every time.

It’s the worst case of bad corporate management you can find on record. It makes Dilbert’s world look like a paragon of management success. There is no openness, no truthfulness. If the chairman makes a joke, you must laugh. If the chairman says all is well, you must

agree. If the chairman says he knows the future, you must be in awe of his insight. All dissent must be couched within a puffy framework that raises only a slight and probably irrelevant concern, and it is still likely to be punished.

Then there is the problem that it is not entirely clear, even to the people in the room: what precisely they can do about anything. They know what they are doing is important and want to believe that they have tremendous power. But here's the problem: the Fed really only has one significant power: to create the conditions intended to encourage a change in the supply of money and credit.

That's a huge power, but it is not a precise one. The money supply is a lot like an unruly child. Lots of times, the kid will obey you. Sometimes, and unpredictably, it will not. It depends on the mood, the context, the prevailing temperament, the rewards and punishments. And even when the kid obeys, the results are not always what you intend. The council of parents can meet and plan all day, but in the end, the kid has a mind of its own.

Two notable examples follow. In the early 1930s, the Fed was desperate to expand the money supply as a matter of both policy and practice. There was no intention to let it collapse, as Murray Rothbard has shown. The problem was that the Fed had to depend on the banking system to make it happen through the loan markets. But the system was broke, and it never happened.

The same thing happened again from 2008 and forward. The Fed did everything possible to manufacture a far-reaching monetary inflation, but failed to make it profitable for the banking system to cooperate. Contrary to the Fed's wishes, it never fully materialized. Their efforts only ended up subsidizing failure and preventing a much-needed and deep market correction.

The sheer power of the Fed was in full display in 2008, and all the public records indicate what it was used for. The Fed provided liquidity for its friends. They said that they did it all for the nation, but it is unclear that the nation got anything at all from the deal. What is clear is that its friends survived and thrived, whereas many institutions should have gone belly up, as the capitalist system would dictate. That's the essence of its power and the core of what the Fed does.

This is nothing new at all. It's just that it is now on full display for all the world to see. And this is one reason that the Fed is now under fire as never before. The digital age has pulled back the curtain. Instead of the mighty Oz, we find a few people pulling levers with smoke and mirrors.

Before 1989, the world was strewn with such central planning agencies. They were all over Eastern Europe and the old empire called the Soviet Union. Then one day, the whole thing melted away and the absurdity and arrogance of the central planners were revealed to the world. The Fed is no different in structure from these institutions. The whole thing is based on a lie that it takes government power to have a good monetary system.

In what sense is it good? The depreciation of the dollar since 1913 has been catastrophic for prosperity. The dollar is now worth less than a nickel. Savings have been expropriated. Its interest rate policy has negated any real advantage of saving money. Business cycles have become national, international and extended, rather than local and short-lived as they were in the 19th century. The moral hazard that the Fed has built into the system is that financial systems no longer take proper account of risk.

In the digital age, the opportunity costs of the money monopoly have been huge. We might have had a competitive money system emerge by now. It could have been based on gold, silver or any other commodity. But the market has not been allowed to work. The Fed, working with the government that created and sustains it, has cracked down hard on every attempt by the market to make something better than the Fed-managed dollar. People now languish in jail for the crime of trying to restore money and banking back to the market.

What is the worst cost of the Fed? It has made the federal government, no matter how big it gets, beyond failure. This is the ultimate moral hazard. It has puffed up the leviathan state beyond anything that should ever exist in the world. It's not taxes that have done this. It is the Fed. In this way, it has made itself the ultimate enemy of freedom itself. And as goes freedom, so goes human rights.

The whole catastrophe is no longer possible to ignore. Ron Paul has made it a political issue. Newt Gingrich has jumped on the bandwagon to scrap the Fed. The former CEO of BB&T gave an interview in which he said, "As long as the Fed exists, Congress can effectively print money. And it doesn't matter whether they are Democrats or Republicans, they would rather print money than tax people. They want to spend because that effectively buys votes, and they don't want to tax people because that loses votes."

The problem of ending the Fed is not a technical one. It is not much of an intellectual one, either. It takes only a few minutes to figure out that the whole thing is rooted in myth. The problem of ending the Fed is entirely political. The government is dependent on its powers. So yes, it makes some sense that the political class and its friends — let's call them the 1% for short — think the Fed should exist. The rest of us should know better by now.

The Fed Does the Figure-Four Three-Quarter Leglock

The money masters at the Federal Reserve have done a splendid job, haven't they? Well, no, and all the more reason to *End the Fed*, in the legendary slogan of Ron Paul.

Every few months since the great meltdown of 2008, there's been some announcement that appears in the financial press about the latest fancy-pants move that the Fed will undertake to save the day.

These guys aren't just printing money! They are engaged in amazingly technical maneuvers that mere mortals can't fathom. The catchphrases are multiplying: quantitative easing, Operation Twist, sterilized QE, ZIRP (zero interest rate policy) and now reverse repo.

Stay tuned for other amazing tricks. They could pull out the camel clutch, the bite of the dragon, the hammerlock, the bridging chickenwing, the gorilla press, the octopus hold, the sunset flip, the inverted figure-four three-quarter leglock and finally, if they really get desperate, the Tree of Woe.

These names are all, of course, drawn from the world of professional wrestling. Sadly, the world of central banking is not nearly as entertaining, mainly because instead of just hurting each other, the bankers are hurting the rest of us.

You know this when you look at your bank statements and see that all your efforts to save money are for naught: Your money is losing more value through higher prices than it earns in cash.

The Fed is sending the message: If you save, you are a fool. What message is it sending to investors? It is telling them to put their money in something, anything, besides short- and long-term bonds. In this way, it hopes to stimulate some kind of artificial boost of stocks and any form of financial arbitrage besides buying and holding debt.

This is outright market manipulation of the sort that the government criminalizes if done by the private sector. For example, the Justice Department has said it is looking into charges that book publishers are manipulating the price of e-books and also said that it might force a settlement that could wreck this wonderful emerging market. Thanks a lot!

But how does pushing up the download fee of e-books by a buck or two compare with completely wrecking the price-signaling mechanism of interest rates, the very thing that every human soul relies on to estimate the profitability of long- and short-term economic planning? As a result, no one knows for sure what is real and what is not.

This is not only perfectly legal, but it has also become the job description of the Federal Reserve itself. It is nothing more than an elaborate and insanely contorted central plan designed to manipulate prices. But because the Fed has the legal monopoly and claims to be doing this in the public interest (thanks for wrecking my reward for saving!), they get away with it.

Worse, they demand our respect and deference to their brilliance. But do they deserve it? The Fed set out in 2008 to rescue the credit markets, boost the housing industry, save the employment sector from stagnation, and boost the economy.

It has failed on all four fronts. Bank lending for industrial and commercial purposes is still at 2007 levels. Housing price pressure is still pushing downward, there's no end in sight to the foreclosure fiasco and the Fed is the proud owner of as much as a trillion dollars in mortgage-backed securities. The unemployment picture is grim: Jobless claims are up, and labor force participation is at 1980 levels!

As for economic growth, it is so sparing that the whole financial press celebrates over the slightest good news like prisoners of war cheering the arrival of scraps of bread. Meanwhile, China, India, Argentina, Indonesia, Vietnam, Mongolia and even Botswana are managing growth rates between 6 and 10%. And this in times when economic growth ought to be as easy as breathing, giving the digital

revolution that has blessed us with astonishing productivity gains.

The Fed couldn't possibly have screwed up more than it has. Its zero interest rate policy (ZIRP) has been a complete failure by any standard but one: It has kept the borrowing costs to the federal government at the lowest possible levels. Even then, the fiscal budget crisis is never ending. Should interest rates come back up to something approaching a human and realistic level, the budget will blow, which the Fed surely knows and which further gives some indication that the Fed knows who and what butters its bread.

But let's say a quick word on this new trick called reverse repo. The Fed prints money to buy long-term bonds. But then the Fed "locks" the use of the new money by borrowing it back again for short periods at lower rates. It can conduct this operation with institutions other than banks, such as money-market funds. As James Grant has said, borrowing short and lending long is a great way to go broke.

There's a line from the Hayek-Keynes video made by John Papola and Russ Roberts put into the rap by F.A. Hayek: "You've got to save to invest; don't use the printing press." That sums it up. There is no sound investment that is not preceded by savings. To save, you have to forgo consumption. Once saved, the money can be loaned out for future-oriented projects and pay higher returns than one could experience without the initial steps of saving. That's how capitalism grows the economy: an ever-more-complex expansion of the division of labor sitting on a rising stock of capital.

The Fed's claim to be spurring economic growth rests on a doctrine that gets this whole process backward. We are supposed to consume more and save less. If that works, the ticket to good bodily health is to be a beer-guzzling couch potato and avoid the gym like the plague. Or maybe the plague is exactly what all these fancy Fed moves are actually bringing us.

Money and Finance as If You Mattered

During the 2008 credit crisis, a horde of central bankers, Treasury officials, and large corporations screamed that the end of the world was upon us — unless trillions of your money were spent (or created) to prop up the existing financial and banking systems.

The presumption was that the existing structure must never be changed, or the Fed's control over the financial and monetary system ever brought into question. Everything is just as it should be. This is a minor blip on the radar screen, nothing to be concerned about, provided certain steps were taken.

So we were all looted. There was the debt run-up, the new regulations, the funny money creation, the absorption of bad debt that was revarnished and relabeled as assets, the complicated payouts to every institution that Bernanke and his friends deemed to be too big and too crucial to our well-being to be allowed to fail. The government must be permitted to throw around inconceivable amounts of money, they said, in order to save our glorious system.

Democrats, Republicans, liberals, conservatives and every conventional media outlet on this green earth agreed: No expense can be spared to solve this great emergency. Anyone who resists this multiyear bailout, begun under Bush and continued under Obama and to be continued by whomever follows, is clearly an egregious cretin who doesn't understand the depth of the emergency we (as a nation) face.

Yet here we are not too many years later, and it seems that entrepreneurs understand something that the political and banking classes did not understand: The system is rotten and needs to be fixed. It doesn't serve consumers, which is to say that it doesn't serve society. There are too many layers between us and the people running the show.

These young entrepreneurs have been hard at working to find new ways for us to develop financial relationships with each other, human ways that don't rely on force, fraud and freaking out at every sign of trouble. The most remarkable thing is how they are doing this within the rigid existing structure, regardless of every barrier thrown in their way.

I've been exploring some fascinating new digital-age systems for banking, money, loans, and payments. If you aren't following this stuff day to day, you would miss them. They might be used by millions to transfer billions of dollars, yet even still, they aren't in our purview. This is because people are using digital media as never before to create and innovate in ways that the mercifully spared money institutions of old could not even imagine.

Let's name a few from simple to complex. And let me say, just before marching through these things, if you have had a rotten day, working in a routine job in which nothing new ever happens, or you have been sitting in a desk listening to some drone professor babble on about the dated falsehoods that clog his brain, these little tools will seriously lift your spirits.

Squareup. This is an innovation by Jack Dorsey (of Twitter fame) and his friends, and came about only in 2010. The first problem they were trying to overcome was there has to be an easier way for merchants to accept credit cards. They decided to give the hardware away for use on simple mobile phones and then charge per transaction. Win!

In the course of developing the business, which is valued already at \$1 billion, they solved an even stranger problem that all of us have but never really noticed that we have: If we don't have our wallets with us, we can't buy anything.

Now this is genius: Squareup allows you to pay by saying your name. The merchant matches a picture of you on the square system with your physical face. You look each other in the eye and the deal is done. Anyone can sign up. Yes, it is incredible. Simple and wonderful.

The Lending Club. Again, this is mind-blowing. The Lending Club matches up lenders and borrowers while bypassing the banking system altogether. The idea emerged in October 2008, just as the existing credit system seemed to be blowing up. Today, the company originates \$1 million in loans per day.

Anyone can become a lender with a minimum investment of \$25 per note. Lenders can choose specific borrowers or choose among many baskets and combinations of borrowers to reduce risk.

Any potential borrower can apply, but of course the company wants to keep default rates at the lowest possible level, and these are published daily (right now, they are running 3%). As a result, most applications to borrow are declined (this is good!).

The average rate of interest on the loans is 11%, cheaper than credit cards but more realistic than the Fed's crazy push for zero. As a result, the average net annualized return is 9.6%.

The focus is of course on small loans for weddings, moving expenses, business startups, debt consolidation and the like. If you are an indebted country with large unfunded liabilities, you probably can't get a loan. But if you are student with a job who needs upfront money to put down on an apartment, you might qualify.

Dwolla. This is a super-easy, super-slick online payment system that specializes in linking payments through social networks like Facebook and Twitter. Like most of these companies, the idea was hatched in 2008 in response to the crisis. The system was breaking down and needed new services that worked. Dwolla got off the ground in 2009, and today, it processes more than \$1 million per week.

An easy way to understand Dwolla is to view it as the next generation of PayPal, but with a special focus on reducing the problem that vexed PayPal in its early years: getting rid of credit card fraud. Dwolla is focusing its product development on ways to pay that do not require sending credit card information over networks.

Dwolla has also taken a strong interest in the Internet payment system called Bitcoin, a digital unit of account that hopes to become an alternative to national monetary systems. It is a long way from becoming that, but it is hardly surprising that a young and innovative company would be interested in competition to failed paper money.

These are a few of the services, but there are hundreds more. None were created by the money masters in Washington. They are results of private innovation, individual entrepreneurs thinking their way through social and economic problems and coming up with solutions. They accept the risk of failure and enjoy the profit from success.

What they all have in common that is missing from the current monetary, financial and banking structure — a maniacal focus on serving the individual consumer. If or when the official structure blows up, such private enterprises will be there to save us.

Money Laundering

The story from *The Daily* swept through the Internet with blazing speed. The report: Criminals around the country are stealing an inordinate number of bottles of Tide laundry detergent. This is not because the criminals plan to go into the laundry business. There is not a “grime wave.” It seems that these Tide bottles are functioning as a store of value, even a form of money, within many black markets.

As the story memorably puts it, on the street, Tide is known as “liquid gold.” Harrison Sprague of the Prince George’s County, Maryland, Police Department says that his undercover agents are asking for drugs but being offered Tide instead. They are busting drug rings and finding more blue liquid than white powder.

To be sure, some news outlets are raising some questions about this story, pointing out that Tide theft doesn’t seem to be a national problem. For my part, I have no problem with the credibility of the report. In fact, it seems entirely reasonable that new forms of currency are popping up in black markets. This is why stores are starting to add anti-theft devices to the bottles.

The driving force here is a war on the dollar. Carrying around vast amounts of cash raises questions among the authorities. It is increasingly difficult to “wash” the money through the banking system. And in any case, dollars are always losing value. So it makes sense to look for other ways to facilitate exchange. This is hardly unusual. The digital economy is getting ever better at bartering services and software as an alternative to letting dollars change hands.

But if we are to think of Tide as money, that means its use goes beyond the barter stage. People aren’t acquiring Tide to wash their clothes, but rather to trade for other things, like drugs. In a limited sense, then, Tide is being used to facilitate indirect exchange. That is to say, it has become a money.

Actually, there are many conditions in which alternative monies can come to exist. You can see this among kids when they trade candy following Halloween night. The kids will gather and first begin to barter, but as the trading term continues, one candy will emerge as the one to get — not to consume, but to trade for other things. For a brief time, one candy will emerge with monetary properties. As trading comes to an end, that very candy will be demonetized and re-emerge as a consumption good.

Money is frequently reinvented under the right conditions, emerging from a commodity currently in use. Cigarettes become money in prison. War zones become hotbeds of currency competition too, in anything from liquor to matches. Throughout history, money has taken many forms, from shells to salt to animal skins. The usual qualities of a commodity that economists say make for good money: durability, divisibility, high value per unit of weight, uniformity of quality (fungibility), recognizability.

Tide doesn’t qualify in every respect. However, it is durable in the sense that it doesn’t spoil. It is divisible. The tamper-proof top provides a measure of security against counterfeiting. True, it’s not as good as a precious metal, but traders aren’t worried about that. They are just looking for some marketable commodity that can take the place of the dollar, which has become extremely risky to use for blatantly illegal purposes.

The government’s war on the dollar as a means to fight the drug war wins nothing in this case. So long as there is a market, so long as there is demand and supply, there will be pressure to come up with some means to make indirect exchange possible. Or so Ludwig von Mises explained in his treatise *The Theory of Money & Credit*, written in 1912, at the dawn of the central banking age.

One major problem is Tide doesn’t have a stable supply, so its value as a means of exchange will be subject to inflationary pressures. The more that enters the black market, the more its price falls relative to the goods and services it can buy — the inflationary tide could rise and rise.

But as you think about it, as bad as Tide might be as a currency, there is a sense in which the dollar is actually worse. It costs less to print on linen than it does to make a bottle of laundry detergent, meaning that the dollar is more likely to be inflated into oblivion. And whatever is wrong with detergent, if the price falls low enough, the producer doesn’t have any reason to keep making it. Profit-and-loss signals govern how much is produced. Its physicality alone imposes some limit — and this is not the case for the Fed’s data entries that it calls money.

The monetization of Tide demonstrates something critically important about the institution of money itself. Its existence in the market owes nothing to the government or some social contract. Its emergence, as Carl Menger argued in the late 19th century, grows out of market exchange. Selecting which commodity is to become money is a matter for entrepreneurs and market forces.

No central planner — even one within the black market community — decided that Tide should become money. Also note that Tide is produced entirely privately, which provides an indication of what could be true of all money today. We don’t need government to select it and make it. The market can handle this just fine.

There is a final lesson to observe in this case: It is sometimes asserted that only government is smart enough to be able to select, make and manage monetary affairs. Surely private parties can’t handle this job, and the attempt will just lead to chaos. But this is not so. Private markets can do all these things, including juggling many different currencies in competition with each other and managing the price relationships between them. This goes on in the developing world all the time, with even young children learning the math and workings of the currency market.

The biggest problem Tide money now faces is a security issue. When you see the armored car driving up to the local Walgreens, you’ll know that they are working on getting the problem solved. The sight can make us all nostalgic for the old days when our official money was something at least as real and useful as laundry detergent.

The Blessing of Falling Prices

The DVD player crashed last night. The disc wouldn’t load. Clearly, the player had gone the way of all flesh. With great reluctance, it was off to Wal-Mart to replace this appliance for the first time in perhaps ten years. While I was there, I figured I would get a case for my iPhone.

Much to my shock, I paid about the same for both. The DVD player — and I didn’t get the cheapest one — was a startlingly low \$28. I’m pretty sure that I paid \$150 for my last one. Looking this up, it turns out that these were \$1,000 and up in 1997, and the price has been falling ever since. The price deflation has been relentless over these fourteen years, and yet, somehow, the companies that make them have survived and thrived.

And the falling prices of such hardware are nothing compared with the price of the memory used in your laptop. After fifteen years of falling, prices this year have dropped completely off the cliff, to the point where the eight gigabytes I once thought unaffordable are now practically free. By year’s end, the homeless will enjoy more access to DRAM (dynamic random-access memory) than soup.

Falling prices are a great gift to the consumer, and the whole experience of the digital revolution has demonstrated that they are no threat to free enterprise as we know it. Far from having killed technology, this sector is the main source of economic growth, jobs, innovation and productivity. Thank goodness technology did not enjoy the same treatment as real estate after its price crash in 2008.

We tend to realize this when we look at specific sectors like technology, but somehow, when it comes to the larger macroeconomic pictures, confusion sets in. In truth, there is no reason to fear falling prices. The greatest period of economic growth in American history took place during the Gilded Age, when average prices were falling 3.8% per year, even as economic growth marched onward at 4.5%.

Today, however, the Fed at every possible opportunity pushes fear of deflation. Just last month, Ben Bernanke, speaking in Fort Bliss, Texas, called falling prices “both a cause and a symptom of an extremely weak economy.” Bernanke would clarify that he means deflation induced by deleveraging and liquidation, not falling prices in response to increased productivity and innovation.

The problem with that distinction is that it is purely theoretical; it means nothing from the point of view of producers and consumers who face the same reality, whatever the cause. What’s more, even in cases of an economic bust, market prices do not lie; they are there to reveal truths about resource allocations that not even central bankers can sweep under the carpet.

So in his mind, falling prices, even of the sort that we’ve seen in the technology sector, can be seen not only as a sign of weakness (which is, obviously, untrue), but also an actual cause of weakness (which is even less true). This view seems like a leftover from the Great Depression, when economists wrongly concluded that deflation was the reason for the persistence of weakness. Murray Rothbard,

nearly alone, has disputed this and pointed out that falling prices are the one saving grace of a depressed economy, something to cheer, not jeer.

Afflicted with this dogma, the Fed, the Treasury and nearly everyone else set out to stop the fall in real estate prices starting in 2007. This has been a central concern of economic policy ever since, and trillions have been wasted in this endeavor. But it's all for naught. Prices have a mind of their own, an amazing pigheadedness that disregards the wishes even of the world's mightiest military power. The price system is the ultimate resistance force in the universe, more effective than all the insurgency operations in the world combined.

Why might the Fed be so interested in propagating the view that falling prices are a disaster? Because its main business is creating money, which always ends up watering down the value of the existing money stock, in addition to distorting production structures. Inflation is its main product. Or in our times, when the Fed's attempt to do this has been frustrated by the banking system's lack of cooperation, it can at least claim that it does the good of preventing deflation.

In 2009, consumer prices as measured by the CPI actually fell for the first time in fifty years. Thanks to the Fed's intervention, this trend came to a halt and prices in general have marched upward ever since, despite the downward pressure in housing and technology. The main movers here have been the sectors where the state has the most control: education, utilities and medical care.

Counterfactuals are always speculative, but one does wonder what the world would look like today had the Fed not pushed its inflationary agenda after 2008. Would the price declines have continued? And if so, how much cheaper might everything be today after the global deleveraging that took place? It would have been wonderful for the consuming public and posed new challenges for capitalist producers to solve. It would have been thrilling to see how this would have led to a much-needed upheaval across the corporate world.

So let us speculate here. Given the efforts that the Fed has undertaken to manufacture high inflation, how can we account for its seemingly slow rate today? Why is the inflation taking the form of a slow burn, rather than a roaring bonfire? One possible way to look at this is that it has taken the form of the absence of the price deflation we otherwise would have enjoyed in absence of the Fed's actions. If prices might have fallen 10%, but instead rise 2%, perhaps we should include the boon foregone as a cost of the Fed's monetary policy.

We can see, then, why the Fed has every reason to push this view that deflation is the worst possible hell in which we can find ourselves. This claim stands against all human experience. When I encountered stacks of DVD players at Wal-Mart, I experienced the right kind of sticker shock. Broaden that model to all goods and services and we would be living in a beautiful world of rising prosperity, rising value for our money and relentless innovation.

Perhaps someday, even iPhone 4 cases will be reasonable.

The Monetary Metal That Just Won't Die

For more than one hundred years, governments have been trying to kill gold's role in the monetary system. They've dreamed of a day when the cursed metal would vanish completely except as jewelry and luxurious adornment. And yet its monetary properties won't go away. Central banks still hold it, and many have increased their gold holdings in recent years.

The U.S. Government holds it and reports it on their balance sheets. The International Monetary Fund, the European Central Bank, China, Germany, Russia, India — they all hold gold. Turkey bought about 41.3 tons of gold for official reserves in November. Goldman Sachs is expecting central banks to buy 600 tons this year. Look at the combined official holdings to date: 30,744 tons.

Why?

Contrary to public mythology, gold has no statutory role in the monetary system at all. The paper standard has ruled since 1971, though most people are still slow to figure that out. Sure, it is an asset but so are many things that governments and central banks own: computers, land, buildings, mortgage-backed securities however toxic, and many other things. There is no special reason why gold should be reported, listed, touted, purchased in scary times, but not these other assets.

The truth is that gold does have a huge and continuing role to play. And it is more than purely psychological. It is deeply embedded in the history of money itself and in the development of the world economy as we know it. Governments destroyed the gold standard long ago but they know better than anyone that there is no surer means of financial security, proven over nearly all times and all places.

But here is an interesting question. What precisely are governments and central banks seeking to protect with their gold holdings and acquisitions? It is not you and me. It is about their system and their interests. As much as they love foisting the paper stuff on the population, risking even the destruction of the means by which we earn, save, and provide for ourselves, when it comes to government and central bank finance, gold serves them well. They deny it publicly but their actions speak more loudly than their press conferences.

This is one reason among a million that you can't trust government to manage or even make the money that runs the economy. This should and could be the job of the private sector. The first time I heard Murray Rothbard make this claim, I was amazed. Doesn't everyone know this is a primary function of government? But he was not only correct about this; since his book *What Has Government Done to Our Money?* came out, fantastic research on this topic has reinforced the point.

The leading historian of private coinage is George Selgin. His book *Good Money* is one of the most fascinating books on monetary history ever written. The country is England and the time is the Industrial Revolution. The official Mint was cranking out only large denomination coins suitable for old-world trade by large companies, but this was a time when the bourgeoisie was being born. Small manufacturers all over the country needed small denominations to pay their workers. They didn't wait for the government to make the stuff. Button makers jumped at the chance to mint small denomination coins for factories to pay their workers.

What emerged from this event was a highly developed and extremely sophisticated system of private coinage at the very heart of England's birth into the modern world. Selgin's book tells the entire story in remarkable detail, and the publisher went all out with this book to provide a large section of beautiful color images of many of the private coins of the period, with even a comparison to the government's unimaginative and often ugly coins. The free market picked up where government left off!

You can guess what happened. The result was the same as today when private traders have come up with digital currencies to compete with the government: the state shut them down. Don't mint your own money; the government hates the competition! Selgin's book covers the drama with energy and wit, revealing a slice of history that is hardly known by anyone.

Never let anyone tell you that the private sector can't be wholly in charge of the monetary system. Selgin has demonstrated otherwise.

This is the history but what about the future? In 1982, the Reagan administration pushed through a bill that created a U.S. Gold Commission to look into the question. It was the great missed opportunity, because — no surprise — the fix was in on what the commission would decide. Ron Paul and Lewis Lehrman were both on the committee, and they dissented from the majority opinion.

The dissenting opinion wasn't just an opinion paper; it was a wonderful book on the past, present, and future of gold as a monetary unit. It ends with a detailed plan for restoring sound money and liberating us from the tyranny of paper. The book is out in a special edition of Laissez Faire Books: *The Case for Gold*.

Can gold really be the money of the future? Nathan Lewis thinks so and he makes the case in *Gold: The Once and Future Money*. He points out that without a gold standard, with money that is sound and tied down to strict limits on production, the whole theoretical apparatus of government finance stops making any sense. What does it matter how much debt you run up if you can just print the money to pay for it? Perhaps this might have something to do with why government can't seem to control its spending. And how can we even have a rational discussion of tax policy and its likely effect on revenue streams and the government deficit so long as any revenue shortfall can be made up for through the magical powers of the central bank?

The absence of gold, Lewis argues, has introduced irrationality and fiscal chaos into government finance. Nor has it served the population well. It is directly responsible for the creation of the boom-and-bust cycle — paper gives the central bank massive power to manipulate interest rates — as well as the relentless declines in the value of the dollar. The system has failed, he says, and if governments don't repair the money, the private sector will respond, just as it did in the early years of the industrial revolution.

Growing economies are about change. Industries are born and industries die. Businesses come and go, and even seeming Goliaths are

often slayed by start-ups. The jobs we do change. The types of production that nations specialize in are constantly in motion. All this global enterprise changes the face of the earth every half century or so. Thank goodness for change: without it, there would be no supporting the seven billion people who inhabit this place.

There are very few things in this world that do not change, but one of them is the perception and reality that sound money is rooted in the gold standard. Powerful presidents could not kill it, though more than a dozen have tried. Elite economists have tried to wish its place in the world away but couldn't do so. It is the ultimate immovable object in the world of economics. That gold as a monetary unit will outlive us all is one of history's few sure bets.

Leaping Toward the Keynesian Dream

The Fed's latest inflationary scheme sounds like a technocratic innovation. It lowered the costs of currency swaps between central banks of the world, with the idea that the Fed would do for the globe what Europe, England and China are too shy to do, which is run the printing presses 24/7 to bail out failing institutions and economies. In effect, the Fed has promised to be the lender of last resort for the entire global economy.

It sounds new, but it is not. Following the Second World War, John Maynard Keynes pushed hard for a global paper currency administered by a global central bank. This was his proposed solution to the problem of national currency disputes. Let's just take the inflation power away from the national state and give it to a world authority. Then we'll never have to deal with a lack of coordination again.

The idea didn't fly, but the institutions that were supposed to administer such a system were nonetheless created: the International Monetary Fund and the so-called World Bank. It didn't work out that way. Instead, nation-states retained their monetary authority, and the new institutions became glorified welfare providers, conduits for transfer payments and loads to developing nations.

The dream lived on, however. The creation of the euro and its central bank was a step in that direction. So was Nixon's closing of the gold window. Each new currency crisis has created the excuse for further steps toward what Murray Rothbard calls the Keynesian dream.

Why hasn't it happened yet? Many reasons. Nation-states do not want to give up power. The World Bank and the IMF are institutionally unsuited to the task. Many people in the banking world are also downright squeamish about the idea, with full knowledge of the ravages that unchecked inflationary credit can bring to the world economy. Mostly, there hasn't been a crisis big enough to warrant such extreme measures.

However, that crisis might have finally arrived. Since 2008, the Fed has demonstrated that among all the world's central banks, it alone is brave enough to embrace gigantic inflationary measures without wincing. The European Central Bank is under some strictures to not act as a monetary central planner. China is unconverted to the inflationary faith. The same holds true for England.

Ben Bernanke, however, is different: He is revealing himself to be an unreconstructed Keynesian with an unlimited faith in the power of paper money to solve all the world's problems.

What this means is that it is left to the Fed alone to bail out the world. There is a perverse logic to this. After all, if you are going to be a world empire, operating under the assumption that nothing on the planet is outside your political purview, you bear certain responsibilities as well. Foreign aid and troops in every country are just the beginning. You must, eventually, embrace your financial responsibilities, too. A globalized economy addicted to debt needs an institution willing to step up and guarantee that debt, and provide the liquidity necessary to get us through the hard times.

As soon as the announcement of the new Fed measures came, the smart set of the World Wide Web lit up with the obvious observations that these measures come with massive risk of setting off a global inflationary crisis. It could lead to the final crack-up boom.

The Fed assures us otherwise. It "bears no exchange risk" in undertaking such actions. But as economist Robert Murphy explains:

"Strictly speaking, this isn't true. If the Fed gives \$50 billion in dollars to the ECB, which (at those market prices) gives \$50 billion worth of euros to the Fed, then the ECB lends out the dollars to private banks, and before they repay the loans, the euro crashes against the dollar ... then the ECB has no means of acquiring dollars to repay the Fed. Even though the ECB has a printing press, it is configured for euros, not dollars."

He further states what everyone knows but no one will say:

"The current round of interventions will not solve the problem. Down the road — probably much sooner, rather than later — the central banks of the world will engage in some further extraordinary measures, again, lest the whole world fall apart. Even so, printing money doesn't fix the underlying problems. No matter what they do, eventually, the whole financial world will fall apart."

The speed at which all of this is happening is startling to behold. It was only thirty-six hours ago that we heard the first public worries about the drying up of credit in Europe. Large corporations were seeing their credit lines tightened. Banks were starting to become more scrupulous in their operations, which is hardly a surprise, given that zero interest rates have made it nearly impossible to make a profit in conventional lending operations.

Where in the fall of 2008, the Fed let the worries about tight credit grow to the point of international mania before it acted, this time, it jumped in to anticipate the inevitable warnings about the imminent death of civilization. Only trillions in paper money can save us now! The Fed saw what was coming and decided to do the deed, even before the demand came.

But rather than settle markets down, the real effect is the opposite. If you go to the doctor with a head cold, and he rushes you to the hospital for surgery, you don't merely congratulate him for being thorough. You figure that he knows something that you don't; namely that your condition is way more serious than you thought. Your family is likely to fly into a panic.

For this psychological reason alone, this action is likely to roil markets in crazy ways. The Fed is now paper money printer for the entire world. It's a new world, and a brave one. If you think that a new era of prosperity, peace and stability awaits, you have been living under a rock for at least a century. There's not a soul alive who will sleep soundly knowing that Ben Bernanke has elected himself the loan officer of the entire globe.

Deleverage the World

Capitalism is supposed to be a system of profit and loss, but in recent years, central bankers and central planners seem to have forgotten the part about losses. They push and pull every lever on the control board to try to make losses for the big players go away, which can be a bit like trying to stop a receding tide. The strategy cannot work over the long term. Economic law, eventually, prevails.

For this reason, the news that American Airlines has filed for bankruptcy — an actual large company that is finally throwing in the towel — comes like a blast from the past of the way things used to work (remember the failure of Lehman?). The tide receded, and nothing could stop it.

Not that the company didn't try. But its capacity to adapt to new realities was hindered by its own hectoring unions, rising fuel prices, mounting debt, and a blizzard of mandates and restrictions imposed by federal regulators. Whatever the reason, the company could no longer deny reality, as much as its stockholders, managers and even paid-for politicians would like it to be otherwise.

The blessed power of economic law! It operates without anyone pulling levers. It imposes itself, even against the determined will of the world's princes and potentates. It is what keeps the world honest and truthful about what is and is not possible. It keeps the material world on track, so that fallible people cannot do stupid things forever. It's no wonder the political class hates it.

As goes American Airlines, so goes the whole of Europe. A credit crunch not unlike what the U.S. faced in 2008 is now threatening the Continent. Banks are looking at their own portfolios of toxic government debt, and they are concerned about their own liquidity going forward. They have begun calling in loans and cutting credit lines, even from big players. This is starting to send the first signs of panic through the land. Given the U.S. precedent here, all stemming from the housing crisis, the problems can only get worse.

Think back to those days of 2008, when the reality began to surface, housing prices went into a tailspin, and Lehman fell. We had not seen a financial hysteria, on this level, in our lifetimes. The political class, the banking class and the financial pundit class all seemed to agree that if we let the credit crunch continue, the next step could be mass starvation.

Just look at the boats filled with goods that can't even leave harbor because of cut credit lines! Look at Iceland, with its empty grocery-store shelves! Imagine a future in which people might have to actually save money to buy things, rather than relying on the fictitious prosperity as created by the fiat-money machine!

We could have gone one of two directions. We could have recognized that the failure of Lehman represented a reassertion of reality. We could have let the deleveraging continue, so that the signs of false prosperity could be washed from the system. We could have let housing prices fall to their market level, and let the same market have its way with banks and financial institutions that had built their houses on the sand of bad debt, rather than the hard rock of real savings.

But that is not what we did. The addiction to credit had been permitted to permeate too deeply, and hardly anyone could even imagine a world in detox. One in prosperity was rebuilt on real things and not illusions. So while even President Obama admitted the sheer size and scale of the financial bubble, no one in power had the guts to sit back and let the deleveraging take its toll. Had we done that, say many economists, we would already be back on the road to building a reality-based civilization.

Instead, what did we see? Many trillions in real resources were sucked out of the private economy and dumped onto companies that should have but did not enter bankruptcy. Interest rates were driven down to zero and negative levels, a move designed to inspire borrowing but which only ended up punishing savings and guaranteeing that banks could no longer make a profit from its lending operations. Three years later, what good did it do? The latest news on housing is rather devastating. Prices are still falling. Year-to-year unadjusted September prices declined 3.3% for the 10 major markets. The 20-city index dropped 3.6%, to levels not seen since 2003. Some commentators tried to find a silver lining, noting that the pace of falling prices has actually slowed.

Let's just admit something: This is one of the most gigantic failures of Keynesian-style economic policy in human history. The central planners started with the theory that the whole mess was caused by falling housing prices, so clearly the fix was to bring them back up again. They pulled out every contraption in the grab bag of tricks but nothing worked. And why? It turns out that prices are determined by agreement between buyer and seller. The planners have a lot of power but not yet the ability to tap into our brains and force us to do stupid things like buy and sell at a loss.

Every new report on housing prices is like a stern rebuke to the Fed, the Treasury Department, to Congress and to two successive presidential administrations. There is nothing wrong with protesting their policies and lobbying against them, but in the end, nothing speaks as loudly and plainly to their failure than the dazzling and bracing forces of the price system and the balance sheet. This is where we find the undisputed speaker of truth in a world of lies.

If they had to do it again, would the establishment react differently? Probably not, because in the end, it really isn't about creating or protecting the conditions of prosperity for the rest of us. It is about protecting their own power and the profits of their friends. We will soon see the whole scenario repeated again throughout Europe: hysteria followed by folly followed by failure.

This is why the bankruptcy of American Airlines is really an occasion to celebrate, not because a once-great company was taken down by stultifying regulations, union demands or poor management; rather, it is a victory for the forces of supply and demand, which, contrary to the claims of dictators from time immemorial, are the best friends that the common man ever had. It's proof that the politicians only pretend to rule the world.

Money or Capitalism in Crisis

When the *Financial Times* started its series on "Capitalism in Crisis," I winced. Here we go yet again, an attempt to blame private enterprise for what are actually the failures of the state and paper money. And some writers — but not all — in the series have done exactly this, while obscuring the differences between free and unfree markets by referring only to the way "the system" has failed.

And what is the evidence of this failure? It is everywhere. Household income continues to fall all over the developed world. Unemployment is persistent, and to the extent that it is being fixed, it is by dramatic reductions in living standards, one paycheck at a time. Debt is egregious. Young people face terrible prospects. Complaints about inequality resonate in this environment not because the financial sector has bred such paper wealth, but because life is such a struggle for everyone else.

All of this begs the question: What exactly is this "system"? Our times are constantly being compared with the Great Depression, and plenty of people are hoping for an analogous ideological shift toward ever more state control of economic life. J.M. Keynes urged the destruction of the gold standard and the "end of laissez-faire." Strongmen all over the world complied.

But back then, it was easier to bamboozle the public into believing that capitalism was the source of the problem and that the new scientific managers of the state machinery would deliver the restoration of prosperity. The Jazz Age was surely a time of free markets, was it not? Not entirely — there was the important matter of Prohibition as well as the central bank and its capacity to blow bubbles, such as the one that burst in 1929. That message did not stick, because only a handful of people truly understood, and they didn't have the microphone. So the strongmen had a field day.

But today? The state machinery is the lumbering leviathan that leaves no part of life untouched. It taxes and regulates all things, and uses the central bank as its unlimited credit card to pass out welfare to all classes and maintain a worldwide empire rooted in military violence and executive privilege. It takes chutzpah to claim that this has anything to do with a capitalist crisis. This is a crisis of a system of state-based social and economic management.

This might explain why the socialist left has yet to gain much traction in the post-2008 environment. Does any living soul doubt the role of the government and its friends in generating the housing and financial bubble? It has been demonstrated 10,000 times, and this information is available to one and all in a world of digital information delivery. We are no longer hunkered down by the radio, waiting on a homily from the high priest in Washington. This guy no longer controls what we are allowed to read and think.

Writing as part of the series, former Clinton Treasury Secretary Lawrence Summers points out that a recent survey demonstrated that "among the U.S. population as a whole, 50% had a positive opinion of capitalism while 40% did not." I'm not sure what the take-away from that survey really is, however, because it presumes a shared understanding of what "capitalism" really is. Is it a system of privileged protection for the financial elite at the expense of everyone else, or it is a synonym for the free economy? These are two very different things.

What is especially striking about Summers' article is his admission that Keynesian-style solutions seem pointless in this environment. He writes that, concerning the crisis, "there is no obvious solution at hand." He further points out that some of the largest existing social anxieties are focused on three sectors in particular: education, health care and old-age provision. All three are run or lorded over by the state. He concludes with an honest admission: "It is not so much the most capitalist parts of the contemporary economy but the least ... that are in most need of reinvention."

Another contribution to the series comes from Gideon Rachman. He presents a fascinating typology of the four ideological divides of our time. He says that public and intellectual opinion can be divided as follows: 1) right-wing populist, 2) social democrat, 3) Hayekian libertarian and 4) anti-capitalist socialist. This sounds right to me.

The right-wing populist camp (alive in the U.S. and Europe) is the warmongering contingent that opposes immigration, wants war on Islam, favors restrictions on civil liberties, obsesses over demographics, clamors for its own kind of income distribution and longs for a strongman to arrive to impose some kind of order. This penchant has a long history in politics, probably dating to the ancient world.

The social-democratic tendency is found in the Obama constituency, and it wants more of the same that got us into this mess: Keynesian fiscal management, union privileges, an ever-larger public sector, piecemeal planning and regulation, central-bank-backed stimulus, democracy-spreading imperialism or some random combination of this list. This is the party in power here, there and nearly everywhere.

The anti-capitalist/socialist element is obvious enough. It consists of a strange coalition of intellectuals and down-and-out young people leading the Occupy movement, together with media idiots always looking for a splashy and simple story to tell. It is a ridiculously

simple-minded view of the world that all would be well if we could just take the income from the tiny group at the top and spread it around the population. To them, the market-based social order is little more than a scam to rob and loot the iPhone-carrying workers and peasants and benefit the financial elites.

What's most interesting is the emergence of what Rachman calls the Hayekian-libertarian tendency, represented most conspicuously by Ron Paul but actually encompassing a global intellectual and popular movement that sees through fog of propaganda. Here we find total coherence: both realistic explanations of our current plight and clear answers for what to do about it.

Of the four groups, this is the only group that sees the importance of the issue of monetary reform. Keynes saw back in the 1930s that the most important step to modifying the market system in favor of state management was the destruction of the gold standard. He hated it and dedicated himself to convincing all governments to give it up in favor of paper money. Without this step, there was no hope for Keynesian policies.

In a similar way, the libertarians recognize that the most important step toward restoring economic vitality and a free market is to repair the quality of money. The gold standard would be wonderful but unlikely, since its re-institution requires enlightened statesmen and bankers who do the right thing. A more viable path toward the restoration of sound money is through total monetary freedom: Let the market reinvent sound money in our time through the free use of any and all monetary instruments.

What's critical is that the libertarians have put the money issue on the map. We are living under a form of monetary prohibitionism today, forbidden to use any means of payment other than that maintained by the state. And it is not unlike the alcohol prohibition of old. It redistributes wealth, steers gains to the unscrupulous, strengthens the state and promotes various forms of criminality.

In introducing this series, John Plender writes, "F. Scott Fitzgerald chronicled the moral vacuity of Jazz Age capitalism in *The Great Gatsby*". Nonsense. Fitzgerald nowhere slams capitalism in his great novel. Jay Gatsby made his fortune as a bootlegger, a profession that would not have existed in absence of state prohibition.

In the same way, our own age is filled with Gatsbys, people who have done well for themselves by manipulating a failed system. It is the system that must change, not the right to do well.

The Bizarre World of Plastic Fees

Almost everyone is really down on financial companies these days. What kind of scam are they running, anyway? It seems as if everywhere we turn, there are fees, fees, fees. Because almost everyone has some kind of credit or debit card, the popular mind is particularly focused on them, expecting to find signs of exploitation and graft.

Let's look a bit closer.

A friend of mine is in a Virginia diner and receives an odd offer with the check. There is a note: If you pay with cash, you get a 5% discount. And why? Credit card fees. The place would rather not pay them. My friend forks over the cash and saves himself sixty cents. Keep in mind this was an established business, not some street vendor.

Of course, we've all experienced something similar a thousand times when working with individual proprietors. The person who mows your lawn, paints the kid's room, fixes your plumbing or gives you a taxi ride would much rather have cash. And why? Let's just say that cash is more liquid than plastic. Everyone knows that.

But for established businesses to routinely discount the use of cash over debit/credit is not entirely usual. But it is increasing. Neither government nor credit card companies are going to tolerate the spread of this practice, which is considered price discrimination. There will be new rules, new interventions, new restrictions, all in an attempt to stop it.

What will restaurants and other businesses do? What many have already done — refuse credit for charges of less than \$5 or \$10. This should be the age of micropayments, especially with digital commerce. Instead, we are going the opposite way.

This plastic card price pressure is only now boiling over, and this is a direct response to government regulation. The relevant regulations were passed last year, with hardly any debate and very little public awareness. The credit card companies objected and warned, but given today's anti-business climate on Capitol Hill, their protests were dismissed as special interest pleading.

The relevant legislation is the Dodd-Frank Act, which went into effect late last year. The Durbin Amendment capped the fees that card companies can charge for debits at 21 cents per transaction. This was supposed to reflect the "actual cost" of processing. And this would supposedly stop the practice of charging more than twice that amount on average.

Seems like a good idea, right? Save the consumer a bit of money, right? Curb the plastic-based scams. Surely, these companies make high enough profits.

It's not so easy. A complicated formula typically determines the fees that the companies charge for processing. And before we go any further to describe them, let us be clear that these fees are agreed upon by both parties to the contract: merchants and card services. No one has forced anyone into the deal.

The formula in the past used a graduated scale so that the higher the transaction price, the higher the fee. Some transactions would have a far higher than average fee. Similarly, smaller transactions would charge lower fees. Most of the small transactions for movie rentals, coffee at the convenience store and the muffin at the airport charge the merchants only a few cents per transaction.

This isn't about charity or a desire on the part of card processors to help the little guy. It is a matter of making the deal. If you want the mom and pop shop and the small Internet merchant to make a go of it, you have to move beyond cash. The companies were using the large merchants to "subsidize" the small merchants. The high fees covered the losses from the low fees.

The system worked. Then Congress intervened with a price control — just like central planners in socialist states — that flattened fees. An immediate effect was that renting from Redbox went up twenty cents last year. People blamed the movie distributor. Actually, it was the politicians, but who knew?

There's more legislation in play here. The Credit Card Accountability Responsibility and Disclosure (CARD) Act of 2009 put serious restrictions on the ability of card companies to raise interest rates on existing balances. This was supposed to protect consumers from the evil and rapacious people who were lending them money at a fee.

Guess what? This backfired, too. Instead of raising card fees for legacy balances, companies were being forced to impose very high fees at the outset. This not only took from the companies a major marketing strategy; it also ended up costing consumers far more than they used to pay for carrying balances month to month. It is the relatively poorer class of card users who end up being hurt by this.

Whom do the consumers blame? Visa, MasterCard and all the rest, of course. They are charging 15% at a time when banks are paying negative rates on deposits. The whole thing is absolutely perverse. People look at this system and correctly figure that some people must be collecting loot like bandits.

I've covered only two of the most recent and egregious pieces of legislation. There are thousands, tens of thousands more. All of these regulations together distort the market in more ways than we can possibly know. But again, who catches the blame? It's not Congress, Treasury, the Fed or the White House. It is private enterprise.

Now consider the greatest and most egregious of all regulators that affect interest rates and financial markets: the Federal Reserve. It is attempting to falsify reality in ways that contradict every principle of the market economy. And what are the results? It's a crazy, mixed-up world. Whatever the distortions, they are huge and potentially very scary.

We'll soon know the full implications. Whether people understand the underlying cause (government, and not markets) may determine the future of the free economy itself.

The Transformation of Banking

There is a scene in the Parable of the Talents in which the returned master berates the shabbiest of his three servants. Discovering that

he had buried his seed capital in the ground, the master says: “You should have put my money on deposit with the bankers, so that when I returned I would have received it back with interest.” The servant is then thrown outside “into the darkness,” where he faces “weeping and gnashing of teeth.”

In today’s world, burying that money might have been the better idea. Otherwise, the servant would have paid fees for depositing, withdrawing and transferring and would have earned no interest at all, and the money would have depreciated in value the whole while. It’s enough to cause you to weep and gnash your teeth.

That parable has had a long life because earning interest on deposits is a universal feature of the human experience in any finance economy. Until now. The Fed has announced that it will work to keep interest rates at zero for the next several years, all with the supposed goal of refurbishing the economy. Or so Bernanke tells us at great length.

But here’s the problem: This very strategy of driving interest rates to zero has been a feature of the period in which the Fed has managed the post-meltdown world. The result has been what *The Wall Street Journal* accurately described as a five years of missing economic progress: The economy today is barely larger than it was at the end of 2007, despite a rising population and a gigantic explosion in technology. Household income is still sinking, and an entire generation has readjusted its expectations for the future.

What has the Fed done? It has moved to create and guarantee some \$13 trillion in phony assets to prettify the balance sheets of financial institutions that would have otherwise gone belly up. Those fake assets have served as substitutes for real reserves to create the illusion of balanced books. It has made its own discount rate vanish as a way of opening up its own reserves to the banking system to keep it floating. Finally, it has made it clear that it stands ready to be the lender of last resort for just about everything, removing the risk premium that would normally be attached to longer-term loans.

Altogether, this strategy has nearly abolished the banking system’s capacity to function, in effect turning banks into public utilities to serve themselves and governments, instead of depositors and lenders. Private industry seeks funding outside the official banking system, investors are scrambling for some other option and banks themselves have turned to other pursuits, like interest rate arbitraging and lending to other financial institutions, hedge funds, insurance companies and real estate.

During the 1930s, New Deal policies tried to revive agriculture and economic activity generally by telling farmers to plough under their crops and kill their livestock. Today, Fed policies are trying to revive real estate, banking and economic activity generally by undermining the capacity of the loan markets to function with any degree of normalcy.

Michael Hudson insightfully explains the problem:

“People used to know what banks did. Bankers took deposits and lent them out, paying short-term depositors less than they charged for risky or less-liquid loans. The risk was borne by bankers, not depositors or the government.... Banking has moved so far away from funding industrial growth and economic development that it now benefits primarily at the economy’s expense in a predatory and extractive way, not by making productive loans.”

Even if Bernanke were telling the truth that this is all about inspiring recovery, there is no hope that it can work. The real estate markets are still an amazing mess, with one-quarter of the existing mortgage contracts marked above their market value. It fights against gravity to keep trying to lift up what wants to go down the instant that artificial stimulus recedes. And it should be obvious by now that ever-lower rates don’t stimulate lending in this environment, but rather the reverse.

As the Austrian tradition has long explained, the basis of future prosperity is capital accumulation and deferred consumption in the form of real savings. These policies punish both. Worse: They make conventional savings nearly impossible. These policies encourage ever more consumption and debt accumulation and do nothing to address the core problem that brought about the artificial boom and the resulting bust.

But is Bernanke really telling the truth? No. In the balance between restoring growth and saving the banking system from the consequences of its own irresponsible policies, the Fed has chosen the latter. This is the unavoidable conclusion.

Otherwise, we would have to believe that the Fed is utterly blind to the recently proven results of its own policies. It is not managing the Fed in the public interest, but in the interests of the banks and the governments that are in hock to them. That you can’t earn a reward from saving money anymore is a microeconomic indication of a much-larger problem.

Consider the opportunity costs of these policies. We are living in a time of unprecedented innovation, thanks to digital media, the Internet and daily improvements in the production, management and distribution of information. Vast swaths of the commodifiable world have left the realm of scarcity to enter the sector in which infinite reproducibility is not only possible, but a regular feature of daily life.

With a healthy economic foundation, society should be getting wealthier and wealthier at a pace that exceeds even that of the Gilded Age, when 10% and 15% growth was common and the human population began to thrive as never before. The digital age has given us economizing technologies that make all that have come before look like mere warm-ups. Instead, we are being denied those benefits and that growth, thanks to catastrophic policies of governments backed by central banks and dependent financial institutions.

What is the scenario under which normalcy returns? From Bernanke’s point of view, there is no end to this. It means ongoing stagnation for no good reason. For this reason, there has never been a more urgent time to abolish the Fed, institute a free market system and let a new monetary system emerge on a sound foundation. At the same time, the Fed has never faced more reason to keep alive the system that is killing future prosperity.

If the Parable of the Talents could be retold today, it would need a different ending, with a different gang of thieves thrown into the darkness to face weeping and gnashing of teeth.

A Way to Soak the Rich

You might have noticed that lots of people are really down on the so-called 1%. It drives many people, especially politicians, absolutely bonkers that there are lots of people out there sitting on millions, billions. Populists imagine that these people do nothing but hoard and count and let out menacing laughs about the advantages they have over others.

Therefore, the activists are proposing schemes to part this crowd from their money by force using government policy. It’s a brutal approach that involves a heavy use of state coercion against people. If you believe in peace, as many activists claim, that’s not so great. Violence begets violence, so it is never a solution.

The other problem with taxation is that the money is transferred to the state itself — the same institution that suppresses free speech, jails people for smoking pot and breaks up demonstrations against the 1%. It doesn’t help anyone to transfer the cash from wingtips to jackboots.

Surely, there has to be a better way to go about getting money out of the hands of the rich and into the hands of the middle class and the poor. Is there a more peaceful, yet lethal, way to accomplish the same end?

I have the perfect solution. It came to be me the other day as I was walking along an urban street and saw a Rolls-Royce Phantom, parked right there where any normal car would park. These ridiculously ostentatious cars might be amazing, but they run about \$320,000.

Incredible! Why would anyone buy this? Whoever owns the thing could have spent a tiny fraction on a used normal car that goes from here to there (like mine), but instead, and for reasons no one can really explain, this person decided to fork over seven years of income for an average worker — all for one car.

The point is that this person parted with his money. And where did it end up? It went to the people who sold the car, built the car, shipped the car and made everything in the car, all the way down to the workers in the rubber plant who made the tires and those in the steel plant who made the material for the fancy grill.

That money went from the rich guy to everyone else, and no one had to threaten him with jail in order to make that happen. Those who received the money didn’t have to lobby, tax or force anyone. The guy gave it up voluntarily! It seems to me that we are onto something here.

The rich are an interesting group. They like to define themselves with symbols of what the rest of us consider crazy luxury. If there aren’t things for them to squander their money on, they might just hoard it all, bury it in some tax haven or lock it away in obscure trust

funds.

Thorstein Veblen had it backwards. People who resent the wealth of the super elite shouldn't be condemning conspicuous consumption. They should be encouraging more of it. The answer is to have a society with a vast proliferation of hugely expensive things on which the rich can spend their money. This is the path to voluntary expropriation and effective redistribution of wealth, from them to the rest of us, from the 1% to the 99%.

Consider the first-class plane ticket. On some flights, these tickets nearly break the bank. On international flights on short notice, a ticket like this can cost \$15,000. And what do you get? You get a flight attendant who thinks you are great, free drinks, and extra room for the legs. And for this, you give thousands upon thousands of dollars from your bank account to the bank accounts of pilots, flight attendants, baggage handlers, ticket takers, assembly line workers, gas pumpers, and everyone else involved in making these flights happen.

It's the same with expensive hotels. To me, they are just places to crash until I get to where I'm going. But there is a whole class of hotels out there designed to give you an entire lifestyle for the time you are there. There are spas, saunas, pools, workout rooms, several layers of restaurants, bars everywhere, libraries, plus golf, hiking, dance halls, and more bling than you could use in a year. They can cost thousands of dollars per night.

I don't get it, but lots of the 1% are all about these places. All to the good! Their money is siphoned off from their person straight to the hands of waitresses, pool cleaners, doormen, maid service people, cooks, groundskeepers, repair workers, bricklayers and every other kind of worker and peasant you can possibly imagine.

We need ever more of this. Look at the yachting World Cup. It's crazy expensive to be involved at every level. The yachts can be \$5 million and up. Just to get going can run in the millions in addition. These things would totally break the bank of a lifetime for any normal person. But the rich do it and voluntarily transfer their wealth straight to lessers in all walks of life. Especially when you consider the media attention and the hoopla, there are hundreds of thousands of people who gain the benefit of their extravagance.

What's especially nice is that their products, adopted by the rich, eventually become available for everyone else, so long as the market economy is working as it should. A cellphone in the 1980s was the ultimate luxury good. Today, they are available to all the world's poor. Same with computers, of course. I carry more computer power in my pocket than was available to all the richest and the most powerful people in the world combined two decades ago.

The rich are the early adopters. What was luxury then becomes the new normal for the rest of us today. The feed runs from the exclusive, high-priced shops that you have to have an appointment to enter and then straight to Wal-Mart a few years later. They bite the bullet so that we don't have to. In this way, they are society's benefactors.

If we want to soak the rich, we need ever more opportunities for them to blow millions and billions on things you and I would never think of buying. We need more luxury, more conspicuous consumption, more over-the-top and outrageous things and services that tempt them to part with their money.

But of course, if this is true, we also need producers to make these things to sell to the rich. That means that we should not punish investment and capital accumulation, and we certainly shouldn't impose tax penalties when investments targeted to the rich pay off. Capital gains taxes need to be zero, and the same with income taxes and other consumption taxes. Anything that discourages the building and selling of luxury needs to be repealed, provided we want to empty the pockets of the well-to-do.

Also, we need to cut out this growing ethos that the rich should give all their money away to far-flung charities. Whom does that really benefit? Sometimes it is hard to know, but certainly nonprofit organizations that may or may not be doing what they say they are doing. A far better path is to encourage the rich to get as rich as possible and spend like crazy for things that benefit the rest of us.

They can't take it with them. The commercial marketplace is the best and most peaceful way to make sure that wealth is distributed to the whole world.

Zero Percent Über Alles

We are getting a sense of what life is like with the new Fed policy of openness. It means that the chairman tries to beat the world record for the longest, most boring press conference in modern history. Ben Bernanke is getting even better at that crucial skill of repeatedly saying nothing at great length. The better he gets at this, the longer he is willing to entertain questions from reporters.

They all ask some version of the same question, in any case. It's the cocktail-hour question asked of every economist: What does the future hold and what should be done about it? The problem is that Bernanke doesn't know more about the future than the markets know. Actually, looking at the transcripts of the 2006 FOMC meetings, the Fed knows much less than the markets know.

But at least we now know what Bernanke thinks he knows. A short summary of the flurry of news from the Fed yesterday: The economy is still in the tank, it will stay that way for years, interest rates will be held at zero and savers can go to hell.

That last part we can glean from the most interesting question posed to Bernanke yesterday. Greg Robb of MarketWatch pointed out to him that he has some severe Republican critics. The Fed has been a major issue in the debates and on the campaign trail. Mr. Robb had a theory about why: many Republican voters lived on fixed incomes that depend on some return on their money. For this crowd, zero interest rates are a disaster. Robbery, really.

Bernanke's first response was to say that he was not going to involve himself in politics because he "has a job to do." It is a credit to the press corps that they did not double over in laughter at the ridiculous claim that the Fed's job has nothing whatever to do with politics! After 100 years of Fed service, it is pretty obvious that the Fed serves two clients: the big banks and the government. The Fed certainly doesn't serve the class of people who save and invest.

So how did Bernanke deal with the second part of the question? This was interesting. He said that he was very sorry for savers and those who depend on interest income, but they need to understand that they too have a long-term interest in a healthy economy. If investment and productivity are rising, they create the conditions for growth down the line, and surely this is good for everyone.

That's some crazy kind of circuitous reasoning going on there. It's a bit like the thief who steals the silverware and then explains to the former owners that a wider distribution of beautiful tableware is surely good for everyone in the long run. Even if you buy the argument, it would be nicer if the owner had some choice in the matter.

And there's another problem that is so incredibly obvious that no one at the press conference even dared point it out. The problem is that the zero-interest-rate policy has not worked to boost economic growth. What possible basis is there for thinking that two more years of this extermination of the saving class is going to do what the last three years have not done?

Of course, it depends on what you mean by "worked."

Let's say that the Fed wants to drive all investors away from government bonds and into riskier instruments in an attempt to artificially boost financial markets. Check.

Let's say that the Fed wants to punish anyone who wants to sock away money for a rainy day and, instead, prod them into buying more plasma TVs, digital gizmos and summer homes. Check.

And let's say that the Fed wants to artificially suppress the government's own costs of borrowing in order to reduce pressure on the political class. Check.

In all these ways, abolishing interest rates works for the Fed and the political elites. But there are at least three downsides.

First, banks depend on interest payments for profitability, and low interest removes the financial incentive for banks to lend money in a normal way. This is why commercial bank loans remain low, with the latest data showing the volume at mid-2007 levels. One might suppose that this is contrary to the Fed's aims, but it is a price that it is willing to pay.

Second, a low interest rate agenda requires that the Fed try to control not just the short-term rates over which it has the most influence, but also rates across the entire yield curve. This means removing risk premiums on longer-term loans by implicitly guaranteeing bailouts,

just like those of 2008-10. This entrenches more moral hazard and drives a wedge between risk and result.

Third, this policy of low rates is similar to — but even worse than — the very policies that created the bubble of the 2000s that burst in 2008 and prompted the worst financial and economic calamity in many generations. The Fed has learned absolutely nothing from even its own most recent history. If people can't earn money through interest, financiers will find some other way to market risk, leading to crazy investment schemes and misallocated capital.

As David Malpass writes in *The Wall Street Journal*:

"Near-zero interest rates penalize savers and channel artificially cheap capital to government, big corporations and foreign countries. One of the most fundamental principles of economics is that holding prices artificially low causes shortages. When something of value is free, it runs out fast and only the well-connected get any. Interest rates are the price for credit and shouldn't be controlled at zero. It causes cheap credit for those with special access but shortages for those without — primarily new and small businesses and those seeking private-sector mortgages.

The big take-away from the Fed's day in the news is its new policy benchmark of keeping inflation at 2%. This is sheer silliness. There is no such thing as a price level, as even recent CPI releases illustrate. Some prices went up (food, education, health), and some prices went down (oil, software, services). Mash them together and you get a single number that applies to absolutely nothing in particular."

In any case, the Fed can't control prices in this way. It is always driving while looking in the rearview mirror. When the crash comes, there is nothing the Fed can do about it, despite Bernanke's repeated promises to rescue the world from any bad effects of his policies.

As *Bloomberg's* Caroline Baum says, it's almost as if the Fed itself has completely forgotten the existence of the "long and variable lag" that separates its policies from their effects. She recalls Milton Friedman's own analogy of the "fool in the shower" who keeps turning the water from all hot to all cold and wonders why he is either scalded or frozen.

Baum concludes that under Bernanke's own plan, we would have "eight years of 0% interest rates. There will be a revolution in this country before then if the economy is lousy enough to warrant 0% interest rates for that long."

Really? One would hope.

The Self Expropriation of the Patriotic Millionaires

Do you want higher taxes? There is an easy answer. Pay more. No one is stopping you. You can overpay to the tax authorities. There is even a check box on the form, as I recall. Give to this charity you find worthy! No government in the history of the world has turned down money that its most "patriotic citizens" want to donate of their own free will.

Alas, that is not what the "Patriotic Millionaires for Fiscal Strength" — this is actually the name of a new organization — are calling for. A tax is not a voluntary contribution. Otherwise, it would be called a donation. A tax is a forcible extraction of private property by the state for the state to use for its own purposes. If it doesn't involve force, it is not a tax. The use of force defines the tax. That even goes for excise taxes said to be voluntary: try buying gas or cigarettes without paying the tax and see how far you get.

These many signatories of the Patriotic Millionaires are not just calling for their own taxes to be raised. They are calling for your taxes to be raised. The patriotic among us have ways of making the unpatriotic pay, and it is called lobbying government to loot the population even more than it does now.

The point is that this is not an act of self-sacrifice on their part. They are free to make a sacrifice anytime they want to. No, they are plotting to enlist you in their cause, whether you like it or not.

There is a long history of the rich getting together to call for higher taxes. Andrew Carnegie wrote passionately for a tax that would loot people at their deaths so that they could not pass on the wealth to others. In our own time, Bill Gates and Warren Buffett have earned the respect and admiration of the left-liberal elite by calling on the state to take more of their money.

Why would these people do this? Well, for one thing, it is a nice thing to earn the respect and admiration of the left-liberal elite, who are inclined to forgive any amount of wealth accumulation, provided that the accumulated is willing to sign up to support left-liberal causes. You get a pass this way, a badge of honor to cover what some people otherwise consider your ill-gotten wealth.

There are a myriad of psychological reasons that have been bandied about, too. Maybe these rich people are self-hating and filled with guilt. They need public policy to expiate their sins or otherwise vacuum clean their consciences.

Another theory is that the already rich are perfectly happy to lock in their gains with a policy that will prevent others from joining their ranks. A tax, then, becomes a method by which the wealthy elite fight back competition and entrench their monopoly position.

Or perhaps we should just take them at their word, that they really do believe in reducing the deficit. The truth is that all their wealth wouldn't make a dent in the deficit. A 100% expropriation of everything that people who make over \$10 million per year would barely cover a few weeks of government spending. A progressive tax up to 70% on incomes over \$1 million would barely cover 10% of the deficit. In fact, doubling the taxes of everyone today would not even balance the budget (all else equal).

The problem is not that taxes are too low for everyone; the problem is that government has no institutional mechanism that encourages any spending restraint.

In any case, this whole thing is bizarre. Why would anyone expect that the government would suddenly start restraining itself if it suddenly enjoyed a temporary windfall of revenue? There is absolutely no evidence to support this supposition. What does government do with more money? It spends it, if possible.

There is a much faster and much more sure way of imposing fiscal discipline. The government itself needs to face a market test of some sort. The best way to make sure that there is some sort of penalty for bad financial habits is to subject government debt to the same discipline faced by private debt. The Treasury bond needs a market-based default premium attached to it.

But that cannot happen so long as the Federal Reserve is there to be the lender of last resort for anything that the politicians do. No matter how bad the finance, how high the debt, how egregious the deficit is, the Fed is there with the promise that the money will be there. Funding it might require hyperinflation, but the money will be there. It might, eventually, be worth less than the linen it is printed on, but the money will be there.

The central bank is the real source of fiscal irresponsibility. But the millionaires won't talk about that. It is the great untouchable topic, the one sacrosanct institution. Our own bank accounts are vulnerable to their lobbying pressure, but the Fed is perfectly safe. That's what they called "patriotic."

VI.

Private Digital Societies

History of the Club, Part I

“Launch” has been the watchword this week in the world of Laissez Faire Books. It’s been on everyone’s mind since the brilliant idea of a club first emerged in the early weeks of 2012.

When the launch finally happened, I experienced one of those moments: “Pinch me so that I know I’m not dreaming.” I was, at that very moment, flying through the air on an airplane, logged into the Internet with my portable laptop, running about five different applications that allow real-time interactions with the mortals on earth.

This was not even possible a few years ago. It’s like a dream world, a miracle that is part of our daily lives, a gift to us from the entrepreneurial class working within a market framework. It has produced results no one could have expected only a few years ago.

I was reflecting on this amazing reality when suddenly, there was a stillness that I detected from those doing the work at the home office. The texts and chatter had stopped. I texted Doug Hill, who has worked so hard on this project from his position at Agora Financial.

“How’s it going?” I asked.

“Rockin’,” he said.

I pulled up the page to see what he meant. Rockin’ indeed. The Laissez Faire Club was live. We existed. It finally happened. The thing that was a dream only a few weeks ago was suddenly a reality.

Here is the proof of a notion that has consumed me for years, a theory I gleaned from my years of reading the works of Ludwig von Mises: the world we see is the realization of the ideas of the past; the world of the future will consist of the ideas we hold today. We need only to dream, create and act, and the course of history is changed.

I don’t doubt that there will be books written in the not-too-distant future about the early days of the Laissez Faire Club, this history-changing idea. The future of this venue, the combustible mixture of commerce and intellectual work, might determine the future of human liberty itself. It is a reinvention of the whole project of creating and distributing the best ideas.

This short account is just the beginning. There are so many moving pieces, so many creative minds and talented people involved, so much extraordinary drama. Had this launch been made in a reality television show, it would be bigger than *The Office*.

The genesis stretches back in time before I got involved. Agora Inc. has long had an interest in the acquisition, preservation and refurbishment of undervalued assets. Look at the properties it owns in Baltimore, Md., the historic buildings that it has made its own. Look at the land in Nicaragua now becoming a luxury resort. Look at the way this company has changed the lives of so many people around the world by giving them the tools to manage their own lives.

Laissez Faire Books was one of those undervalued assets. It had a mighty history stretching back to 1973, but since the digital age, there was a wide perception that it had been in decline, changing hands every few years and never quite able to change with the times. Addison Wiggin and Bill Bonner decided to take it on with the goal of doing for this company what Agora had done for so many physical properties.

I came into the mix in November 2011, and the first task was to migrate to a modern Web space. For those who have never attempted this, you would be amazed at the work here. We were talking about a large inventory that had to come to life in a new way. Building a commercial space from the ground up takes time, but it is doable; migrating a giant store from one space to another is not unlike moving a city from one state to another.

But it finally happened, and in a relatively short time. The release came the first week of January. It was thrilling and wonderful, a perfectly beautiful website. Yet we all knew the truth: We had just begun. There had to be something else. There was something wonderful waiting to happen; we just had to discover what that thing was.

The pieces came together gradually in late January. It began with Joe Schrieffer from Agora, who said that we really need a small set of great books that offer a total economics education in one small package. Brilliant! Addison Wiggin and I talked it through, and it was rather obvious what these had to be: Hazlitt, Hayek and Garrett.

But is that really all? Surely not. Let’s talk e-books. What if we gave them all away for free with the purchase of the physical books? Sounds great to me: I love nothing better than free books. And how many of these free books can we actually give away? Dozens, hundreds, thousands. How about one per week, forever? Perfect. It can be done. Each will have new editorial notes, new introductions, amazing art, the best possible functionality.

Still thinking. What if we provide a way for people to discuss these books? There are public forums everywhere, but I knew from experience that their value is limited and unstable. What if we make them private, a members-only deal, so that everyone has a stake in keeping them as civil and intelligent as possible? We were all beginning to see how this works. Big ideas, a community of discussion, reckless generosity, practical effects.

And what is the context in which this appears? The government is growing and wrecking the physical world in every possible way. Standards of living are slipping. Despair is growing. Politics provides a nice diversion of energy, but no real answer. Ah, but the digital world is different: It allows us to create our own civilization.

Now the fullness of the possibilities is emerging. We need our own private city, not so that we can hide, but so that we can think and discover in peace. This new world should be a place where ideals rule, where friendships blossom, where we can all learn together. We can disagree without being nasty or argue, and expect to learn at the same time, checking our experiences and ideas against others.

The time between the period in which we had only glimpsed this and when it all came together was no more than a few days. Then it was born: the Laissez Faire Club. Now we have it. Here we combine the magic of the commercial marketplace with the thrilling uncertainty that comes with a free thinking society of ideas.

Having the model is one thing. Building the software infrastructure is another. This where the fun began, and this is when I really got to know the inside culture of this place called Agora. There have been so many times when I wished that everyone could see what I’ve seen in this place. It represents the very best of what modern commercial life has to offer, an institution that is a great servant of the market that drove its creation and growth.

Every employee has something to contribute. The diversity of the cast of characters is a real kick. Regardless of their official title, they are all interested in ideas. They might be technicians or accountants or customer service people or database managers, but they care about so much more than what they do. Any topic is fair game.

As an example: on my way out of the office one day, the mastermind behind the database infrastructure of Agora’s Web family gave me an inspired painting that he had done. It is a treasure, a scene from a graveyard in France in which a 500-year-old statute is brought to life amid spring blooms.

Another example: a book author was talking about how she anticipated with fear and joy an open performance she would attend the

following night. The opera is Charles Gounod's *Faust*, and she is right: scarier than any modern movie.

A cover designer was looking for inspiration. It was provided by a payment systems operator who knew the book in question very well. He pounded out a great paragraph explanation for the designer while I was still thinking about the question. The result was genius.

I wish I could write a personal tribute to each one. They've all made contributions to making this dream come true.

The place can be quiet and solemn one minute, and then, just as quickly, become a place of frenzied fun and wild laughter. Employees work to the point of exhaustion, all in the service of the customer, but somehow never seem exhausted. At the end of the day before launch, I was slumping over a desk, holding my head up with my hands, feeling as if the last ounce of energy had been drained from me. I picked myself up and went out into a large room on the second floor where the copywriters and editors work. They had all been through what I had been through. But there were no long faces. They were still brimming with energy and excitement about what was coming. They were smiling and joking. Instantly, I felt a change come over me. The inspiration came back, as did the energy.

In any office like this, in which everyone cares so intensely about the results, there will be arguments, and even explosions and strong words. Everyone is used to differences of opinion, passionately expressed. They are allowed. No one holds back, even in a manner that disrespects the company hierarchy. There is nothing phony about the culture here. If you are going to explode, bring it on.

But what is truly wonderful is that even the most tense moments, even following sharp exchanges and argument, normalcy and collegiality returns with ease. At one point before launch, things were getting pretty tense in the conference room. Suddenly, the head of media affairs showed up with a box of "Agora Financial stress balls" and dumped the whole contents on our heads. Balls were bouncing everywhere. The whole place broke up in laughter.

These moments pass quickly. There is no grudge. We all want the same thing. We are on the same team. Each day is new. Each hour is a chance to do something great.

Reflecting on how this could be, and why this culture of honesty, innovation and collegiality is so sadly lacking in other sectors of life, it finally hit me. The gaze of this institution is always outward and upward, toward the North Star of the commercial marketplace: the consumer. At Agora Financial, he even has a name: Bob. Bob is the archetype of the person we serve. He is smart, searching, inquisitive and hoping for a better life through better ideas.

Well, Bob has a new home. A happy home of ideas and friendship. We made it for him. We are developing it every day. We invite him in so that we can serve him generously and for as long as he finds benefit in what we do. Bob might be you.

History of the Club, Part 2

Dreamers and accountants — they say that both types of people are necessary for a great business. One without the other is a dead end. Together, the magic can happen. And the magic is certainly happening at the Laissez Faire Club, now celebrating what Doug Hill calls its one-month-iversary (I'm pretty sure that is a neologism) with a level of success that has lifted everyone's spirits.

Am I surprised? Not entirely. Everything seems inevitable in retrospect. We had put months of careful thought into what people really need in these times of growing government tyranny. We can't just throw in the towel. We can't just submit to unrelenting abuse. We can't just stand by and let government dismantle civilization piece by piece.

Frank Chodorov wrote that we must first will freedom in order to achieve it. That requires reading, learning, communicating, sharing ideas and growing intellectually — all with an eye toward the practical results of living freer, smarter lives. This is the vision, the dream, the hope. The Club embeds that dream in a practical and generous solution within a commercial context.

We are hardly the first people in history who have faced this problem, and we are joined by people all over the world who are struggling to throw off the anachronism of the invasive state. There is nothing more ridiculous, in a digital age, than the belief that millions of bureaucrats in a far distant capital city can protect us, plan our lives, manipulate economic outcomes, redistribute the wealth, and bring justice to the world.

Fewer and fewer people believe in this system anymore. The failures of despotism surround us, as does the evidence of the success of freedom and the capacity of societies to form and manage themselves. We only need to learn to see these truths, understand them and use the freedoms we have to build institutions that help us gain more freedom, one step at a time.

And think of all the advantages we have that previous generations did not have. We have centuries of scholarship, amazing new tools for communicating and getting to know each other, the technology of real-time contact between individuals all over the world. These are tools that have been granted unto this generation, right now, in our times — tools that seemed like science fiction only a decade ago.

Even with all these advantages, every act of entrepreneurship is a leap into the unknown. People who like stories of successful businesses fail to appreciate this. In retrospect, every success seems inevitable, just a matter of going through the paces. Data of history always look this way, like the unfolding of a coherent story with a beginning, middle and end.

In the thick of the building process (which never ends!), however, the future is uncertain and the results unknown. As if in a dark room, you use whatever signals you have to find your way forward. It requires a combination of intuition, attention to accounting data, wise judgment, careful monitoring of consumer feedback. The risks are always present and the failure rate is extremely high. It is always an uphill struggle, especially in these times, when the whole of leviathan seems to conspire against success.

Many scholars have written about that special cast of mind that characterizes entrepreneurship, scholars such as Ludwig von Mises, Joseph Schumpeter and Israel Kirzner. Entrepreneurship requires the imagination to see that the world can be different from what it is today, to believe that new knowledge can emerge and be acted upon in a manner that shifts the given reality into something better.

This is a rare cast of mind even for individuals. It is especially difficult to embed this outlook in an institution like a business firm. It is an outlook that is cultivated through outstanding and imaginative leadership, attentive and accomplished employees at all levels, a widespread tolerance for living with risk and uncertainty, and a culture of adaptability and flexibility that is pervasive throughout an organization.

This is true whether the business is tiny or gigantic, the lemonade stand or multinational conglomerate. Every business faces the same unknowns. Tomorrow is a blank page. For those who want to see beautiful images appear, there can be no rest. They must have that hunger for the new, and the ability to live with the belief that the answer is out there but has not yet revealed itself. In this sense, an entrepreneurial firm lives on faith. There is no infallible formula for making it work.

These features are completely absent in government bureaucracy. Bureaucracies see only what exists and are unprepared for change. They want stability and conformity. They certainly cannot and will not lead that change. This is why government is not in a position to keep up with our times, much less manage them. This is why societies that are dominated by bureaucracies dry up and die.

I think about this often as I look back to the formative days of the Club. I watched and learned as people at Agora Financial brought ideas to the table. Every bit of evidence and experience for or against any idea flowed freely and openly. Criticism flowed as freely and compliments, disagreement was as welcome as agreement. People listened, contributed, learned, and the model emerged in fits and starts, at first slowly and then at a quickening pace until it all fell into place.

The Laissez Faire Club would indeed be something entirely new. It would be rooted in the deepest desire of humankind to discover and thrive — even in hard times — but use tools that are only now on the table. There was no mastermind behind the plan; everyone contributed, and the result was something no one expected. The whole was bigger than the sum of the parts.

Forgive me for being a bit dreamy about this whole project. Working with Club staff yesterday, I sat and recorded a series of videos in which I discussed many books, one by one, that have had a gigantic impact on my life and experienced that great pleasure that comes with sharing knowledge of things one truly loves. I kept thinking to myself, "I'm the luckiest guy in the world."

The unity of great ideas and the commercial spirit — here are the things that make life dramatic and exciting. Poets of old wrote of battles and wars, of kings and their exploits, as if these were the things that shape history. It's not true. The best that history offers humanity is shaped by the producers and the entrepreneurs who serve others in peace through creativity. In this sense, the Laissez Faire

Club is making history in our times.

Throwing Out the Old

Two years ago, I was the soul of generosity. I had culled through my sizable collection of CDs and found thirty discs that I was happy to give away. My social circle went nuts, praising me as the great giver. They were so happy to have such fabulous music for free.

This week, I tried the same thing, with an even more generous offering. No takers. I'm sitting here with a pile of CDs containing what was considered great two years ago, yet I can't find a home for the discs today. There has been no physical change to the stuff. The music is as high-quality as ever.

What changed? The valuation and, therefore, the price. I once held treasure. Now it seems destined to be trash. The only thing that changed is the passage of time — and it so happens that the slice of time in question has seen the most spectacular innovations in music reproduction ever.

Think about it. The same amount of work went into making the CDs (so much for the “labor theory of value”). The CDs have not depreciated in any physical sense. The music they contain is no less valuable now than it was then (it is mostly Baroque and before, anyway, so we aren't talking last year's Top 40). All that changed was the hands on the clock. Yet the value went from high to zero.

What does that tell us about economics of the price system? It tells us that prices are fundamentally a reflection of human values of the moment. They provide no insight into anything intrinsic to the good itself. They tell us nothing about what it took to make the good. They provide no reliable basis for forecasting.

Prices are a point of agreement in an instant of time, and nothing more. Yet no institution is as essential in conveying to us the signals and giving us the tools that enable us to manage our lives. The world never stops changing. In a free economy, prices change as a reflection of those changes in the world. We respond to the prices in more ways than we are often conscious of. They provide a means for all of us to interface with — and navigate the shifts and movements in — the reality that takes place outside our own minds.

I've known for some time that most of my CD collection would eventually be obsolete. People have been buying digital copies ever more. They have been plugging in their devices to micro speaker systems or using earbuds to listen to music. The old ritual of changing the shiny discs was starting to seem like a thing of the past, like starting your car with an engine crank.

My problem is that I waited too long to finally detach myself from the old technology. I waited until the price fell to less than zero. I took too long to adapt to new realities and act on that information I had acquired and knew in my heart. The reality moved faster than my brain could process data and act on it.

How well I remember the day when I bought my first CD. It must have been 1986 or so. I put it in my player and the sound came out and it played and played for a full hour. It was Bach, I think. I didn't change it. Days and days went by, but it was all Bach all the time. My long-playing vinyl records sat in the corner untouched. After a week or so, I had come to terms with reality: I would never listen to those things again. It was not that they were bad; it was that I had found something more convenient.

Yet I couldn't let go. The LPs just sat there. A year went by, and then I moved out of my apartment. It would have taken more room in my car than I had to move 200 vinyl records. I gritted my teeth and did something I never thought I would do. I hurled them all in the dumpster, armload by armload. It was painful. It seemed crazy. But it was the reality. I never looked back.

Yet here we are twenty-six years later and I've made the same mistake all over again.

Now, one reaction might be: Slow this world down so that I can take a breather! The problem with that solution is that it means slowing down the pace at which humanity is permitted to seek a better life through innovation and enterprise. The only reason why some technologies prevail over others is their merit in serving people what they desire.

We sometimes imagine that we are on a ride that we can't control. The truth is that people are, in fact, controlling the pace of development. CDs outcompeted LPs for a reason. And digital music downloads are outcompeting CDs for a reason, too. If people did not like the new thing, it would have no traction and no future. But people demand ever better ways to achieve their ends, and the purpose of a free economy is to help people in the most efficient (and least wasteful) way.

The most remarkable development in our times as regards music distribution is the subscription service. Let me illustrate. In the early days of the CD, I had one disc with music by Palestrina. It took me many months, or even up to a year, to discover that he wasn't the only composer of Renaissance music. I had to check out books, spend hours in the CD shops, talk to friends, act on information overheard at parties and the like.

Eventually, I came to discover Victoria, Josquin, Tallis, Byrd, Ockeghem, Sweelinck, Morales, Guerrero and others. This process took me many years of searching and hunting. It was painful.

Today, you get a free account to Pandora or Spotify and make your own channel. One word is enough: Palestrina. What follows are all kinds of music that fit within that genre. You say what you like and don't like and buy the full album or not, and the software does the magic of putting together a playlist for you based on your tastes. There are no search costs. The knowledge of others becomes your own knowledge in an instant.

And yes, I said that it is free. There is not a soul alive who ten years ago could have predicted that such a technology would exist, much less that the producers of it would be begging us to take it and use it for free, charging us later only if we want fewer commercials. This is genius. This is progress. This is civilization brought to us by the market economy and the entrepreneurs that give it a forward direction, all in ways that are completely unpredictable.

Even with all this seeming upheaval, we aren't really throwing out the past. It still lives in our hearts, and increasingly, it is documented and digitized in the annals of history available at our fingertips. What we are doing is embracing ever better ways of living and overcoming the limits of scarcity. Society must move forward, and the market-price system is there to coordinate things and help us achieve our goals.

No government regulatory planning apparatus can substitute for the market's approach to innovation. In fact, if government were in charge, we'd be lucky if technology had advanced beyond the presidential fireside chat. We certainly wouldn't have the ability — each one of us — to reach the world right now with media blogs, YouTube, video phones, live streaming of anything to anyone and all the other wonders of the world brought to us by the free interaction of thinking, creating, cooperating human beings.

How to Think: Lunchtime Lessons

“I just joined the Club!”

That's the whole content of an email I received from a very old friend who is very special to me. He is speaking of the Laissez Faire Club, the startup digital literary city created by Laissez Faire Books.

I credit this writer for (inadvertently) training me in an important aspect of how to think. He wasn't my professor. He didn't lecture to me. All we did was discuss things, random things of passing interest. Every day. But by listening to his approach to thinking, I discovered a serious deficiency in my own approach and established a new ideal for which I've been shooting ever since.

So of course I was honored and thrilled to have him in our digital society that is growing and growing and doing ever greater things by the day. It's a new model for distributing and generating ideas, something that has never been tried before, and it turns out he is super excited about it.

The man is Sheldon Richman, editor of *The Freeman*, published by the Foundation for Economic Education. We were both working in Fairfax, Va., and nearly every day for several years, we went to lunch together. We were both interested in politics, libertarian thinking, and Austrian School economics.

But politics create bad mental habits. If you are following around a tribe that has “positions on the issues,” it becomes too easy to grab

a position and hold it without thinking too much. I'm for this. I'm against that. This is a good guy. This is a bad guy. This policy is no good. That policy is good.

We are tempted to be self-satisfied by being on the right team, making the right noises, echoing the approved sentiments. Bromide replaces logic. Bluster replaces reasoning.

The trouble is that this is not thinking. This is just the training of a reflex.

You see this habit of mind every day on television. This is how the commentators talk. They assert their views and then argue with each other. The biggest bully wins.

In fact, this is how the whole of modern politics want us to go about things. We are given two simple paradigms in a vending machine. We push this button or that button based on whatever biases we hold. Our product arrives, and we consume it. Then we spit it back out on cue.

Sheldon taught me that holding and consuming opinions is not the same thing as thinking seriously. He taught me this by example.

One of us would throw out a news item. My instinct was to blurt out my opinion. That's what I did. Sheldon would nod and wait. Then he would begin to offer a series of reasons for holding this view. He would offer up a logical argument. He would cite evidence from history. He would refer to the literature. When he felt that he had made a well-rounded case, he would stop, and then he would raise additional questions and posit possible applications that would generate new topics.

I was always struck by this. He wasn't doing this to show off or to interrupt the flow of conversation. He did it to satisfy his own craving for intellectual rigor. It was never enough for him to hold the "right view." He did it to check himself to make sure that he wasn't operating by habit, but rather that he was capable of making an impenetrable argument that made sense even apart from his own bias.

Why was it is that I wasn't doing this? Actually, I wasn't even sure that I could do this. So I began to listen more carefully to how he went about this. I began trying this myself and I discovered that, actually, it is not so easy. It is much easier to just throw out a point of view with the brain very comfortably disengaged. Again, this is how politics want us to go about it. It is far more difficult to actually do the hard work of making a case for or against something using clear reasoning, evidence, and citations.

This approach comes through in his writing. The other day, he wrote a piece on Mitt Romney's involvement with Bain Capital. It would be very simple to just throw around a bunch of assertions. Instead, he deferred judgment on the precise case and dealt with the whole topic of businesses that have to reverse direction, lay off workers, and reformulate their plans. He discussed scarcity, uncertainty, learning, ignorance, and change, and pointed out that without the ability to adapt to change, no business can truly contribute to the well-being of society over the long term.

It was a classic case of how he goes about thinking. He avoids the easy path and instead makes it hard for himself. As I came to realize, the reason he does this is because he believes very strongly in the free society. He believes in it so strongly that he does not fear subjecting its positions to relentlessly rigorous questioning and argumentation. If he is wrong about a point, he wants to know where and why he is wrong. He is fearless because he believes in the impenetrability of the idea of liberty. Even if he doesn't know the answers, he is happy to take the risk of thinking through the case in order to find them.

This is the hard work of thinking. If everyone did this, many myths would melt away, primarily the myth that society and the economy need a strong central hand guiding them or else they will collapse into disorder and chaos. Would that everyone followed this example! But we can't make others think. All we can do is take responsibility for our own thinking. It is especially incumbent on people who hold a minority position to do this.

By the way, I didn't agree with everything Sheldon said back then and I don't agree with him in every case now. But that raises a point. If you have 100% agreement with someone, what could possibly be the point in a give-and-take conversation with the person? If neither of you has anything to learn from the other, what is the point of meeting and discussing at all?

Conversations over ideas should be like exchanges with goods and services. Both parties should show up expecting both to give and to get. The result should be a greater value for both parties than simply what they brought into the conversation. Just as economic exchange increases wealth, so great conversation makes us more enlightened than we would otherwise be.

The lessons I learned during this time with Sheldon have stuck with me for a lifetime.

Part of the idea of this Club is to make this lunchtime experience universal. It is to inspire an intellectual exchange that defies geography and government restrictions. It is to use the technology that private enterprise has given us to create a digital exchange of ideas every day, not so that we can preach to each other, but so that we can learn and grow through exchange with each other.

So of course, I very much welcome Sheldon as a member! It is an honor to have him.

Why They Hate Free Speech

Sometimes — why not now? — you just have to reflect on what an amazing man Thomas Jefferson was. I mean, he really got the whole idea of liberty, maybe better than anyone before him, and far better than most people today. What a man! What a dream he had!

I'm reminded of his bravery and brilliance from reading this magisterial work: *Perilous Times: Free Speech in Wartime From the Sedition Act of 1798 to the War on Terrorism* by Geoffrey R. Stone. It's a strangely thrilling history of villainy, wickedness, despotism and lies by the U.S. government.

Yet the book gives great comfort. It shows that there's nothing new about the current repressive climate. I mean, you can land yourself in jail pretty quickly these days with the wrong tweet or Facebook status. It's dreadful, but it's happened many times in the past. Yet liberty has always won over the tyrants.

Another point: This book shows precisely why government fears words more than anything else: because ideas are more powerful than guns. Otherwise, what would be the point of cracking down?

But back to Jefferson. He would have been happy to retire in his Virginia home, living in peace and contentment, but duty called him to run for president. What was happening? Incredibly, the new central government was cracking down on free speech. A 1798 law criminalized "false, scandalous and malicious writing," and 25 people were arrested for saying nasty things about the president.

Keep in mind: The ink was still wet on the U.S. Constitution and the Bill of Rights, which included the First Amendment guarantee of free speech. Two states refused to go along, and there was talk of secession in the air. People were shocked and appalled and even then commented on the sheer farce that we fought a revolution against exactly the actions the new government was taking. It was out of the frying pan and back into the frying pan.

In 1800, Jefferson was swept into office on popular acclaim. How his enemies must have burned with fury at these words in his inaugural address: "And let us reflect that, having banished from our land that religious intolerance under which mankind so long bled and suffered, we have yet gained little if we countenance a political intolerance as despotic, as wicked and capable of as bitter and bloody persecutions."

(In the same address, he blasted taxes, standing armies, high spending, regulations, and every manner of despotism.)

The incident is hugely important for many reasons. Knowing of it helps sweep away the mythology that our "Founding Fathers" were universally in love with liberty. It turns out that once they got control of the government, liberty began to slip and slip on the list of priorities, which is one reason that no man should ever be trusted with power (another subject well covered by the great Jefferson). It helps put into historical context just what a threat war always and everywhere is to human rights and liberties.

The author, a law professor at Chicago (along with an army of researchers), covers the six great periods in which government chilled the environment for free political speech:

- ◆1798, when war with the French was heating up
- ◆The Civil War, when the "Great Liberator" suspended habeas corpus and persecuted and jailed his enemies
- ◆World War I, when thousands were sentenced to prison for daring to disagree
- ◆World War II, when Japanese citizens were rounded up and you got your name on a list for bad associations

- ◆The Cold War, when every political dissident was called a communist
- ◆The War on Terror, which has turned into a war on freedom itself.

Professor Stone chronicles them all in amazing and riveting detail. His biographies of each of the victims (this guy can really write well!) make you realize at every step that this could have been you or me. It causes you to respect the people who dare to go against the government line, which always ends up meaning that the dissidents go against the dominant strain of public opinion, too.

I loathe communism, but I have to admit that the commies often spoke truth during wartime!

It takes guts to stand up to the state, yet it is enormously necessary. Chances are that if the government criminalizes some words, those words need to be said more than ever, probably because they embody a truth that no one wants to hear. And even if the words aren't true, the cause of freedom is well served by those who dare to speak out.

Some people have written that this very book has changed their life. I can see why. For one thing, it is hard to stop reading because the detail is so vivid, the historical sweep is so good and the writing itself is so compelling. It is also right up to the minute in terms of timeliness. We are blasted in every public space these days by Orwellian messages to rat out any suspicious people to the authorities. Yes, it is creepy, but hardly new.

Stone himself is not nearly as much an absolutist on free speech as I've come to be after learning of all these cases. He seems to think that there might be good reasons to suppress speech, even if the government gets carried away; my own view is that government should never be trusted with that power and that any that exercise it deserve to lose power. This power will always be abused.

We might say that controls on free speech are the great compliment that government pays to the power of words. And you wonder why the power elite hates the Internet? It's the worst enemy that would-be despots have ever faced. We've seen its power at work not only in Arab countries, but also every day in the U.S. It has recruited millions into the ranks of the dissidents.

Imagine how much worse our times would be if the government had the same amount of control today as it had during World War I or the Cold War! Thanks to digital technology, that cannot happen. The cat's out of the bag, and every attempt by the government to put it back in produces protests of the type that put Jefferson in office in 1801.

It's the highest compliment I can give to say that Jefferson himself would have loved reading *Perilous Times*. So will you.

How *Hunger Games* Benefited from Online Piracy

So you want to see *The Hunger Games* when it comes out on Thursday at midnight? It's not likely that you will get the chance. Tickets in my community have been sold out for weeks. In fact, the first 10 showings of the film are sold out. This disappoints me greatly because it is one of the few teen flicks I've really wanted to see.

The whole phenomenon seems set to make the *Harry Potter* hysteria and the *Twilight* mania seem like warm-up acts. Ask around among teens, and you will hear this confirmed. This is a true example of mass frenzy. Actually, the whole thing seems like a modern "madness of crowds." It's "pandemonium," as *People* magazine put it.

Both the plot line and the marketing genius have lessons for our time.

Based on a book by Suzanne Collins that came out in 2008, the film tells the story of an impoverished, totalitarian society in which rebellion among the subjects is punished by the creation of a killing game for mass entertainment. A teenage girl is put in the position to kill or be killed, but she cleverly plots to stand up to the regime by cooperating with her opponent. Together, they win the hearts of the crowd and bring the regime to its knees.

In other words, it is a story about personal freedom against a powerful state, a tale of courage and defiance in the face of power. The reviews by actual readers (versus professional critics) are over the top. It's Amazon's No. 1, and it has 4,000 reviews and counting. This is a phenom.

Aside from the plot line, there is something contemporary about the theme of sheer deprivation and survival. It sums up the way young people are looking at the opportunities they are being presented in these times. We aren't playing hunger games yet, but when an entire generation is pretty sure that it will not fare as well as its parents' generation, that's not good. Life seems like the zero-sum game posited in the film.

The marketing guru behind the push — and don't kid yourself, for everything needs marketing — is Tim Palen. He began his work three years ago. He used social media to the max. He had video and smartphone app games created. He tweeted constantly. He made puzzles based on finding pieces within Twitter. He worked on amazing posters and pushes of every sort. Not one day went by when he and his staff weren't pushing some button. (He is also likely to lose his job after this but that's another story.)

But here's another thing to know about this. There is no point in marketing — and it certainly doesn't work over the long haul — if the essential product isn't good. You have to have both: good selling technique and something good to sell. Only then does the magic happen.

A number of media outlets have examined his strategy, and it is fascinating to see how it all unfolded, all based on the idea that this movie would work only if users themselves were empowered to spread the word. The experts and insiders were kept at bay. The kids were the targets, and they were the ones that the producers relied upon to make this happen. Such is the way stuff works in the digital age. The guys in the boardroom matter only once they figure out that they need to reach the kid on the street.

But in all the marketing roundups I've seen, I've seen no mention of what might in fact be the central thing that made this book and movie take flight. It came to me in talking to teens themselves. I asked many: Where did you read the book? The answer comes immediately: online. Online? How is that possible? I thought we were living in times when piracy was punished by death or something close to it.

Well, try this for yourself. I searched for "Hunger Games free online." In about one second, I had access to the full text for all the books, in every format: PDF, doc, txt, rtf, html, and epub. Even audio. It is amazing. And following all these links I see search engines posting notes about how they have taken down many links based on the Digital Millennium Copyright Act. What this means is that there is at least some perfunctory effort to keep these books offline.

It's not working. And thank goodness. These kids have become wild for this book and therefore dedicated to seeing the movie, buying the shirts, and otherwise doing the whole teen-mania thing. True, the books are selling but, let's face it, not every parent is willing to shell out money for their young teens to buy books about kids killing kids in a dark, dystopian world.

I'm speculating here but I suspect that a major reason for the insane success of these books and movies — easily the most spectacular teen freak out of our time — is that dread thing called piracy. That's right, piracy. Except that it is not stealing to read something online. It takes nothing away from anyone. No physical property is stolen. Intellectual property is being shared, copied, duplicated, multiplied.

But wait just a minute. Isn't the whole energy of the leviathan state swinging into gear to stop this very thing, all in the name of saving private enterprise, even though the most successful book of our time is universally pirated like few things I've ever seen? That's exactly right. And therein rests the amazing perversity of all this anti-piracy mania. The state is seeking to shut down the sharing of information, the very source that has given life to so much enterprise in our time.

Some authors are figuring this out. The remarkably successful writer Paulo Coelho writes on his blog: "As an author, I should be defending 'intellectual property', but I'm not. Pirates of the world, unite and pirate everything I've ever written! The good old days, when each idea had an owner, are gone forever." You see, as a writer, he believes in ideas and he believes in his work and wants it to achieve a universal destination. He has also noticed that the more people read him, the more money he makes.

So get with it, writers and producers and publishers. Look at this case as just another one among thousands. Piracy is your friend. Only second-rate writers and publishers are hip to enlist the state to crack down on people's desire to know more. You can't succeed through blackmailing people to buy infinitely copyable products. Successful enterprise comes from giving people what they want, enticing the imagination, and finding ways to profit from people's desires. You can't achieve that by stringing people up.

The Hunger Games has so much to teach the world: the power of the individual, the evil of the state, the wickedness of the zero-sum

game. Maybe it can also teach us that a major initiative by the state today to end Internet piracy is also rooted in fallacy. Sharing information is not a zero-sum game; it is a market process, a joyful area of play in which everyone can win.

The Failure of Another Dystopian Film

Every good dystopian story needs a villain responsible for bringing about the sad state of affairs. Half the interest in the plot concerns how the despotic conditions developed and are maintained. This is precisely why almost all dystopian stories tend toward a libertarian bent, or at least a theme of human liberation from some coercive arrangement.

The Hunger Games is a great case in point. The premise is brilliant. The central state manufactures a high-stakes national tradition that does double duty: First, it extracts a penance from the people for their past rebellion, and second, it gives them an outlet for entertainment, sport and the creation of heroes and martyrs.

It's all about control, and control stems from a complex mixture of compulsion and propaganda. Both are necessary to any political system. The results grind down and corrupt the people and feed the parasitic power elite. The drama stems from the dawning of consciousness and the plot to throw off the oppressors.

In thinking through why the 2011 film *In Time* (written and directed by Andrew Niccol and starring Justin Timberlake and Cillian Murphy) ultimately fails, one has to focus on its utter failure to conjure up a compelling villain. And this is despite the wonderful premise on which the movie is based.

As a result of some genetic engineering, every person in society is slated to live one year after turning twenty-five, unless a person collects extra time by some means. Time is the currency in this world. You spend it to buy anything and everything, from a bus ride to a cup of coffee, and you earn it by doing work or being gifted extra time units by someone. It can also be gained through violence, such as a mugging. Once you have time added beyond your allotment, you stop aging.

This is a zero-sum world. The time taken from some is given to others. The geographic areas are strictly divided by how much time the residents possess. The range of castes goes from those who have only one year up to those who are effectively immortal — the richest of the rich.

This is an enormously intriguing premise. How would people behave if they could buy and sell time this way? Sadly, beyond showing how the poorest people tend to run places and otherwise rush around — leisure time is not for the time-impoorished — the cultural implications of this are never really explored in any depth.

And how would the economy actually work in this world? Would it be a hand-to-mouth existence, or could a genuinely complex division of labor actually emerge?

I'm not entirely sure of the answers here. But neither is the film, since none of these questions are even explored. All we see is people exchanging time back and forth through a kind of locked-arm embrace. It is creepy to watch, and we are shown this operation repeatedly, but there is no depth beyond this simple operation.

When the viewer finally gets to see the richest of the rich, the disappointment sets in. The top dog in this world turns out to be the leading corporate time banker. He lends time at interest (which is, of course, paid in time, too!) and has managed to monopolize the vast majority of time available in the world.

It is left to the hero and heroine to plot a massive redistribution scheme that causes the immortals to die and the poor to live much longer.

The intriguing premise, then, is completely wasted on what becomes a highly conventional political saga rooted in a socialist fantasy of a zero-sum world in which the capitalist elite thrive at everyone else's expense. There are a few police here and there (underpaid "timekeepers") who work for the upper class, but there is no state in the normal sense. The bad guy is a boyish-looking banker, and not a very scary one.

The whole film ends up being oddly boring, preachy and uncaptivating. Such is the fate of a dystopian novel that tries to make the money matrix the cause of all human woe. Adding to the disappointment, the premise is very good and could have been the foundation of a great novel or film by someone who actually understands economics. But now that the film is out, a second attempt to make something robust emerge from the basic fabric wouldn't go anywhere, sadly.

Another criticism I would make of this film applies to most dystopian stories, including *The Hunger Games*. In the city where the rich live, there is vast technological progress. The people live exceptionally well, the transportation systems are amazing, the cars are zippy and pretty and the buildings gleam.

If you think about it, the only kind of system that produces such cities is one rooted in freedom. People own their own stuff and trade with each other. New ideas are given flight through entrepreneurship. The rewards of economic success are conferred on the individuals who make it happen. A complex and extended division of labor, along with a complex structure of production in a stable legal environment, allows for maximum productivity of capital.

There is no other way to create vast prosperity and gleaming cities. Despotic systems can't do it, no matter how hard the dictator tries. Look at Romania under Ceaușescu or North Korea today. These regimes would love to create gleaming cities. They can't. Only freedom does that. So it is hard to make sense of where all this prosperity even comes from in these dystopian movies.

By wonderful contrast, consider Ayn Rand's wonderful novella *Anthem*. Here we find the truth about society and economics. The despots hate technology, new ideas and individualism and, of course, they have made for themselves the disgusting dump that they fully deserve. Rand lived under Russian socialism and knew this truth that even George Orwell never really grasped.

Violating Rights in the Name of Property

You know that anti-piracy video you sometimes see at the beginning of movies? It explains how you wouldn't steal a handbag, so neither should you steal a song or movie by an illegal download. Well, it turns out that the guy who wrote the music for that short clip, Melchior Rietveldt, says that his music is being used illegally. It had been licensed to play at one film festival, not replayed a million times in DVDs distributed all over the world. He is demanding millions in a settlement fee from BREIN, the anti-piracy organization that produced the thing.

Interesting isn't it? When you have hypocrisy that blatant, criminality this rampant, practices called piracy this pervasive — it reminds you of the interwar Prohibition years — you have to ask yourself if there is something fundamentally wrong with the law and the principles that underlie the law. Yes, people should keep to their contracts. But that's not what we are talking about here; this case is being treated not as a contract violation but a copyright violation, which is something different. We are dealing with a more fundamental issue. Is it really stealing to reproduce an idea, an image, or an idea? Is it really contrary to morality to copy an idea?

The verdict here is crucially important because ever more of the state's active intervention against liberty and real property is taking place in the name of intellectual property enforcement. The legislation SOPA could effectively end Internet freedom in the name of enforcing property rights.

If people who believe in liberty do not get this correct — and it is no longer possible to stand on the sidelines — we will find ourselves siding with the state, the courts, the thugs, and even the international enforcement arm of the military industrial complex, all in the name of property rights. And that is a very dangerous thing at this point in history, since IP enforcement has become one of the greatest threats to liberty that we face today.

Another case in point to consider here. This week a judge in Nevada, acting in a case brought by the luxury Chanel, ordered the takedown of some 600 websites that he alone deemed were guilty of trafficking in pirated products, that is, selling fake Chanel products. There was no extensive research done; the claim of the company was enough. The judge then issued an order that went beyond the parties

to the lawsuit itself and ordered the complete de-indexing of such sites by GoDaddy, Facebook, Google, Twitter, Yahoo and Microsoft. Meanwhile, there is legislation before Congress that would permit similar takedowns of any website regarded as a violator of intellectual property.

Every time one of these cases comes along, I'm reminded of a scene from the streets of Washington, D.C. that I saw years ago. Some immigrant families were doing a brisk business in knock-off fashion goods and watches. A new convert to the cause of free enterprise, I stood there in admiration of their entrepreneurial skill. They weren't ripping anyone off. The goods looked very much like the real thing but with a few differences, and the consumer was not defrauded in any way. All buyers knew exactly what they were getting, and they were also aware that they were getting their goods at a tiny fraction of the price they would pay for the real thing at the department store.

I recall thinking: isn't the market grand!

A few days later, *The Washington Post* carried a story about how those very vendors were arrested for trafficking in fakes and violating trademarks. A judge issued the order and their property was confiscated. And so it was. The bustling businesses were now shut down by the police. Consumers and producers were thereby denied a chance to trade peacefully to their mutual benefit. And this was all because some third parties complained, invoking a government regulation.

But wait a minute? If you own a trademark, isn't it stealing for someone else to come along and make your product, hocking it as a great knockoff but selling it at a fraction of the price? If so, can the judge's order be seen as the enforcement of property rights, and isn't property rights enforcement exactly what we free enterprisers are supposed to favor?

Let us grant that trademark — which is what is being enforced here — is the most intuitively plausible of all forms of intellectual property protection. Trademark concerns a federal registration of a name or logo, one that forbids competition from using those protected things in commerce. I don't think that is compatible with free enterprise, but much less defensible forms of IP are copyright and patent. They both stand the competitive principles of free enterprise on their heads, and illustrate just how contrary to free markets IP really is.

The idea of competition is that you are free to emulate the success of others, improve on the product or process involved in making or marketing it, and chip away at the market share held by another producer. Because of this freedom, every producer must constantly innovate and cut costs in service of the consumer, and there is constant change taking place among the firms that seek to profit from enterprise.

With patent protection, however, a single company owns a government-protected monopoly on a product or process, and can thereby exclude all competition. This is a variation of the old "infant industry" fallacy for protectionist policies. One company is effectively sheltered by law for a period of time from the demands of competitive commerce. It doesn't really matter if another firm stumbled on an idea independently. The patent forbids anyone from becoming a competitor to the privileged firm.

With copyright, everyone in society is bound for a very long period of time from producing any words or making any image that would seem to reflect a learning process used by a copyright holder as an example. We have a similar granting of monopoly privilege here but instead of having to seek out protection, it is granted automatically. This might seem to be a benefit to the creator, artist, composer, or author, but the reality is that these people nearly always sign away their rights to the production company, the publisher, the filmmaker or whatever, and this most often occurs for the lifetime of the copyright. Even the creator, then, must beg or pay in order to use his or her own material. The law has been expanded and internationalized so that the monopoly lasts seventy years after the death of the person who wrote the song, drew the picture, or wrote the book.

If you look at the origins of these two institutions, we can see the essence of what is going on. Copyright originated as a government restriction on printing during England's religious wars. As it developed, it had nothing to do with individual rights and everything to do with protecting dominant publishing firms against competition. It is the same with patents, which grew out of the mercantilist experience of Europe in which the prince would grant one producer rights against all competitors. Both are designed to slow down innovation and drag out the process of economic development with government restrictions. For this reason, the idea that IP somehow creates an incentive to innovate is completely wrong; in fact, the reality is precisely the opposite.

The advent of the liberalism of the 18th century gradually wiped out most of these antique institutions and replaced them with competitive capitalism. But in the world of ideas, these protections remained and became worse, especially in the latter part of the 20th century. They are remnants of a precapitalist age.

In the digital age, when ideas can be multiplied by billions of times in a matter of seconds, the notion of IP protection becomes ridiculously outmoded. And it is for that very reason that enforcement is being stepped up and now threatens free speech and the freedom to innovate. Ultimately, a consistent enforcement of IP would shut down free enterprise as we know it.

This is not an easy subject and it does take some serious thinking to sort out all of the issues. But here is one clue about where people who love freedom should come down on the question. When the state is totally dedicated to using its enforcement arm to harm so many businesses and so many free associations, and it does it in the name of private property, you have to wonder if something has gone terribly wrong. The state is the least trustworthy institution when it comes to defending our freedoms; there is no reason to suppose that this gang of thieves has been converted to the cause of real property rights just because that is what it claims to be defending.

The Lorax: An Allegory on IP

Anyone who read Dr. Seuss's *The Lorax* as a kid might dread the movie version. No one really needs another moralizing, hectoring lecture from environmentalists on the need to save the trees from extinction, especially since that once-fashionable cause seems ridiculously overwrought today. There is no shortage of trees and this is due not to nationalization so much as the privatization and cultivation of forest land.

And yet, even so, the movie is stunning and beautiful in every way, with a message that taps into something important, something with economic and political relevance for us today. In fact, the movie improves on the book with the important addition of "Thneed-Ville," a community of people who live in a completely artificial world lorded over by a mayor who also owns the monopoly on oxygen.

This complicates the relatively simple narrative of the book, which offers a story of a depleted environment that doesn't actually make much sense. The original posits an entrepreneur who discovers that he can make a "Thneed" — a kind of all-purpose cloth — out of the tufts of the "Truffula Tree," and that this product is highly marketable.

Now, in real life, any capitalist in this setting would know exactly what to do: immediately get to work planting and cultivating more Truffula trees. This is essential capital that makes the business possible and sustainable through time. You want more rather than less capital. An egg producer doesn't kill his chickens; he breeds more. But in the book (and the movie), the capitalist does the opposite. He cuts down all the trees and, surprise, his business goes bust.

The book ends with the aging capitalist regretting his life and passing on the last Truffula seed to the next generation. The end. However, the movie introduces us to the town that is founded after this depletion occurs. It is shielded off from the poisoned and depleted world outside, and oxygen is pumped in by the mayor who holds the monopoly on air and builds Lenin-like statues to himself. The people eventually rise up when they discover that "air is free" and thereby overthrow the despot, chopping off the statue's head.

It was this line about how air is free that clued me in to the movie's possible subtext. You only need to add one metaphor to see how this movie can be the most important and relevant political-economic drama of the season.

The metaphorical substitution is this: The Trees are Ideas.

Now, the action really begins. You can even see that the dazzling tufts of the trees look like how we might imagine that an idea looks. It is puffy, colorful, silky, and has the scent of "butterfly milk." And of course the tufts are the essential capital that makes the business possible. The Thneed from which the tufts/ideas are made is useful for anything from wearing as a hat to functioning as a hammock. Its sheer flexibility adds to the allegorical flavor.

Of course the trees are renewable just like ideas. You can draw from them but you dare not forcibly prevent access to them, much less

kill them. And yet every time the axe slices through the trunk, the ideas are rendered non-renewable. The axes represent the state's laws that introduce artificial scarcity into the non-scarce realm of ideas. Do this enough — and private businesses use the government's laws to do this all the time these days — and you kill what gave rise to the business in the first place.

And in this case, the cooperation of the capitalists makes total sense. When a business uses “intellectual property” law to forcibly monopolize an idea — Apple's touch screen, big pharma's medicine formulas, a tune recorded by an industry mogul, a story printed by a big publisher — it is killing that idea for others to learn from and use. The idea is made nonrenewable for a period of time dictated by the government. This introduces a propensity toward economic stagnation and decline. It might seem to make sense in the short run but in the long run, everyone suffers.

This is exactly what we see in the real world. Industries that are not cutting down the trees of ideas are flourishing. Fashion is innovative and dynamic. The cooking world shares recipes and techniques. The open-source software movement is innovating every day. In contrast, industries where IP is dominant have a tendency toward monopolization and stagnation: pharmaceuticals, proprietary software, old-line publishers, for example. It is especially interesting to remember that one of the most controversial and hated monopolies of our time happens to be Monsanto's patents on seeds.

In the movie, the results are put on display in the most compelling way. The town of Thneed-Ville is stagnant. Nothing is growing, nothing is changing, nothing is truly alive. It is frozen and fixed, cartelized by a single mogul who provides everyone that essential thing: air. It is also a police state with inescapable surveillance. Tellingly, there is total unity between the owner of air and the state. It is the ultimate corporate state, and it has bamboozled everyone into thinking that this is just the way the world is supposed to work. They know of no better way.

This situation changes when a young boy discovers the truth about what happened to ideas. He finds out that they were once plentiful and provided all the life and energy that society needs to thrive and grow. He is given a single seed to a Truffula tree — and it represents the hope that the world of ideas could again come to exist and inspire the recreation of a thriving, dynamic, progressive, growing society.

So of course the mayor has to steal the seed that represents hope for ideas again. A massive chase ensues, and, in the course of it, the boy breaks down the wall between Thneed-Ville and the darkness outside. It is enough for people to discover that air is not scarce but rather belongs to everyone. They begin to turn on the mayor and sing a great song and dance: a dance in complete defiance.

As in real life, once the ruler has lost the confidence of his subjects, his rule is over. The seed is planted right in the middle of town, and the air monopoly is ended. Eventually the beauty and life of the world is restored.

There are wonderful lessons to this movie if rendered in this metaphorical way. Look at what we are doing to ourselves with the imposition and enforcement of the gigantic thicket of “intellectual property” that is taking over the world. It is like a huge thicket of thorns, and we can hardly move without getting stuck and stabbed. It is transforming the nature of the market, which needs ideas as we need oxygen, from a world of free exploration into one with billions of invisible cages. This is slowing down progress, killing creativity, monopolizing production in the hands of the rich and powerful, and even threatening the digital age itself.

The lesson is summed up in the incredibly inspiring anthem at the end:

We say let it grow
Let it grow
Let it grow
You can't reap what you don't sow
It's just one tiny seed
But it's all we really need
It's time to banish all your greed
Imagine Thneedville flowered and treed
Let this be our solemn creed
We say let it grow

Market Failure: The Case of Copyright

How gigantically humongous and intrusive is the federal government? A traditional measure is to look at the pages of regulations in the Federal Register, which is, by now, probably the world's largest book collection. The problem with this approach is that it takes no account of how a single bad regulation can have monstrously deleterious effects.

Copyright regulation is a good example of this. There was no universal enforcement until the very late part of the 19th century, and terms were mostly short in the early days of this regulation. In the course of the 20th century, regulations became ever more tight and the copyright terms ever longer, so much so that today, the words you sign away to a conventional publisher are theirs to keep for your lifetime plus seventy years!

One standard argument for doing this is that noncopyrighted works will not be efficiently exploited. You have to assign ownership or else the resource will vanish into the ether. No one will care about it, and civilization will lose extremely valuable literary works. Our market for ideas will be impoverished.

Now, to me, this argument seems obviously false, but that's probably because of my own experience in publishing. I've seen it happen — so many times that it is predictable — that once a work has fallen out of print but is still under some kind of protection, it is mostly neglected by the heirs. No one who “owns” the work has the incentive to bring it to light, while those who care about it fear the law or don't want to pay some arbitrary price set by the owners.

Meanwhile, when a work is in the public domain, there are dozens of people bidding to get it into print. This was true all throughout history, actually. The reason American school kids in the 19th century read British literature is that it was not regulated in the U.S., and therefore, it could be sold very cheaply and distributed very widely. It is true today: Whether music or books, the material in the commons is far more in demand than that which is regulated. And the demand leads to the supply.

In other words, the opposite of the conventional exploitation theory is correct. The copyrighted works drop from memory, while the public domain works last and last. But of course, this observation draws from my deep involvement in the industry, and we can't expect academic scribbles to understand anything about how the world actually works in real life.

For years, I've suspected that there was a serious problem developing due to government regulations. There is a vast gap into which millions of books have fallen. They can be reprinted or republished only at high risk and expense. Many of these books have uncertain copyright status or the “owners” are asking too high a price, can't be found or are orphaned. The costs are too high. I've had experiences with probably a hundred or so titles in this class, and I've always assumed that thousands or millions more fall into this category.

There was a brief moment in the early days of Google when the company naively imagined that it could do the right thing and make all of this literature available for instant viewing and printing. They had the technology to rescue it all and bring it to the whole world. Publishers, backed by regulations that favor them, went bonkers. Google tried a profit-sharing agreement. Didn't work. Finally, Google bailed and cooperated with the prevailing system.

In some ways, a whole century of ideas is being forced under a rock by government in league with large publishers. And it is getting worse by the day. Publishers are going through their back catalogs and threatening anyone who puts even a scrap online. Not that they plan new editions; they are just claiming what they think of as their assets.

The literature of 1850 is more available than the literature of 1970. How preposterous is that? This is all a direct result of unprecedented, outrageous regulations that have effectively put a censorship veil over history's most productive period of literary creation. This entire world is trapped in libraries that no one visits, or is being put on remainder racks so that libraries can create more space for coffee bars.

There is a more general lesson that pertains to all government regulations. Even one line can be impossibly damaging to industry and to social advancement. It is extremely difficult to quantify the losses. This is just one case, but it is an important one because it deals with the most important thing any civilization possesses: its treasury of ideas. That treasury has been thrown to the bottom of the sea. Someday, explorers will discover it and wonder how any society could have let this happen even though it had the means to do otherwise.

ISPs Becoming Enforcers for the State

Remember that battle over SOPA, in which the world's largest websites beat back a congressional threat that would have changed the Internet forever? It was pretty obvious within a day after this Pyrrhic victory that the existing laws in place were enough to give the government the power to wreck the digital world. But how would it happen? How would government end digital freedom?

Well, the excuse is obvious. It is "intellectual property." This phrase serves the same purpose for would-be censors that "terrorism" does for warmongers. It is a way to ramp up government control while kicking sand in the faces of those who would oppose such control. Are you for terrorism? Are you for theft?

It's rather easy to detect normal theft. One day, I have a planter on my porch. The next day, the planter is on your porch, and it got there without my permission. Or one day, I'm driving my car. The next day, you are driving my car because you took it from me in the night. This is the way normal theft occurs. You can tell when it has happened. And the means of redress are obvious.

Now imagine a different scenario. One day, the paragraph above appears on the website for Laissez Faire Books. The next day, it appears on your Facebook page or blog. But it is not thereby removed from lfb.org. Instead, it is copied. A second instance of the paragraph has been created, taking nothing from me. My paragraph still exists. And let's say this happens 10 billion times in the course of a few minutes, as can happen in the digital world.

Is this a case of mass looting, or is it a mass compliment to me?

Copyright law sees this as theft. But how can that be? The whole merit of the digital world rests on the remarkable scalability of everything digitized. That's the basis of the economy of the Internet. Its capacity for inspiring and achieving infinite emulation and sharing is unparalleled in history. It's what makes the Internet different from parchment, vinyl or television. Remove that, and you gut the unique energy of the medium.

Intellectual property law became universal only about 120 years ago. It was gradually expanded over the course of the century, invading the digital realm in the 1980s and expanding its coverage ever since. How do you make copies illegal in a medium that specializes in its capacity for sharing, multiplying, linking and community formation? You need totalitarian control.

But how is the government going to do it? Well, consider how the government went about ramping up the tax state during the 1940s. Instead of just taxing people directly, it leaned on private businesses to do it, via the "withholding tax." Business was forced to become the tax collector for the state. And it was the same with health care. Instead of just mandating universal coverage, it leaned on private business to do the government's bidding. Business became the health care provider through mandate.

The same is now happening with the enforcement of intellectual property on the Web. All the latest reports say that ISPs (Internet service providers) have struck a deal with old-line media companies to start policing the way users of the Internet surf, upload, download, and link.

There will be several warnings, and then, presumably, after some point, access will be cut off. They will do this based on the IP address of the user. In other words, ISPs will be doing the dirty work for the state. Probably, they struck the deal just because 1) the laws are already in place, and 2) they are probably trying to avoid a worse fate.

To be sure, some of this is already going on. If you use WordPress or Blogger for blogging, you probably already know this. Open and aggressive violators are presented with notices, whether the violation took place knowingly or not. For several years, YouTube has been blanking out the audio on home videos if the music is under copyright. And innumerable upload sites blast away anything that is under question, presuming guilt before it is proven.

Even an open Creative Commons announcement that grants permission to copy is not always enough. The presumption is that every duplication is a crime. Every upload is suspect, and every download is, too.

And contrary to what people claim, it is not always easy to tell the difference between protected property and common property. Copyright law is notoriously difficult to figure out. Sometimes the answer is obvious, as with material published before 1922. But there is this huge land of publication between that time and 1963 in which renewals are sometimes fuzzy, especially when multiple authors are involved.

Patent is an even worse case. Right now, everyone is suing everyone else for whatever. It has become a wicked game in which the competition takes place not in the arena of consumer service, but in the courts via various forms of trolling and legal blackmail.

In the end, all these disputes are won by the companies with the deepest pockets. I've seen copyright disputes that are settled on this basis alone, regardless of the merits of the case. In the end, it is too expensive for the little guys to defend themselves against large corporate interests, so the little guys invariably relent to avoid super-costly litigation.

This is the way it will be in the future. The big boys will run the show, doing for the state what the state is unable to do for itself, and they will do it on behalf of big corporate interests. This does terrible things to the competitive culture. It does even worse things to the culture of community sharing that has created a vast world of miracles and marvels available to the whole of humanity. It is a case of man's cruelty to man, serving no purpose except the material interests of large corporations that are determined to slow the path of progress for humanity.

However, it is not all dark. Every legal imposition creates incentives for the geeks of the world to find the workaround. There will always be a way. Just as the speakeasies remained open in the 1920s, there will always be zones of freedom in the digital world. And I have no doubt that, in the end, the freedom of information will win this. The tragedy is that there will be many speed bumps along the way to victory.

Theory Comes to Life

The final general session of the Oxford Club's Investment University — the fourteenth annual and held in San Diego this year — just wrapped up, and a series of afternoon sessions now follow. It is the kind of event that only a tiny percentage of the population — one might say that this is the 0.01% — will ever attend, and that's too bad in some way. That's because the educational opportunity is absolutely extraordinary.

Many people here have slogged through every manner of graduate school for theoretical, technical, and business training. But again and again, I heard the same claim from people: four days here is vastly more valuable than all the classroom education offered anywhere.

I can see why so many would say this. The intellectual level was very high, though the focus is not theory but praxis. This is a conference of practitioners, people who experience and engage the way the world works first hand and with their own property, all with an eye to finding and building value.

Talk to any attendee (some of the smartest people I've ever met), any speaker (some of the most impressive minds I've ever heard lecture), and you will hear dazzling stories of the rise and fall and rise of great businesses in every land and in every sector, the stuff and the services that define the past, present, and future. The collective knowledge here is awesome to contemplate.

The roster of speakers is mind blowing. These are people with proven records as fund managers, stock analysts, venture capitalists, traders, builders, intellectuals with money on the line, and daring entrepreneurs of all sorts. Yes, many people had something to sell; that is a given, and that is also a test of credibility as well. Unlike a lecture in the college classroom, in which the supposed expert may not have done anything in life but read and repeat, every speaker here was grounded in the real-world accountability that only the commercial

marketplace can provide.

The event isn't just about making money, though that is real (and refreshing) enough. It is about charting the course of life itself — and despite the name of the event, the scope of the event really is about the whole of life. No matter the sector or strategy being discussed, the core always ends up dealing with the most fascinating intersection between economics, finance, psychology, sociology, technology, and politics.

Politically, one could observe a libertarian bent here, mostly born of the general and unassailable observation that markets create wealth whereas politics does not. But precious little time is used preaching about how the way the world should work. The focus here is entirely on how the world does work and finding opportunities in a world that still has plenty left. These days, this task absolutely requires an open, cosmopolitan, and global outlook.

In some way, the task of investment today is necessarily subversive. Government in the developed world targets wealth for confiscation or destruction. The culture is disinclined to celebrate financial success. The Fed has wrecked the ability to make any money from saving the old-fashioned way. If everyone did what the government and the culture wanted people to do, the result would be a mass fleeing. The only way to avoid this is to think unconventionally.

Therefore, the smart money has to chase the smart ideas around all corners of the globe. It is in emerging markets and digital technologies where the outlook for prosperity really brightens. Being at this event is the equivalent of getting a tour through the whole world sector by sector, and hearing about strategies for dealing with it.

There was a huge array of speakers, each with an intimate knowledge of some technology, the process it requires, the history and present on the companies and ideas that make it work, the barriers that it confronts going forward, its marketability and meaning in the course of human events. No one person could ever absorb every bit of expertise on display here over four days.

My own topic was inevitable. I spoke on the economically unique aspects of the digital age, and the struggle to commodify and commercialize goods and services in a world of infinite reproducibility. I spoke about the various ways in which successful companies have conquered this terrain through innovative code work, marketing, and relentless adaptation to change, even without taking recourse to forced monopolization tactics.

Of course this touches on the subject of intellectual property, and there were really two views here. The first is the conventional venture capitalist view that a company worth owning needs an impenetrable IP portfolio to protect itself against competitive imitation.

A second perspective is exactly the opposite. An innovative and growing company should never seek out patent protection because that tends to tie a firm to a particular process and technology that may or may not be the best way going forward. Patents distort development. Stasis is a greater threat than competition. Any startup banking on its patent war chest is going to be outgunned. Obviously, I found the latter point of view most compelling.

The Oxford Club had Mark Skousen serve as the master of ceremonies for this event, and his books were big sellers at the Laissez Faire book table. Most of his work deals with the intersection between economics and investment, but the biggest selling of his books here is actually his history of economic thought — a book which has become the most used text on the topic.

Professor Skousen is also the entrepreneur behind FreedomFest, a July event in Las Vegas that brings together several thousand libertarian-minded thinkers to present research, debate ideas, and generally have a rip-roaring great time. I've attended two years in a row and each time I've found the whole event to be enormously refreshing. The tone and approach here emphasizes a broad and diverse exchange of ideas. It is guaranteed that you will hear things you disagree with; it is also a guarantee that you will come away from the event smarter and more intellectually inspired than you came.

It was the same with Investment University. Laissez Faire Books did a wonderfully brisk business in every kind of book, from technical works on futures trading to classic works on history and economics. This is a very intellectually curious and well-read group, with a great interest in ideas — ideas grounded in the real experience of real human beings.

VII.

The Agents of Liberation

The Genius of the Price System

The other day, a local hamburger joint was advertising a ninety-nine cent hamburger, and I took the offer. It was great. I wondered: how can they make money this way? A few days later, my head still swimming with memories of that great experience, I went back. This time, I dug in a bit deeper and upgraded the order, including fries and a drink, and this time shelling out for my passenger too. The total bill came to \$16. Wow. That's how they make money!

This was an interesting case of how a company uses a loss leader to draw you in and then makes up the difference on the upgrade. Of course, I could have stuck with the low-priced burger, but I did not. I behaved exactly as the burger joint hoped I would. This is dazzling in so many ways. They know me better than I know myself. And good for them.

To be sure, some cynical people would regard this as a rip-off. I don't see it this way. I didn't have to return to the drive-through window, didn't have to upgrade my preferences, didn't have to buy for the person next to me, didn't have to order fries and a drink. These were all decisions that I made on my own. Nor do I regret them: The food was better than ever. I'm free to refuse to go back, but I will go back.

A wise man once told me that in this life, you can obey balance sheets or bullies. In the end, those are the only two paths. He was drawing attention to an unavoidable reality in a world of scarcity. All scarce things must be allocated among competing ends. This can be done top down by people in control, or it can be accomplished bottom up with the signaling system that emerges from voluntary exchange. The two approaches don't mix well.

Of course, prices do not exist apart from human will. They can be played with, but not finally controlled, by producers in the market. There are vast surprises along the way. It's not the case that only the rich thrive in this environment. Who would have thought that the sci-fi machine in old movies that provides instant answers to all questions would eventually be provided for free by one of the world's biggest companies? I'm speaking here of Google, but the same good could be said of the many alternative search engines out there.

Who would have thought that the world's largest communication networks — email and social networking — would be free also, funded mostly by selling ad space and upgraded products? In the same way, most of the world's most useful software is free, as is the cloud-based word processing system I'm using to type this article. So too for the music that filled my living room for twelve straight hours yesterday, all selections from the 16th and 17th centuries, all provided to me for free. Amazing.

The price system is a constantly changing kaleidoscope that beautifully merges our subjective imaginations with the gritty realities of the physical world. It is the combination of mind and matter that yields an output — a simple number — that never lies. It gives us that glorious balance sheet that tells you whether you are doing sustainable or unsustainable things. No institution can compete with its efficiency, much less displace its indispensable utility in this world.

I once heard of a man's mother who had an obsession with gas prices. Everywhere she would go, she would look at the price signs and announce to one and all what they said. "Hmmm, they are charging \$3.15." "There's one charging \$3.45." "That place is charging \$3.10." "They have gas for \$3.50." So it would go for the entire trip. She had no opinion on any of these prices; she just found it interesting to observe and compare. And perhaps her observations reflected a kind of confusion about how the same thing offered in different places could be priced in such different ways.

It is, indeed, intriguing. There are two things we can know for sure. First, the producer — the retailer, in this case — would like to charge more for a gallon of gas, even a million dollars. Second, the consumer would like to pay less for a gallon of gas, even zero dollars. The final price represents a point of agreement. It is arrived at even though the parties to the exchange did not speak in advance; a single number embeds billions of bits of data about human values, resource availability and alternative uses of money and resources.

And it all happens without a central planner — or even so much as a central board of experts — telling us what the prices should be. This is genius at work.

Who could have even a year ago predicted that physical books would sometimes sell for less than digital books of the same title? This defies every expectation. The physical good is a real thing that you can hold and costs money to make (so much for the labor theory of value). The digital goods need only be made once and then can be sold billions of times. So what is the trick? It comes down to consumer demand. We really like e-books — their convenience and speed of delivery — and are willing to pay for them.

The price system also decides which companies are profitable and which are not. It has nothing to do with the size of the company. If you take in less than you spend, you will eventually go belly up. If you take in more than you spend, you will grow. The vast global network of price formation ultimately reduces to this simple calculation that determines how all the world's resources are used. Every company faces the same constraint. So whether or not these pricing decisions are rational has much to do with the fate of the world.

The point is that it is impossible to predict these things. No matter how smart the team of experts, how powerful and prestigious the price setters behind the curtain, there will always be surprises out there. That's because no one can fully predict the values manufactured by the human mind, nor know enough about the world to foresee every possible alternative use of a resource that goes into the production process. When economists say that something should be "left to the market," they are really saying that people should be left to work all this out for themselves. This is the only way of dealing with all the uncertainties of this world.

These are some of the insights about the price system that can be drawn from the works of Carl Menger, Ludwig von Mises and F.A. Hayek. They understood that there is no substitute for the price system. And this is why it is also so enormously dangerous for any society to give power to a central bank to manipulate the price system from the top down. Its decisions about the money supply can't help but be irrational and ultimately destructive to economies and the realization of the common good.

The same could be said of a range of state institutions that distort prices, such as wage floors and ceilings, subsidies and penalties for particular companies, and taxes and regulations that extract resources and profoundly affect the profit-and-loss calculation. They all interfere with the fluid functioning of the price system. They all waste resources. They all interfere with the efficiency of the market.

More and more, people of the developed world are seeing the balance sheet replaced by the bully. This is harming both our prosperity and our personal liberty to make decisions for ourselves. If the bully can tell the fast-food joint what its prices ought to be, the same bully can tell me what I can and cannot eat, what and where I can and cannot drive and where I can and cannot work and under what terms.

The price system, premised on the idea of private property and the freedom to choose, is the best friend liberty and prosperity ever had. The next time someone complains about it, ask that person what he would prefer to take its place.

The Non-crime of Knowing

Let's say that Rajat Gupta, former director at Goldman Sachs on trial for insider trading, is tossed in the slammer for passing on information four years ago. Let's say that he really did receive — and then let slip — a tip that Goldman would soon be getting a nice cash

infusion from Berkshire Hathaway, and that information was used by others to generate a nice profit.

Where exactly is the justice in locking the guy up? I see none. What precisely are investors going to get out of this? Absolutely nothing. What will it deter? Nothing again, not for an industry that rewards intelligence above all else.

If Rajat languishes in jail like Martha Stewart and so many others before him, the markets will miss his intelligence, taxpayers will be on the hook for providing for him for years, and he will be denied his basic human right to know and speak.

No victims of his actions will ever be compensated. And that raises an interesting point: Even if the worst is true, there were no victims, only winners. The people who sold the stock that day would have sold in any case. The people who bought would have bought in any case.

Whether he is technically “guilty” of passing on information or not, no one was robbed. No one was harmed. His only crime was knowing more than he should and acting on it, in a business that rewards people for good judgment based on specialized knowledge.

At worst, Gupta is guilty of breaking a confidence related to his employment, which should be a matter dealt with by the firm itself. The government accomplishes nothing here except to persecute some of the world’s smartest people, letting them know who is in charge.

What’s more, the whole basis for insider trading regulation is preposterous, especially in the digital age, and more obviously so by the day.

In regular life, if you want to keep a secret, there is really only one way: Tell no one. Most people figure this out in about the third grade. The more valuable the information you have, the more likely it is to make the rounds. And in so doing, the information changes and mutates and comes out the end in strange ways that are never entirely trustworthy.

The whole business of markets is to generate information. Information is the only defense we have against that intractable foe, the uncertainty of the future. There are no guarantees. It’s not just that you can’t know for sure what is true and what is not; even if you do know what is true, you can’t know for sure what the implications of that information are for the future price.

The public availability of information is the “socialist” side of the “capitalist” coin. Information that the market generates is ubiquitous, multipliable and incredibly transportable. But information is never distributed evenly throughout society, nor acted upon with equal acumen.

Do traders seek and obtain “inside information?” Absolutely. There’s no stopping it. The war on insider trading is going to be as successful as other government wars on tobacco, pot, illiteracy, obesity and terrorism. In each case, the only obvious result is that the government has more power and we have less liberty.

People who make trading their lives process hundreds of thousands of data bits every day. They pass on just as many or more. Research of trading habits reveals that the more successful the trader, the more information he or she processes coming and going.

Notice that we’ve never seen the government prosecute people for trading on inside information and losing. That’s because it never comes to the attention of the regulators. But then it’s perverse to punish only profitable actions.

Making secrets (material nonpublic information) illegal creates a government-owned and operated sword of Damocles that the regulators hold over everyone on Wall Street and in the industry. It is the constant reminder of who is in charge.

As an active trader on Wall Street hunting for any and all nonuniversal information, you’ll find at any point the SEC can requisition all your phone records, emails, text messages and more and claim that your winning trades were fundamentally unjust. You then go to jail.

As scholars of the Austrian School have long pointed out, there is no clear line between what is and what isn’t insider information. And here is the thing. The whole business of profitable trading comes down to acting on information that is not universally known or acted upon by others.

That’s their job. To make successful insider trading illegal in security markets is like punishing beauty in the fashion world or good meals in the restaurant industry. You end up only establishing a basis for arbitrary enforcement.

Back when the movie *Wall Street* was made, the big attention was focused on mergers and acquisitions. Today, it is all about earnings reports. Starting the day before they appear, people trading markets are bombarded by speculations, promises, bluffs and oceans of rumors.

What is reliable and what is not? This is the job of the entrepreneurial trader. Regulators are looking at only notably successful trades, finding the information revealed just before, and then naming the parties as criminals. In the most recent cases, the SEC was targeting even excellent research that so happened to be correct.

As Felix Salmon writes in Reuters, “The markets should be a game of people using independently obtained information and analysis to make their own determinations about what various securities are worth — that’s the best way to maximize the amount of information reflected in the price of those securities.”

What insider trading regulation neglects is that no information in the world guarantees a profitable result. Salmon cites the case of the Facebook IPO. The stock was deliberately priced low to create an upward swing that turned out not to happen. As Salmon says, “Pricing securities, especially stocks, is always more of an art than a science.”

All the experts were wrong about Facebook, at least as far as the public knows. Some people were right this time, and those same people will be wrong next time. No one individual is ever smarter than the markets over the long term. This is why traders are voracious for information from any and every source. They are constantly correcting and improving their knowledge. This is the business of markets.

I would go further than Salmon and agree with Murray Rothbard that there is no basis for the government to be involved here at any level. It’s up to the firms themselves to police what information is revealed and in what time frame. Putting the responsibility on them will encourage a greater degree of openness and less reliance on nondisclosure contracts that are untenable in any case.

As for the regulations themselves, to imagine a world in which all trades take place based on universal, equally known information is to posit a world of robots, not human beings scrambling for knowledge and making speculative judgments about an uncertain future. To punish a robot that has come to life and made a good bet is to kill the very thing that makes markets both human and wonderful.

The Economy Is Us: A Tribute to John Papola

For many people around the world, the first they had ever heard of the great economist Friedrich A. Hayek came from a rap video. That’s right. Some 3.4 million people have watched “Fear the Boom and Bust” since its release two years ago. It has been shown in classrooms and featured in countless stories on economics.

This video did more than just educate people on the alternative to Keynesian-style macroeconomic policy of which only a small number had been previously aware. It shocked free-market advocates out of their stupor and made them realize they had to do more than write thick treatises that sit on library shelves to get their message out.

This video made economics interesting and dramatic. It took an intellectual battle that had been going on behind the scenes for nearly 100 years and put it into contemporary imagery. The lyrics were not only clever and intelligent; they were accurate as regards the theories of Hayek and Keynes.

Then there was a follow-up last year: “Fight of the Century.” It already has 1.7 million views, and many people think it is even better than the first one (both videos have their strengths, in my view). Then there have been hundreds of media appearances, thousands of stories and blogs, spinoffs and public debates. Several books have come out on the topic.

You can see here the way ideas work to change the ideological landscape. It is now widely understood that there is another side to the issue — a point few understood in the days of FDR’s “fireside chats” or Walter Cronkite’s nightly instructions on what Washington wanted us to think.

Today, not even mainstream journalists can write about the topic of countercyclical policy and economic stabilization without acknowledging another side to the debate. And this new awareness is leading people to truth that has otherwise been suppressed.

Hayek himself would have been overjoyed. He wrote that liberty is doomed unless we “can make the philosophic foundations of a free society once more a *living* intellectual issue, and its implementation a task that challenges the *ingenuity* and *imagination* of our liveliest minds.” (Emphasis mine.)

The minds behind the videos: economics professor Russell Roberts (who has specialized in finding new ways, such as novels and podcasts, to get the word out) and media genius John Papola. I’m focusing on Papola here because he gets the least attention of this duo, and it has been my pleasure to get to know him personally and interview him on several occasions.

Of course, I’m pleased as can be than John wrote the long and thoughtful introduction to Laissez Faire Books’ new edition of Hayek’s outstanding compilation, *A Tiger by the Tail*. It is available in a fabulous softcover edition or e-book. Or you can get both for free by joining the Laissez Faire Club, which provides an unrelenting stream of digital bling.

John’s background is in media, having done outstanding work for Spike TV, Nickelodeon, and MTV. Then in 2006, he watched the PBS documentary *Commanding Heights*. He caught the economics bug. He realized that the science of economics holds the secret to the rise and decline of societies, the answer to so many of our cultural problems, the crucible that determines whether we thrive or die as a people.

He could have stopped there, but — as he explains in this introduction — he continued his studies and found his way toward a truth that goes beyond the choices we are presented in current political debates. He realized that contrary to conventional wisdom, neither Reagan nor Thatcher represented some kind of free-market ideal. There are more foundational issues in play than any political party represents.

He set out on a gigantic, and even obsessive, reading plan that took him through the works of the Austrian School economists from a century ago to the present. It was a heady intellectual journey that ended up causing a dramatic vocational change in his life. He decided to use his skills and talents to advancing the cause. He would do it not by merely propounding doctrine, but through civil, creative and imaginative means, just as Hayek has suggested. He was pushing ideas that were otherwise ignored.

The most conspicuous results of his intellectual journey are the two rap videos. He worked with Roberts to create fabulous rhyming couplets and memorable phrases that have changed the way free-market advocates talk about the issues. If you spend some time with him, you can observe his talent for this at work. I swear that he can make a great rhyme out of anything. It is dazzling just to hear him think out loud.

Here are two of the most famous passages from the second video, put into the mouth of Hayek:

The economy’s not a car, there’s no engine to stall,
No expert can fix it, there’s no “it” at all.
The economy’s us, we don’t need a mechanic,
Put away the wrenches, the economy’s organic.

And:

We need stable rules and real market prices
So prosperity emerges and cuts short the crisis.
Give us a chance so we can discover
The most valuable ways to serve one another.

Just reading those last two lines absolutely warms my heart. This is the language of genuine liberalism. This is the great truth of the market that has been so long suppressed. The second video in particular makes heavy use of the notion that we face a choice between a society organized top down or bottom up. That’s it exactly, a fantastic summary of what liberal minds have been saying for centuries, finally given to us in an easy-to-understand image.

What his introduction to *A Tiger by the Tail* reveals is that John Papola is not just a media genius. He is also a first-class intellectual. He discusses the history of thought here, along with the misuse of economic metaphors, capital theory, banking institutions, the role of prices and entrepreneurship, interest rates and the role of money. He places special emphasis on the issue of “Say’s Law,” which Keynes claimed to have refuted, but which still stands as the theoretical bulwark of the market’s capacity for self-management.

His essay, which stretches to 5,000 words, is a veritable primer on Hayek and the Austrian School. Of course, he ends with a few rhyming couplets. What a performance! As Hayek would observe, this is the way to use ingenuity and imagination to make economics and liberty living intellectual issues.

There’s No Such Thing as Too Much Liberty

Some great books are the product of a lifetime of research, reflection, and discipline. Others are written during a moment of passionate discovery, with prose that shines forth like the sun when new understanding first brings the world into focus.

The Market for Liberty is that second type of classic. Written by Morris and Linda Tannehill after intensive study of the writings of Ayn Rand and Murray Rothbard, it has the pace, energy, and rigor you would expect from an evening’s discussion with these two giants.

More than that, the authors put pen to paper at precisely the right time in their intellectual development, that period of rhapsodic freshness when a great truth had been revealed and one has to share it with the world. Clearly, the authors fell in love with liberty and the free market, and they wrote an engaging, book-length paean to these ideas.

This book is radical in the true sense of that term: it gets to the root of the problem of government and rethinks the whole organization of society. Starting with the idea of the individual and his rights, the Tannehills work their way through the market, expose government as the enemy of mankind, and then — surprisingly — offer a dramatic expansion of market logic into areas of security and defense.

Their discussion of this controversial topic is integrated into their libertarian theoretical apparatus. It deals with private protection services, private arbitration agencies to resolve disputes, and private insurers to provide profitable incentives for security. It is for this reason that Hans Hoppe calls this book an “outstanding yet much neglected analysis of the operation of competing security producers.”

The section on war and the state is particularly poignant.

The more government “defends” its citizens, the more it provokes tensions and wars, as unnecessary armies wallow carelessly about in distant lands and government functionaries, from the highest to the lowest, throw their weight around in endless, provoking power grabs. The war machine established by government is dangerous to both foreigners and its own citizens, and this machine can operate indefinitely without any effective check other than the attack of a foreign nation.

Also remarkable is their plan for desocialization, or transition to a fully free society. The Tannehills argue against privatization as it is usually understood, on grounds that government is not the owner of public property and so cannot sell it. Instead, they say, public property should be seized by people with the strongest interest in it, then put on the open market. If that seems crazy to you now, you might change your mind after reading this book.

Remarkably, *The Market for Liberty* actually predates Rothbard’s *For A New Liberty*. It had a huge impact when it came out in 1970, especially among the generation that was debating whether the state needed to provide basic functions or be eliminated altogether. Rothbard even chose it as one of the top 20 libertarian books of all time, to be printed in his Arno Press series.

The authors were drawn to Ayn Rand’s ethical outlook but Murray Rothbard’s economics and politics. But, clearly, they were surrounded by classics of all ages when they wrote. So this fiery little treatise connected with the burgeoning movement at the time, providing just the type of integration that many were seeking.

Since the 1980s, however, the book has languished in obscurity. If the authors are still around, no one seems to have heard from them, a fact that seems only to add to the mystery of this never-to-be-repeated book.

There is no reader who can possibly agree with all its contents. I find the section on intellectual property rights to be completely wrong, and obviously so. However, this was written before the digital age when the real challenge to the idea of IP had not yet presented

itself. Their fallacies are obvious to me.

However, in other ways, these authors made great leaps forward, particular as regards the usefulness of the market institution of insurance for the provision of security. They write as if they knew that there had to be a market-based solution to the problem, and they struggled to find it. Libertarians have been drawing on their insights ever since. *The Market for Liberty* makes a bracing read for a person who has never been introduced to these ideas. For the person who has an appreciation of free enterprise, this book completes the picture, pushing the limits of market logic as far as it can go. No reader will be left unchanged by it.

The Equality Obsession

The word “equality” is being rammed down our throats every day, with special focus on the so-called “income gap.” The presumption is that we should all denounce the gap, work to eliminate it and embrace perfect equality as an ideal.

It’s true that inequality is growing, but the focus on that alone is sheer folly. Equality applies to math equations. You could also use it to describe how the law should be impartial with respect to persons — the traditional use of the term “equality” in the classical liberal literature. But that’s it. Otherwise, an obsession with this topic is very dangerous for a free society.

That’s because the people who invoke equality have no intention of creating the conditions to make it easier for the poor and for middle-income earners to grow rich. Leveling upward is never the goal. Egalitarians want to flatten incomes at the top so that the rich no longer exist. This can’t help anyone but the envious, those who get a kick out of destroying, rather than creating.

As Shikha Dalmia writes, “Income inequality tells us zilch about the only thing that really matters: Are the lives of Americans, rich, poor and in between, getting better or worse?”

Try an experiment in your mind with a society of ten people. Five people earn \$50,000 and five earn \$100,000. Let’s say we flatten out the top half so that everyone earns the same. Equality! But who benefits? Absolutely no one. Society as a whole is poorer, and that is to the detriment of everyone: less capital, less wealth available for wealth-forming projects, demoralization among the smartest and most inspired and a ceiling on those who might have previously desired to move from the lower half to the upper half.

In any case, the supposed egalitarian ideal can always be achieved by driving everyone into the dirt and universalizing poverty. There is a serious problem, with an ideal that can be achieved by wrecking the lives of absolutely everyone.

In a free society, we just have to get used to the idea that some people are going to be vastly richer than other people. And those rich people do act as benefactors to the rest of us. They give more to charity. They start the new businesses that employ us. They take the risks that make capitalism dynamic and progressive. They act as society’s economic leadership team. And the individual members of that sector of society are constantly changing — and this is a good thing.

What’s more, in a free society, the rich are completely dependent on the poor and the middle class, who, in a market setting, make it possible for the capitalists of society to accumulate wealth in the first place. It is the voluntary choices of the masses that direct the use of society’s resources. The “distribution” of wealth is a result of the choices we all make in our capacity as consumers.

Yes, I’ve watched lectures by people who claim that societies with more equality are happier places. What they end up pointing to are places like Finland, Sweden, Denmark, Japan, Norway. This is just a mistake: These countries are demographically homogeneous and cannot be compared in any way to places like the U.K. or the U.S.

Consider this: where would you rather live? Ethiopia or the Netherlands? Ethiopia has more income equality, according to the statisticians who calculate the so-called Gini coefficient. Another example: Tajikistan or Switzerland? The former has more equality than the latter. Another: Bangladesh or New Zealand? According to the egalitarians, we should rather live in one of the poorest places on the planet than one of the richest.

Again, the degree of equality is not in any sense related to the quality of life.

So why the hysteria right now? The real problem is more fundamental in the United States. The poor are growing and entrenching. The unemployed are staying this way. The middle class is slipping, and more substantially after the recession statistically ended than when the statistical recession was on (and polls show that hardly anyone believes we are out of recession).

Now, this is catastrophic, not because this increases the income gap, but because it is killing the American dream. What the political left is doing is attempting to change the subject away from what matters (we are all getting poor) to what doesn’t matter (the income gap between the top and bottom). And this rhetorical shift is scary: It prepares the way for higher taxes, more redistribution, more attacks on the financially successful and more of all the policies that are causing our worst problems right now.

So why the focus on the equality? As Mises says in his great work *Socialism* (1922): “The principle of equality is most acclaimed by those who expect to gain more than they lose from an equal distribution of goods. Here is a fertile field for the demagogue. Whoever stirs up the resentment of the poor against the rich can count on securing a big audience.”

Americans should know better. Even when our economy was the freest in the world, we had one of the most unequal distributions of that wealth on the planet. It was during these years that the lifespans of everyone increased, when the chances of moving from poor to rich were huge, when the per capita income was growing as never before in human history. Growing inequality is likely to coincide with growing wealth (see *How the West Grew Rich*, the masterpiece by Nathan Rosenberg and L.E. Birdzell, Jr.).

We need to learn to admire the justly rich and strive to emulate them and their outlook on life. This is what the advice manuals of the late 19th century said. The most popular magazines of the time chronicled their lives, and they were held up as national heroes. This is a sign of a healthy society. It is because of this ethos that the poor of today live vastly better than the richest of the rich one hundred years ago.

Today, on the other hand, we are told to resent the rich, attack them, hate them, expropriate them. This is the sure path to disaster. Freedom is what enables the poor to become rich. The state is the means by which everyone in society is driven into poverty. We need less state and more freedom.

How Change Happens

My brother is teaching a semester in London, and he casually video Skyped me last week to show me around his apartment, which is small but charming. I reciprocated by hauling up the cover of the e-book I am reading, and shared my desktop to show a YouTube performance of Renaissance music I thought he would enjoy. We chatted a bit more and hung up. No “long distance” charges.

So what? Well, none of this could have happened ten years ago. Not only that, you probably wouldn’t have understood the paragraph in the slightest because it contains words and actions no one had heard of. Had I told you in 1992 that in 20 years, virtually anyone would be able to speak in wireless real-time video to anyone else on the planet, even to the point of sharing a real-time digital experience, you would not have believed it.

And if I had added that the technology was not outrageously expensive, but rather being carried around in the pockets of students and commuters everywhere, this would have seemed too outrageous for science fiction. What amazing force in the universe hath rained down such blessings on us mere mortals?

The truth is that we all live in a world today that would have been unimaginable to us only very recently. It is so much woven into our lives that we don’t think about it much anymore. And contrary to the rap on the digital age, that it is all about geekery and gadgetry, the real driving force behind this innovation is the flesh-and-blood human being and the oldest desires known to humankind (such as wanting to stay in touch with family).

Another quick example. I was emailing with a U.K. choir director two nights ago, and I mentioned a book of chanted music. He hadn’t heard of it, so I sent him a link, from which he downloaded the material (that magic click that creates a copy!). This morning, his choir sang the piece in church halfway around the world, and he let me know that it was fabulous.

Here we have it: digits flying over oceans in a matter of seconds, and then embodying themselves in beautiful music, sung now with the same human energy as music was sung in the ancient world, that transforms real lives. The person kneeling to prayer didn't know and didn't need to know how the music arrived there. The technology is just the means; the end is the improvement of human life.

Such cases like this are only a tiny snapshot of two things I can briefly recall. Just today so far, I'm sure I've read articles I never would have seen, talked with people I would have long ago lost touch with, found out about events that would have remained forever unknown to me, connected with someone who found something I said interesting enough to consider ... and just now, I recall that I heard word that a friend with asthma is out of a Shanghai hospital all safe and sound. None of this would I have known only a few years ago.

Again, ask the question: What is causing all of this amazing change? What is the driving force, the source of the manna, the wellspring of all this avalanche of human progress?

I'll tell you what is not causing it: politics. It's the great lie, the most gigantic drain of valuable human energy ever conjured up in the mind of man. What is politics but a grand argument about how we should rule each other? Meanwhile, every step forward in history has come not from this task, but a completely different one.

American politicians are always running on a platform of change. They explain how their policies will make your life better. They map out timetables. They present a portrait of a future. Above all else, they presume that the future is theirs to control, and voters often go along with this idea. As an example, look no further than the history of the State of the Union address.

What if none of it is true? Just think about education. Everyone has a plan for how to improve what exists. So it has been for a hundred years. Meanwhile, the private sector, through physical and digital technology, is reinventing the entire enterprise from the ground up through every possible means. This decentralized, private-sector-driven, technologically sophisticated education reform is making it almost impossible not to be educated about something with each passing hour.

Online academies are opening by the day. Universities are putting their courses online for free. For-profit companies are distributing every manner of teaching tool one can imagine. For-profit learning centers are opening in every town, all making a buck from teaching kids what the public schools have failed to teach. For that matter, the History Channel alone offers more sweeping programs than any public school textbooks two generations ago.

Anyone in the world can be a teacher to the world today, with a laptop and an Internet connection, and so, too, anyone can be a student.

It's true in health care reform, too. For all the problems in the pricing system and the terrible insurance system, health care is getting better, mainly due to private-sector innovations. The best radiologists in the world can examine your scans in minutes, no matter where they actually happen. Access to medical information is no longer trapped in a dusty book but flies all over the world from hand-held devices. Error is more likely to be corrected this way, saving and changing lives.

Society is not waiting for the politicians. When you listen to what they say, when you watch what the bureaucrats do, when you look at what the agencies are regulating, you suddenly realize that the political monstrosities that burden the world are hopelessly out of touch with the kind of progress that people are experiencing in their daily lives now.

Politicians can make the world a worse place, to be sure. But if you look at the actual trends that are driving change in a positive direction in our world today, none of them is inspired by political initiative. They take place outside the public sector, and even outside the purview of the politicians and bureaucrats. Sometimes it seems as if the political class is clueless that the world has long ago moved on.

What is driving the world in a forward direction? It is people connecting with people through free association, communication, money exchange, enterprise, risk taking, commercial aspirations and the practical arts. And from these forces, we are newly discovering the wonderful fruits of civilization: arts, music, philosophy, faith.

And truth. Truth above all. The truth that is all around us, the one that the public-sector machinery somehow cannot and will not see, is that global society is making a future for itself without the help of the world's self-described public servants. The state in all its manifestations struts and preens — builds monuments to itself and waves its flags — but when it comes to really making change, we must look elsewhere.

The Elves of Capitalism

One reason that the Brothers Grimm fairy tales have such appeal — more so than the folklore that came before — is that they deal with a world that is familiar to us, a world that was just being invented in the early 19th century, when these stories were first printed and circulated. They deal with people, scenes and events that affect what we call the middle class today, or the bourgeoisie. Yes, the stories feature kings, queens, princes and princesses — this was not yet the age of democracy — but most often our sympathies as readers rest with the plain people and their triumphs, which the stories feature most poignantly.

Both Marx and Mises agree that what we call the middle class was a new creation in the history of the world, and it was brought about by capitalism. The caste chasms that once persisted between the peasants and the lords, those privileged by title and land grants and those fated to serve them, were melted away by the advent of commercial society. Universal possession of property and money replaced servitude and barter, and exchange relationships of people's own choosing gradually replaced the required lifetime associations of birth and happenstance. The distinguishing mark of this new middle class was the prospect of social advance through rising prosperity. Fluid classes replaced fixed castes.

This was the world that serves as the backdrop to the tales of the Brothers Grimm.

A great example of this is the very short story called "The Elves and the Shoemaker." A cobbler and his wife worked very hard at their craft, making shoes all day. But leather was expensive, and no matter how hard they worked, they could not put their business in the black. They were selling some shoes, but they couldn't make enough fast enough. They were getting poorer, rather than richer.

One night, the shoemaker left his cut leather out on a table and went to bed. The next morning, a fantastic pair of shoes made out of that leather awaited him. The craftsmanship was impeccable. They were of the finest style. He was able to charge a very high price to a customer who was very impressed by them. This same series of events repeated themselves again the next day and the next. Some months later, the shoemaker and his wife were financially secure and part of the rising middle class. All their financial worries were gone, and they were comfortable and happy.

At this point, the shoemaker said to his wife: "I should like to sit up and watch tonight, that we may see who it is that comes and does my work for me." The wife agreed, and they stayed up to watch what was happening in the night.

Now, to be sure, this turn of events strikes me as rather strange. One might think that curiosity would have caused them to examine this long before. Why didn't they stay up after the second or third time that leather had become shoes? Why did they wait so long to investigate the cause of their prosperity?

In any case, they did stay up and look, and they found two naked elves there working away, turning scraps of leather into fine shoes. The wife thoughtfully decided to return the favor and make them tiny little clothes. When the elves found the clothes, they put them on and ran away with great delight. They never returned, but the story assures us that this was just fine because the shoe business stayed in the black. The shoemaker and his wife lived a long and prosperous life.

We can see in this one story an archetype of what was then a new type of middle-class success story in the framework of a commercial society. The couple went from poverty to wealth in relatively short order. This came about not because of favors from the king or the discovery of gold, much less from stealing or piracy, but purely by virtue of work and commerce, combined with the assistance of some benefactors in the night whose favors they never sought, but nonetheless came to deeply appreciate.

Apply this story in our times: We are all in the position of poor shoemakers with benefactors. In a state of nature, we would be struggling for survival as most of humanity did from the beginning of recorded history until the late Middle Ages, when the first lights of capitalism as we know it began to appear on the horizon. Over the next several hundred years, and especially during the 19th century, life

itself was transformed. The state of nature was vanquished, and the world completely re-made in the service of human well-being.

As William Bernstein summarizes the situation: “Beginning about A.D. 100, there had been improvement in human well-being, but it was so slow and unreliable that it was not noticeable during the average person’s twenty-five-year life span. Then, not long after 1820, prosperity began flowing in an ever-increasing torrent; with each successive generation, the life of the son became observably more comfortable, informed and predictable than that of the father.”

We were born into a world of amazing prosperity that our generation did not create. We have the expectation of living to old age, but this is completely new in the sweep of history, an expectation we can only have had since about 1950. The shift in population reflects that dramatic change, too. There were most probably 250 million people alive 2,000 years ago, and it took until 1800 for the one billion mark to be reached. One hundred and twenty years later, that was doubled. Three billion people lived on the planet by 1960, and there are seven billion today. Charting this out, you gain a picture of a world of stagnation and stasis from the beginning of recorded history until the Industrial Revolution, when life as we know it today was first experienced by humankind.

If we are shoemakers in this story, the prosperous world in which we live — the world that grants us smartphones, health care, gasoline to power our cars and the ability to communicate in real-time video with any living soul on the planet with the click of a button — might be regarded as the elves that came in the night to turn our leather into a marketable product. Most of us never did anything of our own merit to cause us to benefit from this amazing world. At our birth, we woke up in the morning and found a finished and beautiful pair of shoes given unto us.

Earlier, I said that it strikes me as strange that the shoemaker and his wife waited so long to become curious about who or what was nocturnally turning their leather into shoes. How could they have gone for months without wanting to know what was causing their poverty to turn to riches? How could they have treated the magic in their shop as something helpful but rather normal, and only decided to look into the cause as an afterthought?

Yet this is how almost everyone behaves in the world today. We are surrounded by bounty in this man-made world, a world completely unlike anything that has existed in 99.9% of the rest of the history of the world. And how very few bother to investigate the causes! We take it all for granted.

We use our technology, eat foods from all over the world available for sale a few blocks from our home, hop on planes that sweep us through the air to any destination on the planet, instantly communicate with anyone anywhere and have the expectation of living to the age of 80 and beyond, yet we are remarkably indifferent and incurious about what forces operate within this world to have turned the cruel state of nature into an earthy paradise.

Actually, the situation is worse than that. Many are openly hostile to the institutions and ideas that have given rise to our age of plenty. We’ve all seen the protests on television in which mobs of iPhone-carrying young people are raising their fists in anger against commercial society, capitalism and capital accumulation and demand just the type of controls, expropriation and regimentation that are guaranteed to drive us back in time to the restoration of castes, poverty and shortened lives. They are plotting to kill the elves.

In the fairy tale, there are only two elves. In the real world, scholars have discerned that there are actually six, and they go by the following names:

First, there is private property, without which there can be no control of the world around us. It would not be necessary if there were a superabundance of all things, but the reality of scarcity means that exclusive ownership is the first condition that permits us to improve the world. Collective ownership is a meaningless phrase as it pertains to scarce resources.

Second, there is exchange. So long as it is voluntary, all exchange takes place with the expectation of mutual benefit. Exchange is a step beyond gift giving because the lives of both parties are made better off by the acquisition of something new. Exchange is what makes possible the formation of exchange ratios and, in a money economy, the development of the balance sheet for calculating profit and loss. This is the foundation of economic rationality.

Third, there is the division of labor that permits us all to benefit from cooperating with one another toward mutual enrichment. This is about more than dividing up productive tasks. It is about integrating everyone into the great project of building civilization. Even the master of all talents and skills can benefit by cooperating with the least skilled among us. The discovery of this reality is the beginning of true enlightenment. It means the replacement of war with trade and the replacement of exploitation with cooperation.

Fourth, there is risk-taking entrepreneurship that bravely pulls back the veil of uncertainty that hides the future from us and takes a step into the future to bring us every manner of material progress. Uncertainty over the future is a reality that binds all of humanity; entrepreneurs are those who do not fear this condition, but rather see this as an opportunity for improving the lives of others at a profit.

Fifth, there is capital accumulation, the amassing of goods that are produced not for consumption, but for the production of other goods. Capital is what makes possible what F.A. Hayek calls the “extended order,” that intertemporal machinery that stabilizes the events of life over time. Capital is what makes planning possible. It makes the hiring of large workforces possible. It allows investors to plan for and build a bright future.

The sixth elf is not an institution, but a state of mind. It is the desire for a better life and the belief that it can happen if we take the right steps. It is the belief in the possibility of progress. If we lose this, we lose everything. Even if all the other conditions are in place, without the intellectual and spiritual commitment to climb higher and higher out of the state of nature, we will slip further and further into the abyss. This state of mind is the essence of what came to define the Western mind, and which has now spread to the entire world.

Together, these elves constitute a team with a name, and that name is capitalism. If you don’t like that name, you can call it something else: the free market, free enterprise, the free society, liberalism or you can make up your own. What matters is not the team name but the constituent parts that make up that team.

The study of economics is much like the decision of the shoemaking couple that stayed up overnight to find out the cause of their good fortune. They discovered these elves and found that they had no clothes. They decided to make clothes for them as a reward for their service. So too should we clothe the institutions that made our world beautiful in order to protect them against the elements and their enemies. And even after they scurry off into the night, we must never lose consciousness of what they have done for us.

I’ve Tried but Failed to Become a Wine Snob

Yes, I’ve been to the wine-tasting parties with the index cards to fill out sip by sip. I’ve compared the 1984 with the 1986 variety of French wine and commented on their subtle differences. I’ve swished and swirled and learned how to affect a face of revelation just from the mere passing scent of a light white or a big red.

And I’ve listened as the wine tasters say things like “raspberries,” “lemon grass,” “oak,” “saddle leather,” and “mulch of spruce.” And as soon as the words come out, the wine in your hand magically reflects those very properties. Then you suddenly discover with embarrassment that those around you are actually talking about a different wine from the one you are trying!

But, look, I’m just going to say it. After a lifetime of trying, I just can’t pretend anymore. I’m not a wine snob. I like it all. I like everything. I used to draw the line at the big jugs with the screw tops, but no longer. I like those too. I can buy a random case from anywhere, take it home, and enjoy every single bottle.

I no longer even pretend to be critical. All wines are wonderful. Sure, there are differences, and if they are next to each other, I can easily distinguish them. And there are times when a great bottle appears before me and I know it, love it, and call it dreamy. But how much more do I love it than a bottle one-tenth as expensive? Not that much.

How do I buy wines? Apparently the same way as most Americans (and I don’t mean the people who attend wine tastings). I buy on price, name, and label. The price has to be low. The name has to be clever. And the label has to be pretty and fun. If one of these is wrong, I won’t buy. So I’ll buy “Oops!” before “Clos de la Roche, Grand Cru.” I’ll take home “Arrogant Frog’s Big Ribbet” before anything with the words “Medoc Chateau d’Armailhaq,” and “Mad Housewife” before “AC Chassagne-Montrachet.”

For this reason, I'm partial to wines from California, Chile, Argentina, South Africa, Oregon, and other places that seem to have figured out that the best way to market your product is to ... well ... market it! Starting about ten years ago or so, it became rather obvious to industry specialists that the snob factor was dying out and that they had to start reaching a mainstream audience. That's when the industry went through upheaval with what is now called the advent of "labels gone wild." It changed everything.

Nor do I care about the year the wine was made. It seems to make sense to me that there, in fact, ought not to be any difference if wine was made in 1997 or 1998. It would be one thing if wines were like iPhones, so that 4G is definitely better than 3G, and so on. But that's not what the year on wine refers to: they aren't getting better and better at making it. It refers instead to the fact that the production process is so unstable that they can't even make the product consistent.

This is apparently a big deal especially in France, which has the equivalent of a Gosplan put together by bureaucrats and old-world industry technocrats for the production of wine. You can't just show up and stick some grape plants in the ground and make wine. No, no, that would somehow violate some precious tradition. You must obey the bureaucrats to make real wine.

And until recently, this central plan even forbid you from "artificially" irrigating your crops. It was believed that proper wine production required you to sit on your hands and wait for mother nature to decide to bless you with rain. This is what accounts for the big differences between vintages. Talk about primitive! If all producers had this view, we'd still all be living in caves or sitting under trees waiting for fruit to fall into our hands.

Fortunately, the great American wine company Gallo — the world's largest wine maker and it does make plenty of great wines — has made huge strides in recent years in cracking into the French market. The French government loosened up and let the American company in, and actually let the company water its plants, much to the derision of the traditional French wine industry experts, who love to sneer at Americans while watching their bottom line get ever worse and their dependency on government subsidies grow ever stronger.

So they watered their plants and the result was a smashing success. The wine Red Bicycle became a giant export. And you didn't have to become a wine and vintage expert to enjoy it. French wine became fun for the first time ever. Together with Fat Bastard, made by the Seattle company Click Wine Group, it is the Americans in France who have finally made the French wines a giant commercial success in the United States. By cutting through the wine world's traditional thick air of pretense and pomp, wine has once again become what it was in the ancient world, a drink for every man, every day.

Of course the French weren't going to sit by idly and let its precious traditions be trampled on by crude and rude Americans. So they did the traditional thing: they sued Gallo in court. It seems that someone found out that Bicycle's Pinot Noir (popularized in the United States by a movie of course) was only 85% Pinot and the rest a variety of grapes. It was a criminal conviction but the sentence was suspended. People predicted disaster for Gallo. Nope: the wine and the company enjoyed the new fame and the ever-higher sales.

This is the glory of capitalism at work. It has the capacity to reinvent the most stick-in-the-mud traditions and make them live again in new times. It has a wonderful way of stripping away the artifice, leveling the classes, and bringing wonderful things to everyone in a way that everyone can appreciate and understand. We don't have to put on airs. We can be ourselves and still enjoy the finest things in life.

This is because, eventually, capitalism turns every luxury into a necessity and make things once enjoyed only by the rich available to the workers and peasants of every land. This is why Gordon Gekko carried a cellphone the size of a brick in 1987, and today bums on the street surf the web with iPhones. The system that made this possible is the most democratic, most pro-people, most common-man social system ever conceived of in history.

Capitalism is the system for the 99%. This very feature is why the elites, and particularly the governing elites, truly hate it, and, if they have their way, they will never fully legalize it.

The Mighty Return of Lard

Few things in life are as satisfying as a transformative and implausible reversal of history that carries with it stern justice for wrongdoing and sweet victory for the side of truth and human well-being. When it happens, the period in which the wrong persisted without correction fades into memory as a mere parenthesis in the forward trajectory of time — and this is true whether the period of error lasted a year or ten or a hundred.

A beautiful case in point: the re-emergence of lard. It has happened with astonishing speed. Maclean's ran a piece praising its use in the flakiest of pie crusts. Mother Nature Network has declared that it is no longer a four-letter word. National Public Radio ran a segment rehabilitating the food and pointing out that one hundred years ago, lard was "a casualty of a battle between giant business and corporate interests."

Finally, Gourmet Live, the cooking site with the highest traffic on the Web, announced:

"Not only does lard produce superior pie crusts, crispier fried chicken and crunchier cookies than vegetable shortenings like Crisco, which was introduced by Procter & Gamble in 1911, but its fat is mostly monounsaturated, like olive oil's. Sourced properly (ideally, from a farmers' market) or made from scratch, lard is the ultimate natural food."

All of this in the last thirty days! This is indeed sweet victory, and it is a belated rebuke to that sanctimonious, socialist vegetarian Upton Sinclair, who in 1906 wrote *The Jungle*, a book that claimed that meatpacking workers sometimes fell into vats of boiling lard and only parts of the bodies were ever fished out.

Gross out! That book was said to have dealt a real blow to lard, at least according to NPR, though I also wonder if war rationing had something to do with the loss of favor for lard. In any case, in 1907, Procter & Gamble was awash in cottonseed oil for candles that was unmarketable due to the spread of the light bulb, so it came up with a new idea: a ball of fat called shortening.

The lard business was largely dead by World War II. I ran across a *Milwaukee Journal* editorial from February 1940 that expressed some sympathy for pig farmers and the lost market for their fat product, but it essentially told them to give it up, that lard was a lost cause and they needed to find some other use for their pig fat.

Some lost cause! More and more stores are carrying lard and displaying it proudly. To be sure, this might not be true in self-proclaimed "natural food" stores — which, as Marge Simpson says, "have a philosophy." I asked for lard at my local philosophy-based grocery, and the guy looked at me with barely concealed disgust and said, "You are kidding, right?"

Hey, it's their loss.

For my part, I never bought the whole anti-lard campaign. It is obviously better for pie crusts, but that's just the start of it. It is better for biscuits, and even better when lard biscuits are themselves fried in lard. It is better for fried chicken. Better for pancakes. Better for cakes and muffins. And bread. And fried potatoes. Once you have a tub of the stuff around the house, you will be amazed how many wonderful things it can do. And as every lard-experienced cook will tell you, things come out less greasy than they otherwise would with corn oil or shortening.

It's especially satisfying to see an emerging consensus that the rap against lard and fats in general is completely changing. I highly recommend a documentary called *Fat Head* that you can watch on Hulu. It is produced by Tom Naughton. Among many amazing points he makes, he documents a catastrophic turn in American diets that took place as late as the late 1970s.

It seems that Sen. George McGovern's Committee on Nutrition and Human Needs held hearings on "diet and killer diseases," out of which emerged Soviet-like Dietary Guidelines for Americans. We were told to eat less fat, that eggs were killing us, that meat was death, that we needed to live on grains and corn and so on.

These days, I'm not sure that anyone would pay much attention to such nonsense, but back then, it was a huge deal. School lunches all changed. The grocery stores shifted what they carried in response to a changed market driven by a gullible population. I vaguely recall this whole period, when burgers were mixed with soybean, corn was turned to sugar and we were all encouraged to chow down on a steady stream of carbs while avoiding any food that once walked on legs.

If you think about it, it's a bad sign for any government to back this or that form of diet. Talk about an intrusion into personal liberty. What we eat for dinner ought to be off-limits to the state, just as a matter of principle, in any free society. But in those days — kind of like

these days — nothing was off-limits. So bad science and fanatical vegetarian ideology ended up getting control of the levers of power. It goes without saying that lard was deadlier than ever.

Ah, but sweet justice comes around! The beautiful thing about the market economy is that it is responsive to changing public tastes. A fat that was killed off one hundred years ago can suddenly come back. There are producers ready to supply the market at a profit. The capacity of history to bend to the will of the consuming public is one of the many features of the market economy that government cannot replicate.

After all, take a look around at the silly things that government started doing one hundred years ago that it is still doing today: the post office, compulsory public school, the central bank, the income tax. We are stuck with all of this nonsense. Would that a change in public taste would cause these institutions to be replaced with institutions that extend from market choice. But no such luck: All this is forced on us at the point of a gun, which makes opting out rather difficult.

Change is a beautiful thing when its driving force is human choice. Our tastes change, and history changes with them. That's the way it should be, but it can be this way only in a world of freedom, private property, trade and entrepreneurship. In short, we need global capitalism all over the world so that human choice permits mistakes to be corrected. In this world, the results are often delightfully improbable: We are choosing lard again.

The Good News (for Animals) on Health Care

There's so much bad news about health care these days. Maybe it's time for some good news.

One sector, technology, is advancing at a pace never seen before. Customers have a range of services to choose from, and price competition is very intense. The doctor sees you whether you have insurance or not. Customers mostly pay directly for services. Overall spending is increasing, but that's because there are more services to purchase. Competition between providers is very intense.

Sadly, for humans, all this is taking place within veterinary medicine, and the beneficiaries are animals, mostly pets. According to *The New York Times*, the demand for advanced treatment is booming, and supply is responding. The paper cites the case of Tina, the ten-year-old chow that recently underwent chemotherapy and a bone marrow transplant at a clinic associated with the Mayo Clinic. The \$15,000 spent on this may sound like a lot, but it is far cheaper than the same services provided to people.

"A long list of cancers, urinary-tract disorders, kidney ailments, joint failures and even canine dementia can now be diagnosed and treated, with the prospect of a cure or greatly improved health, thanks to imaging technology, better drugs, new surgical techniques and holistic approaches like acupuncture."

To be sure, not too many people are willing to shell out this much to help their pets achieve a better life. This is a niche market. But that makes the existence of technological progress all the more remarkable. "Improved veterinary care for all pets has increased consumer spending in this area to \$13.4 billion last year from \$9.2 billion in 2006, according to the American Pet Products Association."

Some people theorize that progress in medicine is possible only with massive government involvement. You have to force business to provide insurance, for example. But only 3% of pet owners have insurance on their pets, and somehow the system works. You pay for what you need. Prices are posted and openly discussed. Everyone knows what's what. You can even find out the costs of services by looking on the Internet. Imagine that!

Also, and strikingly, veterinary medicine is relatively unregulated compared with the human health care industry. There are no budget-busting government programs to provide for poor pets or pets in their older years. There are no prescription drug benefits. There are no subsidies, mandates or third-party payment systems, much less threats, bureaucracies or a giant central plan designed to achieve universal access.

Instead, medicine for animals works just like any other normal market. There are standards, rules and private boards to assure quality control. There are strict and highly regrettable regulations on how many universities can offer certification, a fact that undoubtedly raises prices and salaries, but harms availability. But once the certified doctor opens shop, the customer is in charge.

You know it immediately when you walk in. There is not an intimidating receptionist, a long wait that takes all afternoon, detailed checks on your coverage or anything else. Instead, it is a friendly environment in which everyone speaks to you like a normal human being. You are welcome to call the doctor by his or her first name. They tell you everything you need to know. Prices are posted openly, and you can select among a vast range of services.

The customer comes first. And there is a constant awareness at every step that the customer is the one paying the bills, and that changes everything. You get thorough explanations of every option and procedure, along with a realistic look at risks relative to spending. You are in a position to accept or refuse, which gives the entire clinic a strong reason to be open and forthcoming about every aspect of treatment.

There are sometimes malpractice lawsuits, but they are rare because there is such open discussion of risks and uncertainties. The typical veterinarian pays \$500 per year in insurance to guard against such lawsuits. The annual fees for human doctors are \$15,000 and up.

What I find most striking in this case is the way progress in animal health care is happening as if driven by an invisible hand. There are no congressional debates, executive decisions or plans from the White House, no nationwide solutions imposed from the top down.

Now, you might say that this is a superficial example, that humans are obviously more important than animals, so it makes no sense to compare the two systems. The truth is that the same laws of economics apply to both. The laws of economics are universal and apply to every sector in all times and all places. So there are lessons to be learned.

If the customer were not paying, and the doctor were paid by a third party through some sort of mandate with a centrally planned price list, you would see prices go through the roof. Moreover, if there were some sort of universal access provided by government funding and control, you would see further upward price pressure.

In fact, if you were to set out to wreck this industry, you would follow a path very much like what has occurred in human health care. You would have business be responsible for the insurance, and make that insurance pay not only for emergency situations but for routine care involving simple shots and fleas. Then you would create giant programs to provide funding for young pets, old pets and poor pets and contemplate the bliss of universal coverage. If anything ever went wrong, you would have courts side with the pets over the doctor every time. You would have the government fund massive pet hospitals and insist that there should be no range of services, but rather that absolutely every pet has a "animal right" to the best care available no matter what.

You would popularize arguments: "Animal care is too important to be left to the wiles of the free market." Maybe you would even put this statement in a U.N. charter document on universal rights. In short, if you wanted to wreck this sector, you would socialize it, thereby dramatically reducing service, raising prices, increasing costs and stopping technological advance.

So far, the health care debate for humans has been driven by all the wrong impulses. The correct example of where we need to be going is right in front of our eyes. But it would mean getting the government to give up its control, and there is no more difficult task than that.

Truth in Advertising

If you are a visitor from another planet and you want to find out about real life on Earth, what do you watch on television to give the most accurate picture: the news, the shows or the commercials? Think about it realistically. We are seeking here an accurate window into what human beings are really like, the things they do, the stuff they really care about, the decisions they face on a daily basis. I would suggest that advertising is, by far, the best teller of the truth.

The news is mostly the "fake news," as *Saturday Night Live* many years ago put it. What matters and what doesn't matter is designed for certain effect that doesn't reflect anything really going on in your life at all. The North Star of the network news is the state and the political theater that serves as a kind of glossy finish on the top of the structure. The reporters prioritize their stories and values based on the state's own stories and values, and the rest of us mostly just pretend to care.

The television shows are unapologetic fabrications of life, with idealized actors and preset plots that do not and cannot really exist in real life. People don't do the normal things the rest of us do. There's nothing wrong with that, but it is not reality. Even "reality" shows are this way. If you are starring in an episode of *Bridezillas*, for example, you are going to go out of your way to be as witchy and horrible as possible.

Ah, but with advertising, you get the real story, the unvarnished presentation of real-life problems that affect everyone. One I just saw for the Neat scanner points out that our problems with paper have gotten worse, rather than better, since the advent of digital media. Unless we are making a concerted effort to de-physicalize things, we are going to be snowed under with 8.5x11 sheets piled to the ceiling. The Neat scanner shows us a way out of this problem, and it is a good way out. This is a serious problem that all of us have to deal with every day.

Another ad begins with a lady shopping for adult diapers in the grocery store while feeling profound humiliation as she checks out and others look on. Ouch. But now comes the solution. There is a website called adis.com that provides every manner of undergarment that you can order online at good prices. The goods arrive at your house in an unmarked package so that you don't have to feel that sense of humiliation.

In the daytime, there is a constant stream of products to deal with aging, which, we might point out, is a ubiquitous feature of the human condition. The normal problems people have hardly ever appear on the shows or the news, but the commercials are not even slightly squeamish in dealing with balding, bankruptcy, sexual dysfunction, weight gain, energy loss, depression and every bodily function and real-life malady one can imagine.

This is the real stuff of daily life that consumes people. Am I too fat? Why do I have to get up three times in the night to go to the bathroom? Why do my feet hurt at the end of the day? What should I do about my sky-high credit card debt? These questions are way more important to people than the latest political poll or Middle Eastern flare-up.

Maintaining a household turns out to be another center of people's real lives, and the advertisements fail us not. They deal with the problems of greasy meatloaf, knives that don't cut properly, silver that is tarnished, vacuums that don't stay plugged in, leftovers that do not store well — and in each case, the advertiser proposes what turns out to be an ingenious solution at a surprisingly low price.

Yes, of course, the advertiser wants us to buy the product, but it is your choice to do it or not. You are invited, not coerced. And even if you do not buy, you have to admit feeling a sense of inspiration to solve the problem in some other way, an element of collegiality with your fellow human beings just to know that you are not alone in your problem and a sense of empowerment just to know that all is not lost and that there is some hope.

It is beyond comprehension to me why advertising has been the target of brutal attacks ever since television came into existence. The top criticism is that advertising is somehow socially inefficient. Instead of giving price cuts to consumers or spending money on research and development. We can dispense with this nonsense quickly: If it weren't efficient for the company, the company would not do it. Every ad is tested against profitability insofar as this is possible.

Recall, too, that the major reason for advertising is to overcome the core problem that every enterprise faces, which is its obscurity. You have to get yourself known to people. But knowledge alone is not enough. You have to ascend the value scale of their preference rankings. You have to persuade people that what you have to offer is going to make enough of a difference in their lives to get them to cough up the money.

You might complain that these advertisers are only after your money. I don't see why this is a criticism. After all, the consumer is only after the product. The consumer gives the money, and the producer gives the product. It's called mutually beneficial exchange. And you might say that the advertiser only wants ever more of your money. Well, so too for the consumer: You want ever more of the product, which is why we are constantly told on ads to wait because "there's more!"

Another criticism of advertising is that it generates "false wants." The people who say such things imagine that they alone are the arbiters of what is a legitimate want. In other words, they want to rule your choices and tell you what you can and can't want. Down with those types, I say!

A final criticism is that what the ad says is often false or exaggerated. No kidding. Compare the content of advertising with the content of the average human conversation, of which lies and exaggerations are an integral part. We can't expect of advertising what we don't even expect of regular human interactions. At least there is accountability and a profitability test on advertising that tend to select out the liars over time. I'm not sure you can say the same with casual human interactions on a day-to-day basis.

I see that several infomercial makers have been prosecuted for making false claims, such as the guy who promoted a calcium product he said would reduce cancer risk. He was charged \$150,000 and banned from television for life. I don't get this. Why should the government be policing what people can and cannot claim on television? Buyer beware. Besides, if the state is to rid the TV of all false claims, the State of the Union address should never again be aired.

You know those ads from the government that you see at airports? They are announcing their policy. They tell you what you must believe or else. No private-sector ads are this way. They invite you to believe something. They seek to change your values. Then they want to bring something new and special to your life. It is up to you to go along or not. This is the way all human interaction ought to take place.

It is for this reason that advertising gives such a gritty, down-to-earth, truth-telling look at the human condition. It is a window into who we are, what we do, what makes us tick. And better than that, advertising seeks to improve the human condition and give us a better life. In this sense, it does for us what no state can ever really do.

Despair and the State

The sad and tragic story of Andrew Wordes — the chicken farmer who was driven to despair by government harassment and killed himself last month — continues to haunt me. And it turns out to be just one of millions of cases of similar psychological torment caused by government, directly and indirectly. These are wholly unnecessary events, inflicting terrible loss on the world.

For every one person who dies these days fighting in U.S. wars around the world, twenty-five other soldiers kill themselves. Veterans are killing themselves at a rate of one every eighty minutes. There are more than 6,500 veteran suicides every year. That's more than all the American soldiers killed in Afghanistan and Iraq in the last ten years, according to a *New York Times* analysis. Being a veteran apparently doubles your risk of suicide.

Economic conditions wrought by government policies around the world have contributed to the death toll. Europe is undergoing an epidemic of suicide in countries seriously hurt by the downturn. In Greece, the suicide rate among men increased more than 24% since the disaster hit. In Ireland, male suicides have shot up more than 16%. In Italy, economic-motivated suicides have increased 52%.

The big aggregates reported here do not convey the level of tragedy experienced in the lives of every single individual here. They leave behind shattered families and wrecked communities. There is an unbearably sad story behind every single statistic.

Anecdotal evidence suggests that the same is happening in the U.S. and that the broad trend follows economic prospects. The difference between the rising prosperity of a free market and economic desperation caused by government is really a matter of life and death. The desperation and sadness wrought by war — an extension of domestic policy and carried out with much higher stakes — is a symptom of the same problem.

These represent both direct and indirect ways that government is spreading misery around the world. The direct way involves war and its psychological effects. Being harassed by regulators is another direct way: The person sees no way out and is thereby driven to desperate measures. The indirect way results from the economic stagnation caused by government policies.

Life is hard enough on its own. Government makes it harder: its recession-causing policies; its policy responses that do not work; its regulations that makes people crazy; its poverty-inducing taxes and inflation; and, most of all, its wars have driven millions to despair.

Why the state in particular? It all comes down to the sense of having control over your life. The essence of statecraft is the absence of choice and the inability to escape. Many operations of the state try to disguise these features.

Once you develop a nose for this, you see it everywhere. The faces of people in line at the DMV, the sauntering mass in line to be screened by the TSA and even the blank stares you see in the post office lines. There is something about state policy that demoralizes us all. That takes a toll on our health and our outlook on life and even leads to tragedy.

I think back to the old Soviet days, which to me typify what it means for a society to be entirely under state control. The government put out a magazine called *Soviet Life*, and it was filled with pictures of happy, healthy people who were living fulfilling and active lives. The contrast with reality couldn't have been more extreme. Emigrants told stories of a demoralized population turning to alcohol, drugs and suicide — anything to escape the toxic combination of sinking living standards and the absence of choice due to despotism.

Today we know that the propaganda was a lie. What we fail to realize is that this human tragedy is not unique to a fully socialized society. We can get there in small steps by growing the state and expanding its reach year by year until it envelops us in all our life activities. We have to turn to the state ever more. We are blocked by barriers. Everywhere we go, we encounter bureaucrats who demand our papers, rifle through our belongings, forbid what we want to do and mandate what we do not want to.

Of course, soldiers in war face this reality every day. They are not their own persons. They must obey orders whether they make sense or not. They see things that no one should have to see and they are ordered to do things that no one should have to be forced to do. It is hardly surprising that people who go through such an ordeal have confused perspective on the value of human life.

To a lesser extent, citizens in every country with an interventionist state face an analogous situation. They may have a dream of starting or growing a business, but they are blocked — not because of their own lack of vision, but because of the thicket erected by public policy. The state acts as a dream killer. It becomes all the more maddening when there is nothing that the citizen can do about it. There is no real choice.

Oh they tell us that in a democratic system, we can vote and that this is our choice. We have nothing to complain about. If we don't like the system, we can change it. But this is wholly illusory. The government completely owns the democratic system and administers it to generate the types of results that government wants. More and more people are catching on to this, which is why voter participation falls further in every election season.

The great thinkers of the libertarian tradition have always told us that freedom and the good life are absolutely inseparable. I think of Thomas Jefferson, Frédéric Bastiat, Herbert Spencer, Albert Jay Nock, Ludwig von Mises, Murray Rothbard, F.A. Hayek, and so many others. Even contemporary authors have addressed the theme. They had long warned that every step away from freedom would mean a diminution of the quality of life. We are seeing these prophecies come true.

Too often public policy debates take place on the wrong level. The core point is not to make the "system" work better or otherwise fine-tune the rules within a bureaucracy. We need to start talking about larger issues about the dignity of the human person, the moral status of freedom, and the rights and liberties of the individual in society. The expansion of the state is not just wrong as a matter of "public policy"; it is wrong because it is dangerous to the good life and the quality of life.

To kill freedom is to kill the essence of what makes us human.

VIII.

The Literature of Liberty

What Is Laissez-Faire?

The latest data show that book sales are way up this season. So much for the prediction that books will be killed by technology. On the contrary, technology has enabled the great literature of the ages and the present to be put in the hands of everyone. I can't think of a better time to begin refurbishing Laissez Faire Books (founded in 1972), because it is the market that laissez-faire celebrates that has made all the literature we love more accessible than ever.

Addison Wiggin, president of Agora Financial, and I were discussing the various challenges ahead of us as we infuse new life into an old and venerable institution. He drew my attention to a point that I've overlooked. Most people don't know the term "laissez-faire." They don't know how to say it (that very day, I was introduced for a speech, and the host mispronounced it) and they don't know what it means. Once in common circulation, this term has not been in common use, even in libertarian circles. So we have some work to do, in helping people even understand the name of the bookstore at lfb.org.

The pronunciation in English is lay-say-fair. Its French origins date back to the late Renaissance. As the story goes, it was first used about the year 1680, a time when the nation-state was on the rise throughout Europe. The French finance minister, Jean-Baptiste Colbert, asked a merchant named M. Le Gendre what the state could do to promote industry.

According to legend, the reply came: "Laissez-nous faire," or "let it be." This incident was reported in 1751 in the *Journal Oeconomique* by the free-trade champion Rene de Voyer, Marquis d'Argenson. The slogan was codified finally in the words of Vincent de Gournay: "*Laissez-faire et laissez-passer, le monde va de lui même!*" The loose translation: "Let it be and let goods pass; the world goes by itself."

We've rendered this in the form you see on our masthead: Leave the world alone, it manages itself. You could shorten it: Let it be.

All these renderings express not only the idea of free trade — a main subject of dispute in 18th-century European politics — but also a larger and more beautiful vision of the way society can be permitted to work.

This idea can be summed up in the phrase "laissez-faire," or in the doctrine of what was once called simply liberalism, which today is clarified as classical liberalism. This idea is this: Society contains within itself the capacity for ordering and managing its own path of development. It follows that people should enjoy the liberty to manage their own lives, associate as they please, exchange with anyone and everyone, own and accumulate property and otherwise be unencumbered by state expansion into their lives.

In the centuries that have followed, millions of great thinkers and writers have elaborated on this core idea within all disciplines of the social science. Then as now, there stand two broad schools of thought: those who believe in state control of one or many aspects of the social order and those who believe that such attempts at control are counterproductive to the cause of prosperity, justice, peace and the building of the civilized life.

These two ways of thinking are different from what is called the right and the left today. The left is inclined to think that if we let the economic sphere be free, the world will collapse, which advances some theory of the disaster that would befall us all without government control. The right is similarly convinced that the state is necessary lest the world collapse into violent, warring, culture-destroying gangs.

The laissez-faire view rejects both views in favor of what Claude Frédéric Bastiat called "the harmony of interests" that make up the social order. It is the view that the artists, merchants, philanthropists, entrepreneurs and property owners — and not the cartelizing thugs of the state — ought to be permitted to drive the course of history.

This view is now held by millions of thinkers around the world. It is the most exciting intellectual movement today, and in places where we might least expect to find it. There are institutions in every country devoted to the idea. Blogs and forums are everywhere dedicated to the conviction. Books are pouring out by the week and the day. The revolt against the state is growing.

The growth of the idea of laissez-faire in our times is infused by a digital energy. But the idea itself is not new in world history. Though it is mostly associated with 18th-century British thought, it is a view of society that has much deeper roots in the Christian Middle Ages and early Jewish thought. Nor is laissez-faire somehow a Western idea alone. The deepest roots of laissez-faire actually trace to ancient China, and even today, the thoughts of the masters offer a fine summary.

Here are some examples:

Lao Tzu (6th century B.C.): "The more artificial taboos and restrictions there are in the world, the more the people are impoverished.... The more that laws and regulations are given prominence, the more thieves and robbers there will be..."

"The Sage says: 'I take no action, yet the people transform themselves, I favor quiescence and the people right themselves, I take no action and the people enrich themselves...'"

Chuang Tzu (369-286 B.C.): "I would rather roam and idle about in a muddy ditch, at my own amusement, than to be put under the restraints that the ruler would impose. I would never take any official service, and thereby I will [be free] to satisfy my own purposes."

"There has been such a thing as letting mankind alone; there has never been such a thing as governing mankind [with success]." The world "does simply not need governing; in fact, it should not be governed."

Pao Ching-yen (4th century A.D.): "Where knights and hosts could not be assembled, there was no warfare afield.... Ideas of using power for advantage had not yet burgeoned. Disaster and disorder did not occur.... People munched their food and disported themselves; they were carefree and contented."

Ssu-ma Ch'ien (145-90 B.C.): "Each man has only to be left to utilize his own abilities and exert his strength to obtain what he wishes.... When each person works away at his own occupation and delights in his own business, then like water flowing downward, goods will naturally flow ceaseless day and night without being summoned, and the people will produce commodities without having been asked."

These early beginnings of the idea began here but can be traced through thinkers of ancient Greece and Rome and through the Middle Ages, until the notion swept the world in the 18th and 19th centuries, giving rise to unheard-of prosperity, liberty and peace for all. In the 18th century and in large parts of the world (other than the English-speaking world), laissez-faire has been called liberalism or classical liberalism, a doctrine of social organization that can be summed up in the words of Lord Acton: Liberty is the highest political end of humankind.

To be sure, the notion of liberalism was already corrupted early in the 20th century. As Ludwig von Mises wrote in his book *Liberalism* (1929), "The world today wants to hear no more of liberalism. Outside England, the term 'liberalism' is frankly proscribed. In England, there are, to be sure, still 'liberals,' but most of them are so in name only. In fact, they are rather moderate socialists. Everywhere today, political power is in the hands of the anti-liberal parties."

That remains true today. And the revolt against this is often termed "libertarian," a word that has long been associated with a primary concern for human liberty. In current understanding, it refers to a tightening and radicalizing of the old liberal view. It asserts the inviolability of property rights, the primacy of peace in world affairs and the centrality of free association and trade in the conduct of human affairs. It differs from the old liberal view in dispensing the naive view that the state can be limited by law and constitutions; it imagines the possibility that society can manage itself without a state, defined as the one institution in society that is permitted the legal right of aggression against person and property. Libertarians are consistently against war, protectionism, taxation, inflation and any laws that interfere with the right of free association.

Libertarianism came of age in the early 1970s with the writings of Murray Rothbard and, later, with the founding of Laissez Faire Books and the work of Robert Nozick and Tibor Machan. Libertarians are not necessarily anarchists or anarcho-capitalists, but the main strain of thinking in the libertarian world today revolves around the idea of statelessness as an intellectual benchmark. This view is not utopian or far-flung; it is only the hope for an ideal in which theft, murder, kidnapping and counterfeiting are not legally sanctioned by the state.

Nor is such a society historically unprecedented. Rothbard wrote about Colonial America as an example of a wildly successful experiment of society without a central state. Medieval Europe made the first great economic revolution without recourse to the power of the nation-state. David Friedman has documented anarchism and competitive legal orders in medieval Iceland. Other writers go so far as to say that given how we conduct our lives day-to-day, relying on the productivity of private institutions and associations, we never really leave anarchy.

As Mises says, liberalism/libertarianism/laissez-faire is not a completed doctrine. There are so many areas remaining to be explored and so many applications to make both in history and in our time. The most exciting books of our time are being written from the vantage point of human liberty. The state is on the march, but the resistance is growing.

It is my great honor to be involved in the Agora effort to revive Laissez Faire Books as the international distribution and publishing house for the greatest ideas of our time. It is a debilitating thing to watch the state on the march, but it is a source of joy to know that ideas are more powerful than all the armies of the world. Reason, literacy and relentless work for what is right and true will eventually lead the idea of laissez-faire to victory.

What Is or Should Be the Law?

It seems that the president is frustrated with Congress. What kind of legislature is this, he asks, that fails to immediately enact the will of the executive? The executive has been using a slightly different approach these days: He uses an executive order. Forget all that stuff you have read in the civics texts about checks and balances and the branches of government. The executive order bypasses them all.

The White House even has a name for this: “We Can’t Wait.” There is even an official dot-gov website. Hey, if you are going to shred the Constitution and pass laws like a dictator, the best approach is to do it out in the open. “If Congress refuses to act,” he says, “I’ll continue to do everything in my power to act without them.”

To be fair, he is hardly the first. The president before him did it, and the president before that and so on back to World War I and before. Every new guy cites the precedent of the old guy, as if that alone provides justification. Defying the Constitution has a long tradition, don’t you know.

But you know what this tells me? What this country needs is a good theory of law. We even lack the language to talk about what is happening to us. One party denounces the other but only in ways that exempt itself from criticism. As a result, the “man on the street” is not even prepared to talk about fundamental questions.

Example: Where did law come from, and what should it do? Sure, people get annoyed at the police, irritated by the TSA or startled to read about periodic injustices of public policy. One party gets annoyed when the other party’s president enacts laws without regard to any constitutional conventions.

But what is the law, and what should it be? These are the bigger questions that are not part of public consciousness.

The same was true in the time of Frédéric Bastiat (1801—50). At the very end of his life, he wrote an impassioned plea on the topic. He tried to get people to think hard about what was happening and how law had become an instrument of plunder, rather than a protector of property.

He writes:

“It is not true that the function of law is to regulate our consciences, our ideas, our wills, our education, our opinions, our work, our trade, our talents or our pleasures. The function of law is to protect the free exercise of these rights, and to prevent any person from interfering with the free exercise of these same rights by any other person.”

This is from Bastiat’s *The Law*, one of the great political essays to emerge from the whole Continental world of the 19th century. It vanished into obscurity in France, was resurrected in late 19th century English, and then disappeared again, only to reappear in the United States in the 1950s, thanks to the efforts of the Foundation of Economic Education.

This essay asks fundamental questions that most people go through life never having thought about. This book is part of Laissez Faire Books’ set of new works that seeks to find what is essential in the literature and distribute it in new ways. (It also has the coolest cover ever for this book.)

The problem is that most people accept the law as a given, a fundamental fact. As a member of society, you obey or face the consequences. It is not safe to question why. This is because the enforcement arm of the law is the state, that peculiar agency with a unique power in society to use legal force against life and property. The state says what the law is — however this decision was made — and that settles it.

Bastiat could not accept this. He wanted to know what the law is, apart from what the state says it is. He saw that the purpose of law is, most fundamentally, to protect private property and life against invasion, or at least to ensure that justice is done in cases in which such invasions do take place. This is hardly a unique idea; it is a summary of what philosophers, jurists and theologians have thought in most times and places.

Then he takes that next step, the one that opens the reader’s eyes as nothing else. He subjects the state itself to the test of whether it, the state itself, complies with that idea of law.

He takes notice, even from the first paragraph, that the state itself turns out to be a lawbreaker in the name of law keeping. It does the very thing that law is supposed to prevent. Instead of protecting private property, it invades it. Instead of protecting life, it destroys it. Instead of guarding liberty, it violates it. And as the state advances and grows, it does this ever more, until it becomes a threat to the well-being of society itself.

Even more tellingly, Bastiat observes that *when you subject the state to the same standards that the law uses to judge relations between individuals, the state fails*. He concludes that when this is the case, the law has been perverted in the hands of the governing elites. It is employed to do the very thing that the law is designed to prevent. The enforcer turns out to be the main violator of its own standards.

The passion, the fire, the relentless logic have the power to shake up almost any reader. Nothing is the same. This is why this monograph is rightly famous. It is capable of shaking up whole systems of government and whole societies. What a beautiful illustration of the power of the pen.

But take notice of Bastiat’s rhetorical approach here. His conclusion is at the beginning. Why? He did not have that much time (he died not long after writing *The Law*). He knew that the reader didn’t, either. He wanted to raise consciousness and persuade in the most effective way. Even from a stylistic point of view, there is much to learn from his approach.

Laissez Faire Books is honored to give new life to this remarkable document in this edition, which revives the translation by Dean Russell. It also includes an introduction by Bill Bonner, who gets my vote for the most underrated voice in defense of old-style liberalism in the world today. He explains how Bastiat’s essay opened his eyes to see the world in a new way.

It is a habit of every generation to underestimate the importance and power of ideas. Yet the whole world that we live in is built by them. Nothing outside pure nature exists in this world that did not begin as an idea held by human beings. This is why a book like this is so powerful and important. It helps you see injustices that surround us, which we are otherwise inclined to ignore. And seeing is the first step to changing.

That’s why it continues to be printed and circulated and why every living soul should read it. If we are to see a renewed appreciation of the idea of liberty in our lifetimes, this monograph written so long ago in a country so far away will deserve a great deal of the credit.

See the World Through Bonner's Eyes

In the spring of 2012, Bill Bonner, founder of Agora Inc., took a break from his daily column in *The Daily Reckoning*, and, like hundreds of thousands of others, I went through withdrawal. Fortunately, I had a copy of his wonderful book, *Mobs, Messiahs and Markets*, to devour as I awaited his return.

This is a book, written with co-authored contributions from Lila Rajiva, that lifts the fog spread by governments and mainstream media so that we can all see reality for what it is. It covers in great detail the transformative decade from the late '90s to the late 2000s, and therefore chronicles everything crucial to understanding the world as it is today: the digital revolution, the rise of the police state, the move from boom to bust, the end of American economic supremacy, the expansion of imperial violence.

Several points stand out here about Bonner the man, who (to my mind) doesn't get the vast credit he deserves as one of the most articulate and insightful public intellectuals of our time. He is neither political agitator nor walled-off professor, but his writing tells you more about politics, economics, culture and trends than you are likely to find in any rally or classroom. He has his eye on the issues that matter, and a value system (he loves liberty and loathes despotism) that shatters political conventions.

As for his influence as a thinker, a whole generation or two of investors, intellectuals, journalists and citizens of the world have been raised on Bonner's writings. They are compelling not because they are ideologically driven or splashy, but because they are independent-minded and infused with vast knowledge of history and philosophy and take a perspective that disregards the opinion cartel. That is to say, they are eye-opening and provide a completely different look at the world.

As a stylist, he is legendary. I would put his writings on public affairs in the same class with other famed stylists like Frédéric Bastiat, Mark Twain, H.L. Mencken, and Joseph Sobran. There is a curse that comes with that status. It means that hardly anyone has the competence to write about their work, because the attempt can't come anywhere close to matching the virtuosity of the subject's own prose.

To put it plainly, writing about Bonner is intimidating because reading Bonner is always a better use of time. I feel that same sense just writing about this book. Nothing I can say will be as clear, precise and downright interesting as what Bonner himself writes.

"Fake news is not news at all. It's old news. Storyboarding does to the news what waterboarding does to prisoners — it persuades it to say what you want to hear. Hoodwinking the enemy on a classical battlefield — which follows its own rules of engagement — is one thing. Bamboozling civilians in modern total warfare is rather different. And swindling the crowd cheering at home is something else altogether.

"By that standard, American chariot wheels have not just hit the ground. They have gone through it and are burrowing down into Hades. Storyboarding was directed not at the population in Iraq, which is supposed to be a born-again democracy now, anyway. It was aimed at the population back home in America. Journalists who faked news stories were firing on this pathetic home crowd, making it impossible for the lumps to get even the tiniest scrap of real information about the war, even though they were being asked to give up their children for it. They thought they were volunteering to fight for the republic; they didn't know they were signing up for the Aztec child sacrifice."

My friends, that is not just great thinking; that is brilliant writing. Consumers of Bonner's prose marvel day after day, ever since 1978 and especially since he went online in 1996, at his capacity to offer prose and analytics on an ongoing basis. Most of us struggle to write anything this good in a year; for Bonner, it is a daily thing.

Here is another sample of his writing and thinking, and this passage concerns the outrageous CEO salaries during the credit-drunk boom times of 2005:

"Top business leaders have become like sports heroes but without the talent. You need not have any real knowledge of the business you are getting into, or, as Bernie Ebbers demonstrated, any real knowledge about business of any sort. What will get you a job as a leader in the corporate world is the same thing that will get you a woman in the mating game — outsize confidence.

Human life — apart from the obvious physical aspects — is largely about what scientists call "impression management." A man with a good line of talk and a confident air about him gets almost anything he wants, and that includes the CEO job at a major U.S. corporation... Then you may worry — what if the company doesn't do well? Well, what if? Again, recent history shows us that you can fail miserably in Corporate America and still leave with a lot of money."

On equality as proclaimed by the Founding Fathers:

"When Americans celebrate the birth of their nation, it bothers no one that the Founders' most important insights are palpably untrue. People are born different. It is only before the law that they are equal, and then only if they have enough money for a good lawyer."

Here is how that insight pertains to investing:

"What of the so-called level playing field of the investment markets? A fellow has been told that he has as much chance to make money from his investments as Warren Buffett and George Soros. In the abstract, it sounds as though it might be true. But if he drove his car based on abstract principles, he'd soon be dead. For investing as well as driving, it's the precise details that matter."

I'm toying with a theory why some of the best books of our time — this one among them — are written by people with an eye to investment opportunities and strategies. How is it that this commercial beat manages to unearth such spectacular insight, whereas thousands of dreary academic tomes languish and have no impact on the world at all?

My theory is that this is because real-time commerce is the most overlooked force in the universe. Commerce even provides the test of the long-run merit of ideas: Ideas rooted in truth instantiate themselves in institutions and become part of history. Therefore, following the commercial thread through time means following meritorious ideas and the real ways in which people use them to live their lives. Yet because economic ignorance is so pervasive, especially in journalism and academia, few are in a position to follow this thread. They end up daydreaming about untruths for a living.

This sets up an interesting irony. A writer like Bill Bonner, and the same can be said of Lila Rajiva, can track and explain our world in a way that few tenured professors can or ever will. Of *Mobs, Messiahs and Markets*, the famed investor Marc Faber says it "is such an excellent book that if I had to name just one book investors should read, this is the one I would select."

I would actually go further to point out that its insights pertain not only to investment but to the whole of life and, therefore, should be read by everyone who wants to see the world with new clarity.

A Case for Danger

There's a national park close to my house that has a large lake and all the swimming accoutrements left over from the 1970s. It's a nightmare for any "safety Nazi." The water is very deep. A diving board is very high and slippery, even slightly broken. There is no lifeguard on duty. If you dive incorrectly and get the wind knocked out of you, you could easily drown. The distances in the lake are deceiving. The shore looks closer than it is. If you are swimming in the middle of the lake, and find yourself tired out, there's no hope.

Older people reading this are thinking: "So what? This sort of thing was everywhere when I was a kid." True enough. But younger people today know nothing of this environment. Today, every playground is hyper-safetyized. Danger has been nearly eradicated. Swings don't swing high. The movements of all playground equipment are severely restricted. Swimming pools are getting ever more shallow. Diving boards aren't even allowed in many subdivisions.

It's suggestive of a gigantic cultural shift, one backed by thousands and millions of government regulations, with more on the way. The drive is to create an entire world around us that is all about safety so that we can be coddled in every conceivable way, a world that never gives rise to that inner feeling of possible danger and, therefore, self-responsibility and internally driven caution.

It is all about which parts of the brain are fired up when we go about any of life's activities. If we have institutions to protect us and eliminate all risk and all genuinely experimental play, we no longer have a sense that risk even exists or how we should respond to it.

I dove into the lake of danger the other day and felt it, that sense that I had better make the right decisions here or I'm a goner. It's an unusual feeling. I admit that I found it initially alarming. But after you get used to it, it's invigorating. It makes you feel as if your fate is in your own hands. You must be wise. You have to take account of unknowns. You have to think, prepare, be cautious, and calibrate the payoff relative to the probability that something could go wrong. Once you do that, lo! It is fun and wonderful.

How is it possible that anyone today is even allowed near this lake? I'm not entirely sure, but I suspect that it remains untouched by

regulatory trends because it is federally owned and therefore inevitably neglected. No one cares about this space. So long as the workers get paid, and the safety Nazis are not out picketing and screaming about it, the place retains that old-world sense of real life. (No surprise that this place is enormously popular among young students.)

The impulse to create environments that are hyper-cushioned and protected does not prepare anyone for effective functioning in real life. That's because this type of environment has nothing to do with the real world. No matter how much we regulate, manage, create safety nets and otherwise build systems that remove obvious dangers from the world, the structure of the universe guarantees that the future is always unknown. Uncertainty does exist and cannot be eradicated. Change happens, and we have to be prepared to adapt to it. Nothing that happened in the past can necessarily be repeated in a changed future.

This is especially true in the economic environment. In a growing and developing economy, there is no stasis. Nothing is exactly the same from one day to the next. There are constant changes in prices, resource availabilities, consumer tastes, worker availability and, especially, in technology. If a system cannot accommodate these, it is useless.

In a growing economy, there are profits and losses, success stories and bankruptcies, amazing triumphs and terrible losses and, most of all, there are surprises around every corner. Every day is an opportunity for something newer and better.

The government talks of stabilization, but there is no stability in a developing economy. Change, change, and more change is the central character. Institutions rise and then must be torn down and replaced by new institutions.

This is the core of what builds a great civilization. It is not safety and stability but open-endedness, the opportunity for discovery and reinvention — that is the driving force of social and economic development. This also happens to be the very thing that bureaucracies and regulations oppose. They shut opportunity and constrain innovation. They tend to want to preserve what is outmoded and put fetters on what is emerging.

But here is the irony: If we think of history as the competition between controlled safety under despotic rulers and open-ended uncertainty under freedom, societies that embrace freedom win out every time. Freedom leads to growth and long-run triumph.

In the 20th century, we saw many experiments with the closed model that used the state to try to guide societies toward a certain end. This necessitated the constricting of experimentation, trial and error, human liberty and self-responsibility.

The experiments went by various names: socialism, fascism, New Dealism or whatever. But they all failed. There were many reasons for the failure, but a main one was that they put down the ability to dispense with things that were no longer working and experiment with new approaches that may or may not work.

Daniel Cloud, author of *The Lily*, the e-book of the week in the Laissez Faire Club, explains that every truly successful society must have two features.

First, it must have some system in place for getting rid of laws, institutions, production processes and patterns of living when they are no longer working. That means that human volition must be unleashed in the context of personal responsibility and private property. People, and not bureaucracies, must be empowered to be the primary decision makers, because only acting human being can be truly adaptable to change.

Second, there has to be a system for new institutions and innovations to make further innovation down the line ever easier. Each step down the path to social advancement has to enable the next step to be less costly and more rewarding. In this way, innovations are not dead ends, but tools that inspire ever more progress.

This is another way of saying that capital, the tools that make other tools, is indispensable for serious economic development. But that also means that capital must be in private hands — owned and controlled — from which it can be applied in ways that embrace the unknown future with an eye to trial and error.

If you think about the government's response to the 2008 financial meltdown, it has pursued a course that is exactly the opposite of what you want in a growing economy. It saved unprofitable institutions. It tried to restore the status quo ante in the housing market. It tried to cushion the needed shift in labor resources. It tried to reverse history and make things as they were, spending and creating many trillions of dollars to do it.

But things can never be as they were. The crisis was an opportunity to clear out what was not working and inspire the creation of new institutions that would work. In the digital world that the government (mostly) does not control, this happens every day. But in the physical world that the government does control, policy intervened to prevent the clearing out of the bad and the emergence of the new.

It is hardly surprising that we are left with a terrible and grinding stagnation, with no end in sight. The government has tried to turn the entire macro economy into a massive safety zone for everyone. Indebted consumers, bloated corporations, coddled and overpaid workers, subsidized sectors and dependent financial institutions are just supposed to keep on keeping on. It's as if the government tried to create a modern kid's playground of perfect safety and predictability, a place where all that happens is preapproved and nothing unexpected ever takes place.

It's been tried before. It might sound like a good idea, but the result is catastrophic for the social order.

What economic actors really need is an environment much more like the national park lake I went to. There is danger and risk. There is no life guard on duty, and everyone knows it. Everyone feels it. This inspires individuals to take responsibility, to feel that sense of awesome adventure, to carefully calibrate risk and reward and to try to things that test the limits. In the end, as the students who frequent this park can tell you, a society like that hones skills and inspires the imagination; in the end, it is also a heck of a lot more fun.

Mencken the Great

Shawn Lyttle, a colleague at Laissez Faire Books, did a very dangerous thing yesterday. He shoved into my hand a little book called *Three Early Works*, by H.L. Mencken. I opened it and felt that whooshing sound of my brain being sucked into the delirious world of the greatest American sociologist.

For anyone who loves liberty and ideas, Mencken is impossible to put down. As you read, you feel your internal constitution change. It is exhilarating and transforming. You sense that you are thinking hard for the first time in a long time. With him as your guide, you throw off conventions that surround us. You feel liberated, prepared for new things, renewed in spirit, defiant, courageous.

So there went my evening. I had a thousand other things to do, but instead, I couldn't stop reading this material written almost a hundred years ago. The writing is fresh and wonderfully reckless, like a banned document newly come to light.

On culture, Mencken was a highbrow elitist who understood lowbrow tastes like no one else. On politics, he was an anarchist in spirit who regarded democracy as the world's most idiotic political system. On religion, he considered the whole thing to be hokum designed to sustain myths we want to believe, yet he maintained deep and lasting friendships with high church officials. On life in general, he loved liberty with a deep and burning passion, and it is this point that makes his work so inspiring.

If you were not both delighted and outraged as you read anything he wrote, he would consider himself a failure. How did Mencken do it? How did he write so much dazzling prose that holds up so long after it was written? Where did he get his insight? How did he manage to write so well? One more telling question: In our times of hypersensitivity and opinion conformism, how does it come to be that it is still legal to read this stuff?

The three early works in print in this one book here are *A Book of Prefaces* (1917), *Damn! A Book of Calumny* (1918) and *The American Credo* (1920). The first shows that he was a first-rate literary critic, probably the greatest ever. This man was a genius scholar, even though he never taught in a university. He was a journalist at a time when there were high standards attached to that word.

In this first work, he writes about Joseph Conrad, Theodore Dreiser, James Huneker and "Puritanism as a Literary Force," which set the whole literary tone of the next decade. These are the works that caused a whole generation to fall down in awe. He didn't attract fans by saying what people wanted to hear. He never curried favor. He never bowed to convention. Quite the opposite. He is alarming, unsettling, unexpected, outrageous. In this way, he pioneered what came to be called literary criticism.

The next book is hilariously subtitled *A Book of Calumny*. A calumny is an unflattering comment that is false but passed on anyway. By calling these 49 essays in this book calumnies, he immediately evades the criticism that what he is saying is untrue and wicked. In truth, most of what he is saying is both true and wicked. The essays are about a page long, sometimes only a paragraph. They are so rich and pithy that you nearly have to stop after reading each one — stop just to absorb his point, arguing with him in your mind, contemplating the implications of what he is saying.

The final section is his book called *The American Credo*. It consists of 488 small sentences that Americans believe about the world. There is no way to read even a few without laughing out loud. In fact, I disturbed a roomful of quiet lounge patrons in this very nice hotel by involuntarily emitting loud yelps of delight. After even the servers started glaring at me, I realized that if I was going to keep reading this, I was going to have to move to another venue.

I'll just offer some of his whimsical musings completely randomly. Americans believe:

- ◆That when one takes one's best girl to see the monkeys in the zoo, the monkeys invariably do something that is very embarrassing
- ◆That something mysterious goes on in the rooms back of chop suey restaurants
- ◆That oil of pennyroyal will drive away mosquitoes
- ◆That the old ladies on summer hotel verandas devote themselves entirely to the discussion of scandals
- ◆That every circus clown's heart is breaking for one reason or another
- ◆That a bullfighter always has so many women in love with him that he doesn't know what to do
- ◆That the music of Richard Wagner is all played fortissimo, and by cornets
- ◆That the Masonic order goes back to the days of King Solomon.

And so on through all 488 of them. From them, you get a great picture of the American mind as it stood in 1920. Mencken poked fun constantly and uproariously at Americans — while at the same time absolutely loving American culture. It is an interesting balance. He helps us understand ourselves and laugh at ourselves, while inspiring a discomfiting level of internal criticism.

Readers should not skip the introduction to this third section. Here is a brilliant contribution to understanding the big picture. Read the following and remember that we are talking about 1920:

The American of today, in fact, probably enjoys less personal liberty than any other man of Christendom, and even his political liberty is fast succumbing to the new dogma that certain theories of government are virtuous and lawful, and others abhorrent and felonious. Laws limiting the radius of his free activity multiply year by year: It is now practically impossible for him to exhibit anything describable as genuine individuality, either in action or in thought, without running afoul of some harsh and unintelligible penalty. It would surprise no impartial observer if the motto "In God we trust" were one day expunged from the coins of the republic by the Junkers at Washington, and the far more appropriate word, "verboten," substituted. Nor would it astound any save the most romantic if, at the same time, the goddess of liberty were taken off the silver dollars to make room for a bas-relief of a policeman in a spiked helmet. Moreover, this gradual (and, of late, rapidly progressive) decay of freedom goes almost without challenge; the American has grown so accustomed to the denial of his constitutional rights and to the minute regulation of his conduct by swarms of spies, letter-openers, informers and agents provocateurs that he no longer makes any serious protest.

Please permit me to quote his observation on the core of the American spirit, a point that explains the total disorientation that has affected the young generation today:

But what, then, is the character that actually marks the American — that is, in chief? If he is not the exalted monopolist of liberty that he thinks he is nor the noble altruist and idealist he slaps upon the chest when he is full of rhetoric, nor the degraded dollar-chaser of European legend, then what is he? We offer an answer in all humility, for the problem is complex, and there is but little illumination of it in the literature; nevertheless, we offer it in the firm conviction, born of 20 years' incessant meditation, that it is substantially correct. It is, in brief, this: That the thing that sets off the American from all other men, and gives a peculiar color not only to the pattern of his daily life but also to the play of his inner ideas, is what, for want of a more exact term, may be called social aspiration. That is to say, his dominant passion is a passion to lift himself by at least a step or two in the society that he is a part of — a passion to improve his position, to break down some shadowy barrier of caste, to achieve the countenance of what, for all his talk of equality, he recognizes and accepts as his betters. The American is a pusher. His eyes are ever fixed upon some round of the ladder that is just beyond his reach, and all his secret ambitions, all his extraordinary energies, group themselves about the yearning to grasp it.... The American is violently eager to get on, and thoroughly convinced that his merits entitle him to try and to succeed, but by the same token, he is sickeningly fearful of slipping back, and out of the second fact, as we shall see, spring some of his most characteristic traits.... Such a thing as a secure position is practically unknown among us. There is no American who cannot hope to lift himself another notch or two, if he is good; there is absolutely no hard and fast impediment to his progress. But neither is there any American who doesn't have to keep on fighting for whatever position he has; no wall of caste is there to protect him if he slips. One observes every day the movement of individuals, families, whole groups, in both directions. All of our cities are full of brummagem aristocrats — aristocrats, at all events, in the view of their neighbors — whose grandfathers, or even fathers, were day laborers; and working for them, supported by them, heavily patronized by them, are clerks whose grandfathers were lords of the soil.

Do you see, then, how much Mencken truly loved this country? He loved this country and hated its government, especially because he saw what the government was doing to the American culture and to the core spirit of his times.

His times are our times. Mencken speaks as powerfully to us as he did to his generation. That is why it is a good idea to read as much Mencken as possible — before doing so is made illegal.

To Love the Unknown

Why do we let the police power of the state take over and inevitably wreck so many aspects of our life? Why do we tolerate the invasions of our homes, businesses, and bank accounts?

One theory: people find more comfort in the false security that the state provides over the uncertainty of a liberty-driven future.

We want a plan. We want a road map. We want assurance of what tomorrow will bring.

Politicians don't provide that, but they are glad to promise it. Liberty makes no such promise.

Fine. In that case, if we are to treasure liberty, we need to find a way to embrace, to love, to understand, and to appreciate the beauty of an unknown future. Just because we can't imagine it doesn't mean that it won't dazzle and delight us with creative surprises. How can we develop affection for and confidence in something we cannot yet see?

We need a better understanding of how society evolves. I think I have just the guidebook here.

"The true measure of human genius," writes Daniel Cloud in *The Lily*, a poetically dazzling defense of economic freedom, "lies in the fact that we're able to bring about things that exceed our own comprehension."

And what is it we cannot comprehend? A future that is always clouded in uncertainty. That none of us know what tomorrow will bring is a universal fact that unites all of humanity.

Cloud has a radical judgment on this condition. He writes that this position of not knowing is the very source of society's progress, creativity, inspiration, and productive learning. It is also why we need radical freedom to discover and adapt. He urges us to embrace what most people find scary, to learn to love what we do not know and to use uncertainty as our finest tool in building a bright future.

This unusual defense of freed institutions goes to the root of the problem that confronts every intellectual and every society: How can we confront the issue of change? Do we regret it as destabilizing and contrary to rational plans? Or do we welcome it with openness, playfulness and anticipation of learning tomorrow what we do not know today? His conclusions challenge the very core of the social sciences, including mainstream economics and the dominant assumptions about politics today.

Cloud has a most interesting background that prepared him to write this expansion of the case for the free society on themes first taught by F.A. Hayek. Cloud teaches the philosophy of science at Princeton University. Before that, he was the manager of several hedge funds and traveled and worked extensively in China. This book brings together his two loves: entrepreneurship in real markets and high-level philosophy with a focus on biological evolution.

In his business life, he observed how enterprise relies most fundamentally on adapting to unknown conditions: Those who excel at this difficult task are those most willing to acknowledge the limits of their understanding and learn as they go. They make "irrationality" work in their favor. In contrast, the world of academia is packed with people who are loath to admit any absence of understanding because they believe that their knowledge of the world and ideas is complete and fully rational.

This book, then, could be retitled *What My Academic Friends Could Learn About Society From Understanding the Real World of*

Economics. The book is called *The Lily* by way of reference to the famous passage from the Sermon on the Mount: “Consider the lilies, how they grow: they toil not, they spin not; and yet I say unto you, that Solomon in all his glory was not arrayed like one of these.” As Cloud renders the passage, the lily was not weighed down by a rational plan for its well-being and, for this very reason, adapted and became the most beautiful of all the flowers.

So it is for societies. Free societies beat controlled societies every time. This is not because free societies get more attention and care from the intellectuals and political elites but rather the opposite. The more the intellectuals attempt to think them through and the more the state attempts to provide for them, the more they stagnate and eventually fall to ruin. But societies that are permitted to develop from the internal energy of problem-solving individuals, developing in unexpected and seemingly irrational ways, grow in a manner consistent with the well-being of everyone.

In a passage that is typical of the evocative poetry of this work, Cloud asks:

“Why, exactly, didn’t government of the people, by the people and for the people perish permanently from the earth, despite repeated contests with opponents, from the Duke of Alba to Stalin, who seemed to have everything going for them, who viewed their disorganized, disunited opponents with open contempt? We seem a bit like the Fool, continually stepping off cliffs, but repeatedly borne back up to the heights on the wings of angels, fighting off armored knights with a wooden stick, casting our bread on the water and getting it back a thousandfold, at our wisest when least sober. Is it pure dumb luck that keeps saving us from our own stupidity, or is there something else going on here, some new dispensation?”

This theory heightens the role of what the author calls “play” in the course of social and economic development. People must be free to try and fail, to learn on the job, to improvise and adapt on the fly, to find new ways of doing things that completely depart from the plan and tradition. To be free to do so becomes essential.

“To whatever extent an unfree society necessarily depends on the fear of punishment, rather than the desire to impress as a motivation for good performance,” the author writes, “willingness to make mistakes or introduce playful variations is likely to be less, and the incremental evolution of complex new skills correspondingly more unlikely. Nobody wants to be shot for trying something frivolous; Stalin was very successful in eradicating that kind of boldness.”

He applies the model to the issue of capitalist firms. Management textbooks tend to map out plans for how firms should work. But the plans are next to useless so far as this author is concerned. How do you keep large organizations from stagnating in the same way that societies ruled by large states die? By the freedom and willingness of employees and managers to try new things and to come and go. Those firms who attract and retain great talent — and that includes creative and playful talent — are the ones that thrive, while those that cannot tend to shrivel, become technologically backward and die. This determines which institutions flourish or decay.

The Cloudian perspective helps illuminate what makes great entrepreneurs last and last. It has nothing to do with the alleged power of capital. Capital can vanish as quickly as it came. “How do people make abnormal profits in markets? By being in the minority and being right and being persuasive.”

The real stickiness of wealth in certain hands has to do with the speed at which competitors learn:

“The real reason the entrepreneur’s profits don’t quickly get arbitrated away is that it takes people who aren’t quite as creative a long time to realize that he is not crazy and begin to imitate him, and by that time, he’s already moved on to some other uncertain project on the basis of some new keen hunch. You become Bill Gates or Steve Jobs or Warren Buffett by doing this over and over and being right almost every time. People seldom get rich by just correctly measuring a risk; the real source of economic profit in a technologically dynamic capitalist economy is individual intuitions about objective uncertainties.”

The ultimate example of the institution that forbids coming and going, experimentation and play, is the state:

“The economic planner who wants to actually succeed in rationally planning an economy has to first suppress exactly the sort of negotiation individuals might be able to do if they weren’t chained to their desks, because he has to get people to follow the plan, to stay where they are and do what they’re told. This suppression seems to bring the evolution of institutions and skills to a grinding halt — with grave consequences a few years or decades down the line.”

The state always favors the rational and certain plan, rather than permit the unforeseen in an environment of freedom. For this reason, states oppose what they consider the waste of competition, business failure, research and entrepreneurship.

“In a world where we all just cooperated like sensible people, there would be no real room for conversations with two sides, and that is what the political rationalist always finds himself trying to eliminate. To keep things rationally optimal,” writes Cloud, “he needs to stop social evolution in its tracks, but that brings him into direct conflict with the things that make us human.”

This tendency becomes the source of failure. Social evolution can never be planned or designed:

“Planned markets are sick markets, markets that are always in crisis, because their most important social function — facilitating selection between competing pools of capital on the basis of what way of doing things in the real world works best in practice, distinguishing between real capital formers and fools — has been disrupted by the planner’s clumsy interference. When the state tries to plan a market, it must try to make clever contrarians into mindless lemmings who follow where they are led; but then they become useless for their old function of picking good risks.”

Sometimes it can be hard to see the costs associated with state planning, simply because the changing and advancing that comes with freedom is not permitted to occur and we cannot observe what fails to happen:

“As long as you’re just installing old technology invented by someone else, a planned economy and a managed society can be made to work, but as soon as you reach the technological frontier, as soon as the free play of endogenous innovation is genuinely needed to maintain the pace of growth, as soon as you actually have to cope with real uncertainty, the whole thing is likely to grind to a halt at some arbitrary point on the tortoise-blanket-pea landscape, and begin to die as the tortoise moves away.”

Even worse and more dangerous are the frenzied attacks on commercial society that keep reemerging in our history — the loathing of the entrepreneurial class that leads to utter destruction. He cites Cambodia as a case in point: the application of political rationalism gone mad and leading to unthinkable bloodshed and extinction of society itself. He issues a warning that people have not yet learned from these experiments in hyper-rationalism in politics and that no people are immune from such frenzies.

This is Professor Cloud’s first major work, but it follows a lifetime of exciting experience in the two very different worlds of capitalist speculation in emerging markets and the staid and static world of academia. He brings the two together to urge intellectuals to learn from the experience of real-world markets and for market participants to gain more confidence over their primary role of embracing a changing and developing society. To this end, he uses many tools from economic science to create biological metaphors about the philosophy of society from the ancient world to modern times.

The prose style is like nothing you’ve seen from a thinker of his caliber. It is rhapsodic, imaginative and poetic. His erudition is often startling. His vision is refreshing and new. You can’t escape the feeling that he has put his finger on something very important, very profound. Here he acts as our teacher to help us learn to love and appreciate the very point about freedom that most people have considered regrettable. He teaches us to love what we do not yet know.

Spooner the Prophet

How much more ridiculous can the US Postal Service get? This you will not believe. It has embarked on a public relations campaign to get people to stop sending so much email and start licking more stamps. This is how it is dealing with its \$10 billion loss last year. Meanwhile, rather than offering better service, it is cutting back ever more, which can only guarantee that the mails will get worse than they already are.

It’s true that mail still has a place in the digital world, as the post office says. But the government shouldn’t be the institution to run it. It already has competitors in package delivery but the government stands firmly against letting any private company deliver something like first-class mail. And so it has been since the beginning. The state and only the state is permitted to charge people for non-urgent paper mail in a letter envelope.

It’s a control thing. The government is into that. And it is far from new.

Do you know the amazing story of Lysander Spooner? He lived from 1808 to 1887. His first great battle was taking on the post office monopoly. In the 1840s, he was like most people at the time: fed up with the high prices and bad service. But as an intellectual and entrepreneur, he decided to do something about it. He started the American Letter Mail Company, and his letter business gave the government some serious competition.

It opened offices in major cities, organized a network of steamships and railroads, and hired people to get the mail to where it needed to be. His service was both faster and cheaper than the government’s own. Then he published a pamphlet to fight the power: “The Unconstitutionality of the Laws of Congress Prohibiting Private Mails.” It was brilliant. It rallied people to his side. And he made a profit.

The government hated him and his company and began to litigate against him. It dramatically lowered the price for its services, and used public money to cover its losses. The goal was to bankrupt Spooner, and it eventually succeeded. Spooner's private postal system had to be shut down. It's the same way the government today shuts down private schools, private currencies, private security, private roads, private companies that ignore the central plan, and anyone else who stands up for freedom.

From this one anecdote alone, you can see that the post office is hardly a "natural monopoly" — something the government has to provide because free enterprise can't do so. It is a forced monopoly, one kept alive solely through laws and subsidies. If the post office closed its doors today, there would be 1,000 companies rushing in to fill the gap. Just as in the 1840s, the results would be cheaper, better services. The government runs the post office because it wants to control the command posts of society, including communication. The Internet as a global communication device snuck up on the state before the state could kill it.

Let's return to the 19th century. Spooner didn't go away. He was more than an entrepreneur. He was a brilliant and pioneering intellectual, as the collection *The Lysander Spooner Reader* makes clear. He was a champion of individual liberty and a passionate opponent of all forms of tyranny. He was an abolitionist before it became fashionable but he also defended the South's right to secede.

Most incredibly, he was probably the first 19th century American to return to the old anti-Federalist tradition of post-Revolutionary America. He did this by asking the unaskable question: why should the US Constitution — however it is interpreted — be binding on every individual living in this geographic region?

This document was passed generations ago. Maybe you could say that the signers were bound by it, but what about those who opposed it at the time, and what about future generations? Why are the living being forced to live by parchment arrangement made by people long dead? Why are the living bound by a privileged group's interpretations of its meaning?

In his view, people have rights or they do not have rights. If they have rights, no ancient scroll restricting those rights should have any power to take those rights away. Nor does it matter what a bunch of old guys in black robes say: rights are real things, not legal constructs to be added or reduced based on the results of courtroom deliberations. Plenty of Americans before his time would have agreed with him! It's still the case.

Now, keep in mind that Spooner lived in a time where the living memory of these debates had not entirely disappeared. He knew what many people today do not know, namely that the Articles of Confederation made for a freer confederation of states than the Constitution. The Constitution amounted to an increase in government power, despite all its language about restricting government power. Remember too that it was only a few years after the Constitution was rammed through that the feds were suddenly jailing people for the speech crime of criticizing the US president!

Spooner spoke plainly: what you call the Constitution has no authority to take away my rights. Hence his famous essay: "No Treason: The Constitution of No Authority." In "No Treason" he argues that the state has no rights over your freedom of speech. In "Vices Not Crimes," he shows that people in any society are capable of doing terrible things but the law should only concern itself with aggression against person and property. Reading them all together, as they are in this book, is a radicalizing experience — a liberating experience. It makes you see the world in a completely different way.

It's true that they aren't teaching about Spooner in public school. But he was a giant by any standard, the 19th century's own Thomas Jefferson (but even better than Jefferson on most issues). There is still so much to learn here. It's no wonder that his legacy has been suppressed.

This edition of his best work is published by Fox & Wilkes, an imprint of Laissez Faire Books. Incredibly, you are still permitted to buy this and read it without getting arrested — for now.

The Twelve-Year Sentence

You look at the parade of mindless dopes and dopers that make up the Occupy protesters and think: What is wrong with these people? They are mostly kids. They don't have jobs. Most don't even look employable. Those who are employable can't find work at a wage they are willing to accept. Instead, they meander around in a mob at all hours, spouting inanities and imagining themselves to be radicals.

They don't even know what they are protesting, not precisely, anyway. They oppose injustice, inequality and the like, but what does this mean? It means: The people in the buildings have money, and they do not. They are against that.

Meanwhile, they walk around with iPhones and Androids with fat data contracts paid for by moms and dads, all while agitating against the capitalist system that put these miracles in their palms in the first place. They claim to be against the suits, but they demand that the suits have more power to regulate, tax, redistribute, inflate, interfere and centrally plan.

What is going on here? Let's speak the unspeakable truth that is still nearly taboo in today's world. They were raised by government. From the ages of 6–18, they were tended to by the state in a system they were forced to join.

This is a point made first in an incredible book published in 1974, edited by William Rickenbacker. It is called *The Twelve-Year Sentence*. It is not only one of the greatest titles in the history of publishing; it is a rare book that dared to say what no one wanted to hear. True, the essays are all scholarly and precise (the book came out of an academic conference), but a fire for liberty burns hot below the footnoted surface. Especially notable: This book came out long before the homeschooling movement, long before a remnant of the population began to see what was happening and started bailing out.

The core truth that this book tells: The government has centrally planned your child's life and has forced both you and your child into the system. But, said the writers, the system is a racket and a cheat. It doesn't prepare them for a life of liberty and productivity. It prepares them to be debt slaves, dependents, bureaucrats and wartime fodder.

I'm thinking of this book as I look at the televised coverage of these protests. This is what the system has produced. This is the mob that once gathered in "home room," assembled for school lunches, sat for endless hours in their assigned desks, was tested ten thousand times to make sure they have properly absorbed what the government wants them to know. Now they are out, and they want their lives to amount to something, but they don't know what.

And it's just the beginning. There are tens of millions of victims of this system. They were quiet, as long as the jobs were there and the economy was growing. But when the fortunes fell, they become a marauding mob seeking a father figure to lead them into the light.

Think of the phrase "twelve-year sentence." The government took them in at the age of six. It sat them down in desks, thirty or so per room. It paid teachers to lecture them and otherwise keep them busy, while their parents worked to cough up 40% of their paychecks to the government to fund the system (among other things) that raises their kids.

So on it goes for twelve years, until the age of eighteen, when the government decides that it is time for them to move on to college, where they sit for another four years, but this time, at mom and dad's expense.

What have they learned? They have learned how to sit in a desk and zone out for hours and hours, five days per week. They might have learned how to repeat back things said by their warden... I mean, teacher. They've learned how to sneak around the system a bit and have something resembling a life on the sly.

They have learned to live for the weekend and say, "TGIF!" Perhaps they have taken a few other skills with them: sports, music, theater or whatever. But they have no idea how to turn their limited knowledge or abilities into something remunerative, in a market system that depends most fundamentally on individual initiative, alertness, choice and exchange.

They are deeply ignorant about the stuff that makes the world work and builds civilization, by which I mostly mean commerce. They've never worked a day in the private sector. They've never taken an order, never faced the bracing truth of the balance sheet, never taken a risk, never even managed money. They've only been consumers, not producers, and their consumption has been funded by others, either by force (taxes) or by leveraged parents on a guilt trip.

So it stands to reason: They have no sympathy for or understanding of what life is like for the producers of this world. Down with the productive classes! Or as they said in the early years of the Bolshevik Revolution: "Expropriate the expropriators." Or under Stalin: "Kill

the kulaks.” Or under Mao: “Eradicate the Four Olds” (old customs, culture, habits and ideas). So too did the Nazi youth rage against the merchant classes who were said to lack “blood and honor.”

The amazing thing is not that this state system produces mindless drones. The miracle is that some make it out and have normal lives. They educate themselves. They get jobs. They become responsible. Some go on to do great things. There are ways to overcome the twelve-year sentence, but the existence of the educational penitentiary still remains a lost opportunity, coercively imposed.

Americans are taught to love the sentence because it is “free.” Imagine tying this word to the public school system! It is anything but free. It is compulsory at its very core. If you try to escape, you are “truant.” If you refuse to cough up to support it, you are guilty of evasion. If you put your kids in private school, you pay twice. If you school at home, the social workers will watch every move you make.

There is no end to the reform. But no one talks about abolition. Still, can you imagine that in the 18th and most of the 19th century this system didn’t even exist? Americans were the most educated people in the world, approaching near-universal literacy, and without a government-run central plan, without a twelve-year sentence. Compulsory education was unthinkable. That only came much later, brought to us by the same crowd who gave us World War I, the Fed, and the income tax.

Escaping is very hard, but even high-security prisons are not impenetrable. So millions have left. Tens of millions more remain. This whole generation of young people are victims of the system. That makes them no less dangerous precisely because they don’t even know it. It’s called the Stockholm Syndrome: Many of these kids fell in love with their captors and jailers. They want them to have even more power.

We should celebrate the prophets who saw all this coming. William Rickenbacker saw it. He and the writers in this book knew what was going on. They knew what to call it. They dared to tell the truth, to speak the unspeakable: this system is more like prison than education, and it will end when its escapees are loosed on the streets to protest against anything and everything.

Even after nearly forty years, this book has lost none of its power. It should take its place among the great documents in history that have dared to demand that the jailer step aside and let the inmates free.

What Is America, Anyway?

There are occasions in American life — and they come too often these days — when you want to scream: “What the heck has happened to this country?!” Everyone encounters events that strike a particular nerve, some egregious violations of the norms for a free country that cut very deeply and personally.

We wonder: do we even remember what it means to be free? If not — and I think not — *The Idea of America: What It Was and How It Was Lost*, a collection of bracing reminders from our past, edited by William Bonner and Pierre Lemieux, is the essential book of our time.

I’ll just mention two outrages that occur first to me. In the last six months, I came back to the country twice from international travel, once by plane and once by car. The car scene shocked me. The lines were ridiculously long and border control agents, clad in dark glasses and boots and wearing enough weaponry to fight an invading army, run up and down the lines with large dogs. Periodically, U.S. border control would throw open doors of cars and vans and let the dogs run through, while the driver sits there poker-faced and tries to stay calm and pretends not to object.

When I finally got to the customs window, I was questioned not like a citizen of the country but like a likely terrorist. The agent wanted to know everything about me: home, work, where I had been and why, and whether I will stay somewhere before getting to my destination, family composition, and other matters that just creeped me out. I realized immediately that there was no question he could ask me that I could refuse to answer, and I had to do this politely.

That’s power.

The second time I entered the country was by plane, and there were two full rescans of bags on the way in, in addition to the passport check, and a long round of questioning. There were no running dogs this time; the passengers were the dogs and we were all on the agents’ leashes. Whatever they ordered us to do, we did, no matter how irrational. We moved here and there in locked step and total silence. One step out of line and you are guaranteed to be yelled at. At one point, an armed agent began to talk loudly and with a sense of ridicule about the clothes I was wearing, and went out of his way to make sure everyone else heard him. I could do nothing but smile as if I were being complimented by a friend.

That’s power.

Of course these cases are nothing like the reports you hear almost daily about the abuse and outrages from domestic travel, which now routinely requires everyone to submit to digital strip searches. We have come to expect this. We can hardly escape the presence of the police in our lives. I vaguely remember when I was young that I thought of the police as servants of the people. Now their presence strikes fear in the heart, and they are everywhere, always operating under the presumption that they have total power and you and I have absolutely none.

You hear slogans about the “land of the free” and we still sing patriotic songs at the ballpark and even at church on Sunday, and these songs are always about our blessed liberty, the battles of our ancestors against tyranny, the special love of liberty that animates our heritage and national self-identity. The contrast with reality grows more stark by the day.

And it isn’t just about our personal liberty and our freedom to move about with a sense that we are exercising our rights. It hits us in the economic realm, where no goods or services change hands that aren’t subject to the total control of the leviathan state. No business is really safe from being bludgeoned by legislatures, regulators, and the tax police, while objecting only makes you more of a target.

Few dare say it publicly: America has become a police state. All the signs are in place, among which the world’s largest prison population. If we are not a police state, one must ask what are the indicators that will tell us that we’ve crossed the line? What are signs we haven’t yet seen?

We can debate that all day about when, precisely, the descent began but there can be no doubt when the slide into the despotic abyss became precipitous. It was after the terrorists hit on 9/11 in 2001. The terrorists wanted to deliver a blow to freedom. Our national leaders swore the terrorists would never win, and then spent the following ten years delivering relentless and massive blows to liberty as we had known it.

The decline has been fast but not fast enough for people to be as shocked as they should be. Freedom is a state of being that is difficult to recall once it is gone. We adapt to the new reality, the way people adapt to degenerative diseases, grateful for slight respite from pain and completely despairing of ever feeling healthy and well again.

What’s more, all the time we spend obeying, complying, and pretending to be malleable in order to stay out of trouble ends up socializing us and even changing our outlook on life. As in the Orwell novel, we have adjusted to government control as the new normal. The loudspeakers blared that all of this is in the interest of our security and well-being. These people who are stripping us, robbing us, humiliating us, impoverishing us are doing it all for our own good. We never fully believe it but the message still affects our outlook.

The editors of *The Idea of America* are urging a serious national self-assessment. They argue that freedom is the only theme that fully and truly animates the traditional American spirit. We are not united in religion, race, and creed, but we do have this wonderful history of rebellion against power in favor of human rights and freedom from tyranny. For this reason the book begins with the essential founding documents, which, if taken seriously, make a case for radical freedom not as something granted by government but as something that we possess as a matter of right.

The love of liberty is rooted in our colonial past, and it is thrilling to see Murray Rothbard’s excellent account of the pre-revolutionary past printed here, with follow-ups by Patrick Henry and Thomas Paine to make the point. Lord Acton makes the next appearance with a clarifying essay about the whole point of the American Revolution, which was not independence as such but liberty. He forcefully argues that the right of secession, the right to annul laws, the right to say no to the tyrant, the right to leave the system, constitute the great contribution of America to political history. As you read, you wonder where these voices are today, and what would happen to them if

they spoke up in modern versions of the same thoughts. These revolutionaries are pushing ideas that the modern regime seeks to bury and even criminalize.

The voice of the new country and its voluntaristic themes is provided by Alexis de Tocqueville, along with the writings of James Madison. As Bonner and Lemieux argue in their own contributions, the idea of anarchism — that is, living without a state — has always been just beneath the surface of American ideology. Here they bring it to the surface with an essay by proto-anarchist J. Hector St. John Crevecoeur, who said of America, “We have no princes for whom we toil, starve, and bleed: we are the most perfect society now existing in the world.”

The anarchist strain continues with marvelous writings by Thomas Jefferson, Henry David Thoreau, Voltairine de Cleyre, plus some court decisions reinforcing gun rights. The book ends with another reminder that American is an open society that is welcoming to newcomers. The final choice of Rose Wilder Lane’s “Give Me Liberty” is inspired.

The value of this book is dramatically heightened by the additional material from Bonner, whose clear prose and incisive intellect is on display here both in the foreword and the afterword, as well as Lemieux, whose introduction made my blood boil with all his examples of government gone mad in our time. Bonner in particular offers an intriguing possibility that the future of the true America has nothing to do with geography; it exists where the free minds and free hearts exist. The digitization of the world opens up new opportunities for just this.

The contrast is stark: what America was meant to be and what it has become. It can be painful to take this kind of careful look. Truly honest appraisals of this sort are rare. Adapting, going along, pretending not to notice are all easier strategies to deal with the grim situation we face. But this is not the way America’s founder dealt with their problems. This book might inspire us to think and act more like we should.

We should prepare.

In the words of Thomas Paine:

O ye that love mankind! Ye that dare oppose, not only the tyranny, but the tyrant, stand forth! Every spot of the old world is overrun with oppression. Freedom hath been hunted round the globe. Asia, and Africa, have long expelled her. — Europe regards her like a stranger, and England hath given her warning to depart. O! receive the fugitive, and prepare in time an asylum for mankind.

Conspiracies and How to Defeat Them

Someone asked me the other day if I believe in conspiracies. Well, sure. Here’s one: it is called the political system. It is nothing if not a giant conspiracy to rob, trick and subjugate the population.

People participate in the hope of making our lives better, or at least curbing the damage government does. Yet look at the results: exactly the opposite. No matter who is selected as temporary front men to “reform” the system, the regime thrives and the population withers.

It should be obvious by now that reform doesn’t happen by drawing ever more people into the ranks of the oppressor class. But somehow, people keep getting pulled in. What’s more, the regime is fully aware of this, even if the population is not. So, yes, I would call it a conspiracy.

The word conspiracy comes from the Latin roots *con* and *spiro*, meaning to breathe together. It implies a shared interest and an understanding between people that doesn’t always need to be openly stated. In the normal use of the term, the purpose of a conspiracy is always negative or destructive — a deceptive plot to do something bad.

This is why the government is always accusing other people of conspiring — terrorist cells, armed resistance at home and abroad, rebellious and plotting sectors of society — but exempts itself completely. The regime regards itself as unimpeachably fantastic, never destructive, never nefarious. Therefore, it is incapable of conspiracy.

It all depends on how you look at it. You don’t have to work yourself into a fever over the Bilderbergers or the Trilateralists to see real conspiracy. Take a look at any government bureaucracy. Everyone there knows the goal: more power, more money and less work. The bureaucratic class “breathes together” toward the same nefarious goal of making itself safer and richer, while making normal life difficult for those who are subject to its dictates. And it all comes at the expense of everyone else.

The more dependencies government creates, the more people it can convince to go along with the conspiracy, and the better off it is. This is why Frédéric Bastiat once described the political system as follows: “Government is the great fiction through which everybody endeavors to live at the expense of everybody else.”

The fiction part is the deception. It works only so long as the social consensus is there to support it. The task of anyone who opposes the great conspiracy, then, is to reveal and expose the reality that is being covered up by all the stories of all the wonderful things that government does. The fiction is unsustainable in light of logic and evidence. The curtain must be pulled back.

To my mind, the modern thinker who has best dissected the true nature of modern politics is Hans-Hermann Hoppe. He is incredibly clearheaded about modern politics, particularly the workings of democracy. It is a system of governance that was developed to give the people more direct control over the government; in fact, it has given the government more direct control over the people.

I’m pleased to report that Laissez Faire Books is publishing his next book, a massive collection with the title drawn from Bastiat: *The Great Fiction*. It will be released in electronic form to members of the Laissez Faire Club. So it comes free as part of the subscription.

As I’ve told many people, the Laissez Faire Club works like any high-end private club. Once you are a member, the drinks are on the house. And this book by Hoppe is one very stiff drink!

Joining the club right now gives you all the books we’ve already released — plus movie shorts to go along with them and forums to discuss them — and this Hoppe book plus many others come once per week. It is an incredible deal by any standard, and the perfect way to defeat the great conspiracy.

If you are unfamiliar with the work of Hoppe, prepare for *The Great Fiction* to fundamentally shift the way you view the world. No living writer today is more effective at stripping away the illusions almost everyone has about economics and public life. Hoppe causes the scales to fall from one’s eyes on the most critical issue facing humanity today: the choice between liberty and statism.

The whole of Hoppe’s writings on politics can be seen as an elucidation of Bastiat’s point. He sees the state as a gang of thieves that uses propaganda as a means of disguising its true nature. In fleshing this out, Hoppe has made tremendous contributions to the literature, showing how the state originates and how the intellectual class helps perpetuates this cover-up, whether in the name of science, religion or the provision of some service like health, security, education, or whatever. The excuses are forever changing; the functioning and goal of the state is always the same.

The reader will be surprised at the approach Hoppe takes because it is far more systematic and logical than people expect of writers on these topics. I suspect that this is because he did not come by his views except after a long intellectual struggle, having moved systematically from being a conventional left-socialist to becoming the founder of his own anarcho-capitalist school of thought.

This particular work goes beyond politics, however, to show the full range of Hoppe’s thoughts on issues of economics, history, scientific methodology and the history of thought. In each field, he brings that same level of rigor, that drive for uncompromising adherence to logic, the fearlessness in the face of radical conclusions.

It seems too limiting to describe Hoppe as a member of the Austrian or libertarian tradition, for he really has forged new paths, in more ways than he makes overt in his writings. We are really dealing here with a universal genius, which is precisely why Hoppe’s name comes up so often in any discussion of today’s great living intellectuals.

It also so happens that Hoppe is also an extremely controversial figure. I don’t think he would have it any other way. Besides, this is always the case for truly creative minds that do not shrink from the conclusions of their own premises. The perspective from which he writes stems from a passionate yet scientific attachment to radical freedom, and his work comes about in times when the state is on the march.

Everything he writes cuts across the grain. It is paradigm breaking. Just when you think you have figured out his mode of thinking, he takes it in a direction that you didn't expect. It is not only his conclusions that are significant, but also the masterful way that he arrives at them.

It is my great honor as executive editor of Laissez Faire Books to be the publisher of a work of this significance. It is a testimony to the fact that progress in ideas is still possible in our time. So long as that remains true, so long as the tradition Hoppe represents is living and improving, we have reason to believe that human liberty has not and will not finally succumb to the great conspiracy.

Economics by and for Human Beings

"Economics puts parameters on people's utopias."

Yes. That's exactly it. That's why the politicians hate economics. That's why the media are so ... selective in which economists they call on to talk about policy.

That's why the economics departments in colleges are put down by the sociologists, philosophers, literature professors and just about everyone else who has romantic longings for a coerced utopia.

"The teachings of the principles of economics should inform as much on what not to do, perhaps even more than providing a guide to public action."

That's it again. Don't control prices. Don't socialize medicine. Don't raise taxes. Don't inflate the money supply. Don't put up trade barriers. Don't go to war. Economists just keep bursting people's bubbles. And it's because economists say these things that the ruling class wants them to shut up about it.

It's been going on for hundreds of years. Every generation for the past 500 years has seen the battle wage between those who want to use the power of the state to contort and distort the world to fit some daydream on one hand and the economists who have seen the futility in this manipulation and warn against it on the other.

The man who wrote those above words is Peter Boettke, economics professor at George Mason University. He is one of the nation's leading producers of economists, having directed several dozen dissertations over 20 years and having spread his students to colleges and universities around the country and the world.

His new book, which ought to be read by every college student who secretly suspects that economics is not as dreary as they say, is *Living Economics*, just published by the Independent Institute. It's a big book, but a luxurious read from Page 1 to 450.

The phrase "living economics" means two things: 1) economics is part of life whether we recognize it or not, and 2) economics is a living discipline, rooted in universal principles but always changing in nuance and application.

Professor Boettke's purpose is to provide a guided tour through the profession as it is now and how he would like to see it changed. He does this by first explaining what got him interested in the science.

It turns out that he remembers the gas lines of the 1970s and recalls being amazed to discover that they were wholly manufactured by Washington policy. It was the price control of oil combined with inflationary pressures from bad monetary policy. Contrary to what the media mavens and politicians were saying at the time, it had nothing to do with producer greed, secret price manipulation or financial speculation.

That's what did it for him. He realized that economics is woven into every aspect of our lives. It is inescapable. When the market is allowed to work, beauty and growth results. Humanity flourishes. When markets are truncated and hobbled, people suffer.

Then he realized how little public understanding there is of economics. And he realized that he could play a role in changing this. He has. His students are now teaching other students in six different Ph.D.-granting institutions, among dozens more institutions.

Here Boettke reflects on the decision to make economics his vocation. Economics as a reality in our world will exist whether there are people around to study and explain it or not. As a discipline, it was very late in developing, mostly during the High Middle Ages. And it came about precisely to elucidate the way the world works in order to prevent kings and other big shots from using force to interfere with its mechanisms.

As Boettke puts it, "We do not need to understand economics in order to experience the benefits of freedom of exchange and production. But we may very well need to understand economics in order to sustain and maintain the institutional framework that enables us to realize the benefits that flow from freedom of exchange and production."

What follows this beginning material is a plunge straight into the core of what economics teaches. Boettke chooses a very engaging path. He tells the story through a series of intellectual biographies of the economists he most admires. We read about his teacher Hans Sennholz, about Ludwig von Mises, F.A. Hayek and Murray Rothbard (his chapter on Rothbard is particularly celebratory). He covers James Buchanan and Gordon Tullock. Perhaps the most interesting sections are the ones that find "Austrianness" in unusual places — in the work of Kenneth Boulding, for example.

In contrast to most books on economics, this book is very warm and humane. He goes all out to describe economics as the science of human choice in the real world. The prose matches his intellectual sense. We are spared the usual academic pomp and the absurdities of trying to cram people and their spontaneous decisions into mechanical models. He never talks down to his readers. This reader found no showing off, no strutting around, no defensiveness or bickering. The prose and line of thinking are open and generous.

It's no surprise that the Austrian School is at the core of the narrative. This figures into his choice of biography, of course. And it informs the whole of his worldview, accounts for why he is able to write about real-world problems and explains the failure of planning in such lucid terms.

At the same time, Boettke cautions, "The main thing that makes someone an Austrian is not the willingness to identify one's work with that label, but the substantive propositions in economics that an economist identifies with." With this in mind, he shows that Austrian ideas are very more widespread than one might suppose.

In general, Boettke attempts to show that the profession has lost much of the arrogance that it practiced from the 1930s through the 1970s. While methodological positivism and mathematical hubris still exist in form, he attempts to show that the old ways have shifted toward a greater emphasis on institutions and human choice. He detects the rise of a certain humility in the profession, which has made way for a broader and more eclectic approach that includes even radical libertarians like Boettke himself.

A book like this will provide anyone vast insight into what economics has to offer the world of ideas. It is an excellent overview about what is great and what is awful in the profession today. But even when he criticizes, there is no anger; instead, there is conviction that openness and frankness is the best path to finding truth. I can't think of a better good for an economics major to have on hand when the lecture content begins to depart from reality.

As for the author himself, I can't add to what Israel Kirzner has already said (and I'm almost certain that Kirzner has never written an endorsement this over-the-top:)

"*Living Economics* is in many ways a remarkable book. The volume luminously reflects the amazing breadth of Professor Boettke's reading, and the deep and careful thoughtfulness with which he reads. But the true distinction of this volume consists of more than the profound economic understanding and wealth of deeply perceptive doctrinal-history observations that fill its pages. Its distinction consists in the delightful circumstances that these riches arise from and express Peter Boettke's extraordinary intellectual generosity and unmatched intellectual enthusiasm — rare qualities that have enabled him to discover nuggets of valuable theoretical insight in the work of a wide array of economists, many of whom are generally thought to be far away from the Austrian tradition, which Boettke himself splendidly represents. Boettke's prolific pen is dipped, not in the all-too-common ink of professional one-upmanship, but in the inkwell of an earnest, utterly benevolent — and brilliant — scholar, seeking, with all his intellectual integrity, to learn and to understand."

Many others have said the same: Bruce Yandle, Richard Wagner, Steve Hanke, Randall Holcombe and dozens more. As you read through the tributes, you realize that these are more than coerced blurbs. Boettke has managed to make economists themselves re-excited about what they do. He will do the same for you, and help you appreciate the creativity, courage and sheer adventure associated with this grand craft that elucidates the workings of our world like no other.

The Case for Live-Blogging a Book

The buzz on the next big thing: products and services that claim to make you smarter. *Forbes* says it is the next trillion-dollar industry. Get-smart video games are hitting the markets. Websites and apps that promise fast results are booming.

I'm a skeptic of the tools being promoted these days, but not of the overall idea. It makes complete sense. Maybe you can't do anything about the core capacity you were born with, but you can surely improve the efficiency and functioning of the equipment you have.

Heaven knows we think enough about getting our bodies in shape. Maniacal energy goes into pumping up our bodies, losing weight, flattening our bellies and bulking up our chests and arms. Health clubs have remained a boom-time industry, and there's no end to the diet books, strategies, theories and ambitions.

It's all terribly superficial compared with a much more important matter of finding ways to strengthen our capacity to think. But as with health clubs and exercise machines for our bodies, we will quickly discover that there are no shortcuts for ... hard work.

Why so little attention to the mind? We can easily fool ourselves into thinking we are intellectually fit. It's hard to admit it to ourselves that we aren't thinking very well, that we are relying too much on our biases, that we aren't challenging ourselves, that we have a reduced capacity for creativity and absorbing new information.

Step one: Admit there's a problem that needs to be addressed.

To shape up the body, and overcome our natural tendency to cut ourselves too much slack, people have various strategies. They hire personal trainers to push them further than they think they can go. They go to class so that they can exercise alongside others. They go to month-long camps that monitor eating and compel all-day exercise.

None of this works with intellectual life. It is just you and your brain, and if you lack the discipline to undertake the challenge, improvement is not going to happen. You need some framework to help, like the virtual path on a treadmill or stationary bike, something that keeps you on track and discourages you from cutting corners.

The best method I know is something taken from the world of digital journalism. When people attend live events like concerts or conferences, they tweet or blog the event as it happens. You see this during political debates, too. The journalist listens, reports and responds in real time.

It makes for exciting reading, and it is also a very challenging way to write. You have to pay careful attention and stay constantly engaged. You can't suddenly flake out and skip some of the action. It is a challenge to extract information from the external world and convey its meaning in prose. It is also an excellent way to remember and learn from any event.

What if we treat a book like an event? It *is* an event, really. A great book can be just as interesting and invigorating — and even more evocative — than a live event in reality. This is obviously true of fiction, but it is also true of nonfiction, provided the book is well written and deals provocatively with a topic you find intriguing.

This task takes us away from our default use of our intellectual talents. Hey, I'm not putting down the tweet, the Facebook update, the email or the video game. All of these activities are better than what consumed the brains of several generations from the 1950s onward, namely sitting in a puffy chair and watching people on a screen talk to you.

But live blogging a book is far better still because of the sustained focus on one single subject that it requires. It is a seriously difficult task, one that requires a stream of daily concentration, creativity, and a willingness to stick it out until the end. The results will be obvious to you at the end of the long road. You will have experienced an upgrade in your capacity to think, write, read, and process ideas.

Live blogging a book is different from reviewing a book or writing a book report. The point is to process information and react to it as it comes to you in real time. The live blog doesn't merely relate the contents. It reacts to the contents of the book and how it interacts with your own prior existing ideas and how it may or may not have changed your understanding.

If while you are reading you find yourself reflecting on an example or remembering some debate you had with someone on the topic, this is perfect live blog fodder. Put it in there. The point is to make a literary chronicle of how some book has affected your thinking chapter by chapter, and to do so in the most intellectually honest way you can.

In other words, if you are buying what the author is selling, say so. If the author illuminates an experience or thought you already had, say that too. If the author has contradicted himself and you take note of that, put that in too. There's no reason to try to anticipate what is in the next chapter. Write only what you have learned so far as the literary event proceeds.

Part of the challenge here is to make your own writing compelling, even apart from what you are reading. You will notice that you will probably start writing a bit like the prose in the book you are live blogging. That's very good, because imitation of this sort is an important part of learning, too.

I would suggest a word goal for each live blog, perhaps 750 words per chapter. If the book is 20 chapters (never skip), you will end up with a pretty sizeable monograph on your hands. This is extremely satisfying!

Put a title on it and go back through it. You might be surprised at what you wrote at the outset. Then you will be in a position to see whether and what extent this book actually changed the way you think.

This much is for sure: Your capacity to recall the contents and use them in later conversations and thinking will be greatly enhanced. It teaches you to be thorough and not selective in your reading. Not only that, you will experience an upgrade in your capacity to notice things and ideas, think about them, process them and roll them into your existing thinking.

It's like an intellectual boot camp that you initiate and manage entirely on your own.

It is not as hard as it may first appear. And the use of the live-blog model provides the disciplined framework that inspires you to push through all the way to the end.

What books? I might suggest the four that are part of the Economics in One Library. Start with Hazlitt's own book on economics. Move to Hayek's book. Cover Bastiat's *The Law* next. End with Garrett's *A Bubble that Broke the World*. These are all great choices, but there are millions more. The important thing is to choose great books that interest you.

One of the hopes I have for the Laissez Faire Club is that we can use the forums as a place to post these live blogs. It requires a certain humility to publicly post these things, but that is also a virtue that I hope the collegial atmosphere of the club can cultivate.

We can also learn from watching others learn. Mostly, we learn from possessing teachable spirits. The smartest people I've ever known are also the first people to admit that they do not know something.

Regardless, whether in the club or out, the live blogging is an effective literary tool that will do more than all the gizmos you might have over the next decade to enhance your ability to think and process information. It is something we should all require of ourselves just to try it out and see the results.

It is also a great activity for young students. It's true that the spread of this approach will contribute nothing to the trillion-dollar industry, and certainly not give us an abdominal six-pack, but it could make a mighty contribution to making us all think more clearly.

IX.

Pirates and Emperors

Iran and the Recurring Bad Dream

Maybe U.S. energy independence isn't such a great thing after all. Some years ago, when the American political class was whooping it up for war with China, what stopped the push were the American commercial interests who essentially asked, "What, are you crazy? This is bad for business. We need China, and China needs us. You can't do business during a shooting war."

In contrast, an isolated Iran is a dispensable Iran. And an energy-independent U.S. is a warlike U.S., presuming to tell nations such as Japan, Turkey, and Spain where they can buy their own from, at what quantities, and under what terms.

How does the U.S. get away with this? Take a look at the U.S. military bases around the world and see. The U.S. may be an empire in decline but until that decline turns to fall, we are going to continue to see this repeat performance of sanctions followed by war.

Between Israel's daily threats against Iran and Obama's absurd claims that wind and sun can easily replace internal combustion, we have to rely on Turkish Prime Minister Recep Tayyip Erdogan to make any sense in this world. He said that an Israeli attack on Iran would be disastrous for the entire region. It is certain to embroil the U.S. in a war that would be equally disastrous for the U.S. as a whole (but probably beneficial in some way for the U.S. government).

If there was ever a clear exhibit that government learns nothing from its past — nothing from its long record of fiascos, waste, destruction and pointless killing — the pressure against Iran now mounting day by day is it. This repeat performance is going to turn out as bad or worse than the Iraq mess.

Americans who have paid no attention to the saber rattling against Iran shouldn't feel so bad. It's like watching old reruns on television. It was interesting the first time, perhaps, but you can watch a second time only if there is nothing else on. Or perhaps America's leaders are cynically counting on short memories: Who cares about the past?

The plotline seems the same as Iraq (and only one letter difference). The truth is that most Americans can't tell Iran from Iraq in any case. All the elements are there. Iran is headed by a guy the U.S. doesn't like. It is said, without evidence, that Iran "may" be "researching" nuclear technology, which Iran denies has anything to do with "weapons of mass destruction," but the U.S. knows better than to believe this line.

Step one is the path of sanctions. Step two is to observe that the sanctions didn't work to turn foreign leaders into compliant lambs. Step three is to make daily crazy claims that can be neither confirmed nor credibly refuted. Finally, another war.

The U.S. doesn't buy any Iranian oil, but the U.S. is leading a global campaign to stop anyone else from doing so. Iran has the fourth-largest oil reserves in the world. They currently export to China, which takes 22% of Iran's crude oil exports. Japan (14%) and India (13%) are next. Then the European Union imports 18% of Iran's total exports, and that's mainly Italy and Spain. South Korea (10%) and Turkey (7%) are also sizeable importers.

Of all these countries, only China has not yet bowed to U.S. pressure to cut and curb imports of Iranian oil. Meanwhile, Iran's oil business has been growing like crazy in the last ten years, increasing by nine times in dollar value from 2000 to today. It is now the fourth-largest exporter, behind Saudi Arabia, Russia and the U.S. And there are vast untapped reserves in Iran; the country is well positioned to move up the rankings in the years ahead. U.S. policy seems constructed to kill off the Iranian oil boom before it gains too much traction.

Meanwhile, despite all of Obama's latest talk about the U.S. moving away from U.S. oil consumption and production, it is very obvious, at this point, that the U.S. is in a better position to achieve the great dream of energy independence than at any point since the 1970s. As Robert Samuelson writes, "In 2011, oil imports fell to 45% of consumption, the sixth year of decline." Moreover, if you consider total domestic resources, the proved reserves are only a drop in the bucket.

What does it all mean? It means that there are perceived low risks for the U.S. in badgering Iran and even going down the path to war. It could be knocking out a big competitor to the U.S.'s regime friends in the region, such as Kuwait and Saudi Arabia, and have no serious consequence for the U.S. (beyond risking property and lives, but since when has the government cared about that?).

The White House has said as much. "There currently appears to be sufficient supply of non-Iranian oil to permit foreign countries to significantly reduce their import of Iranian oil," said a White House press release. "In fact, many purchasers of Iranian crude oil have already reduced their purchases or announced they are in productive discussions with alternative suppliers."

For this reason, the U.S. keeps tightening the noose more and more. It's like the 1990s with Iraq. Same damn thing. Incredible. And all based on a public rationale that is completely unproven: namely, that Iran is secretly developing a nuclear program toward developing WMDs, even though there is absolutely no evidence at all that this is the case.

Just as with Iraq, the official rationale for the belligerence has nothing to do with the actual driving dynamics, which all come down to the matter of oil production, supply, trade, and competition. We are supposed to believe that the U.S. is only making the world a safer place by batting down crazy world leaders who want nuclear weapons; the reality is that the U.S. is fomenting war solely to advance what it sees as the economic interests of the government, its favored producers and its regime friends around the world.

Thomas Jefferson summed up the best case against all this frenzied pressure against Iran: "The state of peace is that which most improves the manners and morals, the prosperity and happiness of mankind." Sanctions and war do exactly the opposite.

What a Lovely Day for the Total State

Ah, what a weekend, with blue skies, singing birds, budding cherry blossoms and the government's announcement that it has totalitarian control over everything. Wait, what was that last thing? It was an Executive Order released late Friday that no one on the planet seemed to notice until about 30 hours later. It is unnumbered, but called "National Defense Resources Preparedness."

Let's call it NDRP. The first I heard of it was Sunday morning. Something called The Examiner had a write-up about this order in which President Obama would, in the event of an emergency or even in "peacetime," assume control of all energy, food, water, people — the whole of the material and natural world as we know it! — and claim the right to requisition professions to serve the state.

Nuts, right? Some more of the conspiracy stuff that has lately been clogging up the web. By 6 a.m., there was still only that one news story, but there were 463 forum discussions and 1,410 blog commentaries. Six hours later, there were eight news stories (none of them from a mainstream source), plus 712 forum discussions and 3,640 blog commentaries. Oh, and an uncountable number of tweets.

How could all these paranoids be yammering on about something that hadn't even been confirmed by *The New York Times*, CNN, and MSNBC? No wonder the government has such trouble governing this nation of gullible oddballs.

There was only one problem: the order itself was hosted online by the White House. You can read it with your own eyes. It was issued Friday evening, March 16, 2012, the last day of spring break for many colleges, just as most news shops had closed up for the week and people were otherwise planning barbecues and outings.

Here at Whitehouse.gov we find the announcement that "The United States must have an industrial and technological base capable of

meeting national defense requirements and capable of contributing to the technological superiority of its national defense equipment in peacetime and in times of national emergency,” and so therefore it must assume all control of energy, food, water, health care, equipment and, of course, people.

Yes, you read that last one correctly. The executive branch claims it can perform a civilian draft of people of “outstanding experience and ability without compensation and to employ experts, consultants or organizations.”

The authority cited in the document is the Defense Production Act of 1950, another dictatorial imposition, but which happened to have congressional approval. The dictator this time was President Truman. It allowed him to requisition every manner of resource to fight the Korean War: to draft people into war and to enable the executive branch to impose wage and price controls at will.

This was the Act that Sen. Robert Taft spoke about on the campaign trail in 1952. He regarded it as unconstitutional, illegal and totalitarian, nothing more than an attempt to reclaim the total state of World War II as part of the regular powers of the state in all other times. He said it was the surest sign that we had lost our moorings as a nation.

Historians of the period regard this act as the thing that cemented in place the political culture of the Cold War, in which the government accumulated ever more weapons of mass destruction, instituted the draft, went to war with whomever and wherever and presumed total control over all industry, all while the civilian population lived in fear of nuclear holocaust.

It is no different today: an unconstitutional power grab piled on top of a previous unconstitutional power grab piled on top of previous cases. So far as I can tell — and the real experts really need to get involved here to explain the details — there is very little new here at all except that perhaps the claim that the government can force everyone into slavery without compensation, plus the addition of a strange role for the Federal Reserve.

Part III, Sec. 301(b) says: “Each guaranteeing agency is designated and authorized to: (1) act as fiscal agent in the making of its own guarantee contracts and in otherwise carrying out the purposes of section 301 of the Act; and (2) contract with any Federal Reserve Bank to assist the agency in serving as fiscal agent.”

This suggests that any federal department that is part of the executive branch can make a separate deal with the Fed to print as much money as the agency needs to do whatever it wants, without having to ask Congress for any kind of special allocation. It is also possible that this power already existed.

As the day progressed, a number of people from the “responsible” portion of the blogosphere began to say pretty much the same thing. This is nothing new. It is merely an update of what existed previously. There was an update in 1994 and one under every previous administration. There is nothing to see here: This is business as usual for the executive branch.

It’s been going on for sixty years. Make that eighty. Make that a hundred if you count the wartime central planning of World War I. Actually, take it back further to the Civil War, when Lincoln assumed dictatorial powers. Or go back to the Adams administration, which criminalized sedition during a war fever over France.

True, the water in which the frog is being boiled is perhaps slightly hotter than before, but don’t blame Obama for coming up with the idea for frog soup! True, this point has some relevance for those who would try to score some political victory at the expense of the Democrats alone. What I don’t get is why this background is supposed to bring comfort to anyone who has in mind the broad interest of human liberty.

What is true now was true in 1994 and true in 1950 and true in 1932 and true in 1917. Anyone with a love of human liberty should be alarmed by the presumption of totalitarian control anytime, and especially during our own times, when there might be something we can do about it.

These powers might be old as the hills, and the battle between power and liberty is the core drama of human history, but there is a major difference this time: We have digital media that allow us to see this stuff with our own eyes.

That’s what makes the difference.

Nicaragua and the Cold War Political Theater

Some friends and co-workers spent their holidays at Rancho Santana in Nicaragua, where you can live like a king on a pauper’s salary. The beaches are among the best in the world, and the people are nuts for Americans. There is every amenity and consumer product, even better stuff than you can get at Wal-Mart. Local food is outrageously good. There are even local beers that best most on the market in the U.S. In general, it’s the real deal, the closest thing to a paradise this world has to offer.

How do I know these things? Larry Reed, now president of the Foundation for Economic Education, and I visited this country for a full week during that volatile year of 1985. In those days, the superpowers had somehow decided to choose this little country as its theater for one of the last showdowns of the Cold War.

The U.S. said that the communists had taken over at the behest of the Soviets and they were exporting their revolution around the region. The Soviets said that the U.S. was trying to topple a democratically elected government by funding death squads. Remember Oliver North and all that? The drama was intense.

We went there to see what was going on. From the American press reports, we had every expectation of finding a civil war and communists battling it out with freedom-loving rebels. What we found was very different, indeed. We ended up meeting with leaders on both sides of the great issue of the day, but they weren’t dressed in battle gear. It was more like a political squabble of the kind that you find on Capitol Hill every day. We met with high-ranking officials in the current regime, as well as opposition leaders like Violeta Chamorro, who was later elected as president.

Before leaving on the trip, I had read a wonderful book by *New York Times* reporter Shirley Christian. It was called *Nicaragua: Revolution in the Family*. Her detailed report documented how what appears to be a revolutionary environment on the outside is actually a fairly normal tug-of-war between two ruling factions. Ideology plays very little role in reality beyond serving as a pretext of sorts. When one side gets control, it does things to hurt the other side, and so on. In other words, politics as usual.

I was amazed to hear this. This was a far cry from the language you were hearing from Washington at the time about how this was the battleground of the great Manichean struggle of our epoch. But it wasn’t just budding Cold Warriors like me who got taken in. There were first-world political pilgrims from the left who got sucked up into the theater and came to Nicaragua to experience the new egalitarian utopia as well. These people provided the main amusements for the week.

And so everywhere we went, we bumped into literature majors from the United States, seminarians from West Germany, women’s rights advocates from the U.K. and assorted Hollywood gadabouts who came to mix their labors with the liberators now in control. We all lived together in downtown Managua in a hotel that catered to our every need. So much for the workers and peasants. We truly lived like kings for a week.

Breakfast was amazing, with juices from all over the region. I’ve never seen anything like it since. The coffee was beyond-belief great, so strong that it had to be cut with hot fresh milk. You could eat a gigantic lunch and pay only a buck or two. Dinner always seemed to feature entertainment of some sort and the local liquor, which, I learned from experience, is rather dangerous for inexperienced drinkers.

My favorite bar was not far from the capitol building. I don’t recall the name, but at the time, I just called it the “communist bar.” That was because that’s where all the communists hung out to drink nearly every evening. Again, they were all from the United States and Western Europe, and they would sit around talking about the great utopia being built before their eyes. There were pictures of Che, Castro and Lenin on the walls. The reading material was *Soviet Life* magazine, and I would swear that some of the issues dated from the 1950s. Larry and I would flip through them and laugh uproariously at the pictures and propaganda. I don’t know whether this junk was brought in by the students or shipped directly by Moscow, but as I think about it, the former scenario is more likely.

One night we went to a movie. I was a smoker at the time, so I experienced that singular pleasure of blowing smoke up in the air during the movie and watching it mix with the light of the projector and create a beautiful film noir ambiance. I recall thinking that this

was a pleasure that I could never experience in the United States. Maybe there is something to this communist idea after all! (Kidding.) I've since learned that smoking has been banned in theaters, and tragically so.

We hopped into a cab after the movie. Larry and I were in the back seat and two jaded-looking women were in the front seat. I tried to make small talk about how good the movie was. One of the women shot back at me: It was a terrible movie, but exactly what you would expect given how American imperialists send their cast-off flops down here to exploit the workers by extracting their money. Silence followed this stern lecture. I piped up again, innocently saying that, even so, I thought the movie was pretty good. She grunted extreme disapproval of my opinion, and we rode in silence until we got back to the hotel.

The next morning at breakfast, I met Gary Merrill, the former husband of Bette Davis who had starred in many films at his height, including Davis' smash hit *All About Eve*. He was wearing a dress. I asked why. He said that he could do this in Nicaragua because it was a free country where the human spirit was liberated thanks to socialist control. I asked if he considered himself a communist. "All I know is that this works," came the reply.

We had a charming meeting overall, but he said that he had to go because he was meeting with some government officials. That meant that he needed to change out of the dress and into a suit. I asked him why he must give up his freedom when meeting with government officials. He responded that it was just an intuition he had that he would make a better impression in a suit. Good intuition! We met with Gary several more times on that trip, and I can't but have the fondest memories of his good cheer.

Later that day, we decided to do some sightseeing of government buildings. We were taking pictures like crazy at the ministry of defense building, asking all the soldiers and guards to pose. Some thug came up to us and told us to stop. We resisted a bit and suddenly found ourselves under arrest. They took Larry's camera and planned to ruin all the pictures. But they never figured out how to open it. They gave us our equipment and let us go. The benefit from our point of view: We had a cool story to tell!

Looking back on the event, I'm realizing that the fastest way to get arrested in Washington, D.C., would be to try to get as close as possible to the Pentagon with a camera and take pictures of all the guards. You would probably be held for slightly more than a few hours!

On this trip, I also learned something about currency exchange. The government in those days tried to keep tight control on the rates. There was a government rate that you got at the hotel and the airport. And then there was the market rate that you could get on the streets.

You didn't have to look far to find a currency exchange dealer. There were kids that seemed as young as 7 and 8 years old, budding young entrepreneurs. They were everywhere outside the hotel, and no one bothered them. Their math skills were absolutely amazing. They could figure the exchange rates on any amount in a matter of seconds.

How did they know the market rate? It is a bit mysterious to me, but they must have run back and forth to each other in some kind of cooperative/competitive arrangement, perhaps arbitraging with the dealers around the block or the other side of town. It was hard to say, but there was no question that they were the masters of the craft.

I think about this when I hear people object to the idea of competitive currencies in the United States. People say, oh, it would be so confusing and no one could figure it out! Perhaps there would be a learning curve, but surely over time, the math skills of the typical American could rise to the level of a peasant Nicaraguan child. It's a tall order to be sure, but it is possible.

Much to my disappointment, we saw no bloodshed, death squads, gulags, or secret missile stashes. All the communists I met I could have also met by visiting the local university. And the government officials were pretty much like those you would meet anywhere: greedy, lazy, puffed up and useless. Everyone knew this. I assume the same is true today.

A few years later, the "dictator" of Nicaragua submitted to a democratic election and was tossed out. Later on, long after the Cold War ended and everyone stopped caring about this country, he was re-elected. Nothing much changed either way.

"Most Americans," writes investment guru Chris Mayer, "would be surprised to learn Nicaragua is the second-safest country in Central America, behind only Costa Rica. 'The World Bank ranks it as the easiest country in Central America, Panama excepted, in which to start a new business. Or that in 'ease of doing business,' Nicaragua ranks well ahead of such perennial darlings as Brazil or India — or even neighboring Costa Rica. A recent IMF report said that Nicaragua was the Central American country that best protected investors' rights."

I can believe that. It is certainly among the most beautiful places I've ever visited, and I would take a week here over any visit to the Old World on the Continent. The food is better and cheaper, and the people seem far more insistent on and appreciative of their core freedoms. People say that going there now reminds one of how few freedoms we have remaining in the U.S.

How history turned on a dime: Our country is looking more and more like the nightmare that the U.S. said it was stopping from taking over Central America. Today, Central America is the beneficiary of a glorious benign neglect, whereas the "freedom fighters" finally got their way in the United States and brought us a tyranny that Daniel Ortega would never have dared impose even at the height of his power.

Victory in Iraq?

There is no peace treaty, no humbled enemy, no national glory and certainly no newfound freedom. The "liberation" of Iraq leaves a widely hated puppet dictator in charge with a mandate "to see that process of strengthened central authority continue," in the words of a U.S. cable revealed by WikiLeaks.

Still, the U.S. has declared victory in Iraq after a war that lasted not nine years, as the media says, but twenty years, if you include the first war and the decade of cruel sanctions that separated it with the second war on Iraq. At least 4,500 Americans are dead, 32,226 are wounded, uncountable millions of Iraqis are dead, too, the Iraqi economy is in ruins and the American economy is more than a trillion dollars poorer.

As the Americans held somber goodbye ceremonies at a heavily guarded airport, hundreds of Iraqis burned the American flag and cursed the infidels as never before. On the very day that the Americans said goodbye, there were bombings in Tal Afar, Mosul and Baghdad that killed six Iraqis and wounded forty-four more.

The deaths on that day hardly made the news at all because it is so routine. This once-peaceful and relatively prosperous country — people from all over the region and the world came to study in its universities and play for its symphonies — has been reduced to warring religious tribes with far-diminished populations after all the emigration over the years of war. The scars are deep and the resentment extremely high.

Yet to the U.S. governing elite, this is victory. During final ceremonies, official after official came to the microphone to assure the soldiers that their sacrifices have not been in vain, that they are brave and courageous and leave behind a wonderful legacy. But the soldiers themselves know otherwise. Everyone does. This war was a disaster from beginning to end, and it was wholly unnecessary.

Looking back to the first segment of war against Iraq, it was pushed because the first President Bush faced disastrously falling poll numbers, the end of the Cold War, and growing cries to pull back on the American imperial presence in the world. He had a personal bone to pick with the one-time American puppet Saddam Hussein and a gigantic military budget that needed to be spent, lest the pressure mount to give the money back whence it came.

The public-relations angle Bush chose was that Iraq had to be punished for invading Kuwait. Leaked cables have reinforced what close watchers already knew, namely, that the U.S. had given a green light for that action to Iraq. Bush said that the aggression would not stand, but today, the U.S. not only owns and controls Kuwait — which is now populated by American troops — but also purports to control the future of Iraq, too. This type of aggression is perfectly fine.

So the first great opportunity for peace after the Cold War was squandered in a pointless struggle against one of the liberalized and nonfundamentalist, mostly Islamic nations where people of all religions lived in relative peace. Bush declared victory back then, too, but kept on the trade sanctions. President Clinton followed suit with punishing policies that kept the boot on the nation.

After Sept. 11, George Bush junior seized the opportunity to repeat the mission of his father and waged war yet again. Riding the wave of anger for terrorism on our soil, he attacked a country that everyone admitted had absolutely nothing to do with Sept. 11 (however, the

terrorists did admit that that were partly acting out of vengeance for the sanctions), and then on the false pretense that Saddam was building weapons of mass destruction. We were really supposed to take seriously this idea that a now-impooverished country, with no real military and negative economic growth, was a genuine threat to the world.

Many people hoped that President Obama would stop the madness of what he called a “dumb war,” but he did not. He stepped up troop levels instead. There would be more violence, longer terms for soldiers, more pressure, increased surveillance, more authoritarian measures. Nothing worked. As *The Wall Street Journal* put it, “The advanced U.S. military was brought low by primitive weapons: homemade bombs made from fertilizer or discarded artillery shells.”

The resistance grew and grew. The Iraqi people could never be made to love the empire that ruled them. The only genuinely successful Iraqi politicians these days are those who set themselves against U.S. presence. Finally, the incredibly obvious became undeniable, even to the arrogant conquerors: The only hope for Iraq was for the U.S. to leave.

The U.S. promised liberation and brought conflict, destruction and death. The pullout at this point is hardly a victory, but an incredible defeat, the very archetype of the truth that the world’s mightiest military force cannot finally prevail over a people that will not submit.

This lesson is not unknown to those who remain in Iraq. There are two bases and several thousand soldiers along with diplomats that remain. They are all targets and will continue to be for many years to come. Meanwhile, life in Iraq will certainly start to improve now. Income is lower there today than it was in 1940, so this wouldn’t be hard.

In truth, this pullout is one of the few pieces of good news that Iraq has had in many decades. And it should be a model for the U.S. for the future. Close the rest of the bases and pull the rest of the troops out. And do this in the other 140-plus countries in which the troops are stationed. That is the way forward.

In 2004, Dick Cheney declared of Iraq: “I think it has been a remarkable success story to date when you look at what has been accomplished overall.” He might as well have been speaking for the military contractors who, as Robert Higgs has pointed out, made off with the loot that this war stole from the American taxpayers.

And it is not only about loot: it is about liberty. War-mongering and freedom are not compatible. This war and other wars like it have made us less safe and more dependent on the police state. They give health to war machinery that should have been dismantled a quarter of a century ago. Instead, it survives to find some war somewhere to fight another day.

Iran and the Prospect of Domestic Terrorism

I hate to be the one to bring up a very unpleasant subject, but let me begin with a question: do you recall the reasons that the Sept. 11 terrorists gave for their rampage, the one that killed so many, did so much damage, and led the U.S. government to unleash fury on the world and also its own citizens?

They, and Osama bin Laden, cited three factors: U.S. sponsorship of Israeli settlements, U.S. support for the kept regime in Saudi Arabia, and the decade of sanctions against Iraq.

Because the U.S. went to war against Iraq following the attacks, hardly anyone thinks of the previous 10 years in which the U.S. punished Iraq with cruel sanctions that led to multitudes of deaths, particularly of children. This was in the name of stopping an Iraqi program to build weapons of mass destruction — except that no evidence that such a program existed ever came to light.

The terrorists saw themselves as retaliating for something that most Americans don’t even begin to understand and hardly even know about at all. This is not an excuse for the attacks but a window into understanding the motives behind them. How can we prevent future such terrorism if we don’t examine the thinking that led to the attacks in the first place?

Yet there is something about war that has the effect of wiping out the memories of all that came before. Especially in the U.S., the perception prevails that it always happens in a vacuum. The short history is always the same: There we were, minding our own business, when suddenly some bad guys from abroad started threatening our way of life, so of course, we had to smash them.

As proof of this, I invite you to examine a remarkable collection of essays published in 1976 in a book called *Watershed of Empire*, edited by James J. Martin and Leonard P. Liggio, with essays by Murray Rothbard, Justus Doenecke, William Neumann, Lloyd Gardiner, Robert Smith and others. The subject is the lead-up to World War II. Laissez Faire Books has a nice stock of this book that is so truth-telling that it will probably never be reprinted (hope you catch the irony). It turns out that this war didn’t just happen, either; it was preceded by years of saber rattling and a push for dollar imperialism that produced a pushback from Germany and Japan.

I’m now looking at the headlines on Iran. The parallels with the Iraq case are preposterously close. Israel is promising some kind of military action against Iran, not to stop an existing weapons program, but to prevent one from being started. The Obama Administration says that it won’t intervene or stop an attack and further pledges continued alliance with Israel, come what may. The U.S. has already imposed sanctions on Iran and is prepared to ramp those up (and we know from experience just how well this part of the world responds to our sanctions!). Plus, U.S. bases in the region are spreading.

Not only are the conditions that led to Sept. 11 in place yet again, but they are also arguably heightened relative to what they were the first time around. Does anyone believe that this is good for peace and domestic tranquility here at home? Has anyone seriously considered what this could bring about on the domestic front? I guess not, since, apparently, we learned absolutely nothing from Sept. 11 except for the need to put all airline security in the hands of government and prevent me from carrying a corkscrew on the plane.

No one really expected Sept. 11. No one expects the current sanctions and war talk about Iran to inspire suicide bombers or some other unthinkable act of violence here at home. The event doesn’t have to be huge. It can be small and local. And if it does happen, I suppose we will once again assure ourselves that “they hate us for our freedom,” and then proceed to tighten the screws further on the domestic front. No amount of security theater will be too much on the fateful day.

Seriously, it is worth considering just what would happen to this country in the wake of another large-scale terrorist attack. Where are the limits of statism? What would our own government be willing or unwilling to do this time? What part of the Bill of Rights will matter under these conditions? These are unthinkable thoughts precisely because any close observer of our existing political moment understands the implications. It will be the end of what freedoms we have remaining.

Already, we all put up with a level of militarization that would have been unthinkable a generation ago. Washington, D.C., is a fortress. Every government building is managed as if the people outside are preparing an attack. Hardly anyone even remembers a time when the local police seemed more like an extension of the civic order, rather than a separate and heavily militarized caste. The truth is that the whole of the “security regime” has been more than ready to spring into further action at a moment’s notice.

For goodness sake, the U.S. attorney general gave a speech at Northwestern University in which he argued for the Obama Administration’s position that the government can hunt down and kill American citizens, without any of the legal niceties that are generally considered a sign of civilized governance. Such talk would have been unthinkable a decade ago.

Yes, I know, only “conspiracy theorists” draw attention to these points. The rest of us are just supposed to pretend as if government is a wonderfully benign force in the world, serving us as we ask them to do as part of the great social contract. Surely, there is no plot to grab more power, take more money, shred what’s left of the Constitution or otherwise violate our human rights under the phony pretense of making us more secure or bringing justice to bad guys around the world.

Following Sept. 11, there was a feeling of complete helplessness that swept over the proponents of peace on earth. The state was on the march, and there was nothing to stand in the way. Finally, after a few years in which our lives were transformed and freedom faded, things settled down. There is something about the tenor of this drumbeat on Iran that makes me wonder: Has this been the calm before the storm?

Elections and the Illusion of Choice

The political season has unleashed its predictable frenzy, much to the delight of people who make a living off it. But to what end? There are only two types of politicians who end up holding office, wrote H.L. Mencken: “First, glorified mob-men who genuinely believe what the mob believes, and secondly, shrewd fellows who are willing to make any sacrifice of conviction and self-respect in order to hold their jobs.”

That about sums it up. The plus side of elections is that sometimes the debates, discussions, candidates and parties raise fundamental questions about what kind of society we want to live in. That’s the best we can hope for.

But there is a downside to all this hullabaloo: It gives the impression that the mere existence of the electoral process gives “we the people” a fundamental choice about the kind of state we want. This is not true. The politicians we elect are veneers or facades. They are bandits, but they do not constitute what is called the state. This goes for just about every developed state in the world for the last 200 years.

The whole election process leads people to believe that the state is embedded in its leaders. Not so. In France, this system ended with the execution of Louis XVI; in Germany, with the ascent of Bismarck; and in Russia, with the Bolshevik Revolution. The personal state died in the U.S. pretty early on, as even Thomas Jefferson discovered when he became president in 1801; he felt himself powerless to do anything.

The modern state lives outside the will of a particular leader or administration. Voting and elections only change the temporary managers, but do not touch the core of the problem.

The first book that saw through the facade was by the great German sociologist Franz Oppenheimer. It is called, appropriately, *The State*. It was written in 1908, just as the state had begun to entrench itself deeply into the social order — more so than at any point in the previous thousand years. He described the state as the one class that dominates all others, obeying a different law and thriving off violence against person and property. He sums up this violence in a phrase: the “political means.” He contrasts this with the “economic means,” the essence of which is voluntary human association and trade. (His book came to have an amazing influence through Albert Jay Nock’s *Our Enemy, the State*.)

Violence? That sounds like the opposite of elections, doesn’t it? Surely, we are exercising our free will in deciding who leads us. The truth is that the people who run for office specialize mostly in what they do best: running and getting elected as an end in itself. The real state is beneath the surface of this public theater. It is the vast army of professional bureaucrats and the mandates they carry out. It is the enforcement apparatus that oversees a gargantuan tax code. It is the Federal Register that is too large to print. It is the central bankers, their staffs, their machinery, their mandate to bail out the state no matter what. It is the hundreds and thousands of agencies that purport to control every aspect of life.

The best source to gain a full grasp of the realities of the modern state apparatus is Robert Higgs’ amazing work, *Against Leviathan*. No contemporary author has so fully documented the vast expanse of the modern leviathan in all its permutations. He sees how welfare and warfare are not opposed to each other, but work together to form the main two activities of the modern state. He sees how central banking works to sustain the system. He understands the ways in which the state serves as a cash cow for every form of interest group, and how it works to trick the population into believing that the state is doing good for people when it is really wrecking their lives.

Most of all, Higgs gets that the political system that so enraptures the public mind is not owned by us. It is owned and managed by the state itself and for a precise purpose: to perpetuate the idea that we have all chosen the regime that rules us. That is why there is so little difference between the political parties. As Higgs puts it, the U.S. has “two revolving factions of a one-party state farcically masquerade as authentic alternatives, the one specializing in crushing economic freedom and the other concentrating on crushing every other form of freedom.”

After the election is all over — in a grueling 10 months! — and our new managers take their seats, the talking heads will tell us once more: “The system worked.” Yes, it did work in exactly the way they want it to work. Nothing much will change. If you don’t like the results, there is something wrong with you. If you don’t like the rules, taxes, human suffering, wars, inflation, intrusions, confiscations and all the rest of the apparatus, you had better run for office, give to another candidate or otherwise throw yourself into the politics full time!

This is not choice. When we go to the grocery, we face a choice of what to buy. Or we can walk out without buying at all, keeping our money instead. Whatever the result, it is really in our hands. The electoral system is different. The store is the state. The products it offers are produced by the state. There is no real choice, only enough shadings of differences to keep us entertained. And we cannot really walk away. There is no “none of the above” and there is no keeping your own money.

Every once in a while, someone comes along who offers a fundamental challenge to the whole racket and somehow manages to attract public attention and even use the system to urge the dismantling of the system. This is what has happened with the candidacy of Ron Paul, and it is precisely why the media strains so hard to keep from reporting on him or letting others speak out for his views.

The elites are not so concerned that he can be elected. The system is fixed well enough to prevent that outcome. The real threat — and Dr. Paul understands this better than anyone — is the fundamental intellectual challenge that he offers. His book *Liberty Defined* contains enough radicalism and enough intellectual power to destabilize the entire structure that Oppenheimer and Higgs have so beautifully described.

The ideas in these books are far more powerful than any ballot box. They expose the illusion of choice for what it is and unmask the violence embedded in the state-dominated society, a system that no one chose but has been imposed on the population through propaganda, wars, payoffs, and every manner of trickery. If there were a way to re-channel all the human energy that people put into politics into reading and thinking, the state would finally meet its match.

The Difference Between OWS and the Anti-Vietnam War Protests

The Occupy protesters imagine that they stand in a great tradition of American radicalism, willing to stand up to the man and risk arrest in order to achieve their goals. The most obvious case of such a mass movement would be the anti-war protests of the 1960s. They started small and grew and grew until they became mainstream and actually affected a dramatic policy change. The U.S. military pulled out of Vietnam, implicitly conceding defeat and mourning the long history of calamity.

But consider the gigantic differences. The Vietnam protest movement had a clear goal. It wanted to end the war. It had a clear enemy: the politicians and bureaucrats who wanted the war to last forever. It had a clear message: this war is wrong. It had an intense motivation: the protesters were terrified of being drafted to kill and be killed. This is what standing up to power is all about.

So far as anyone can tell, the Occupy movement has none of this clarity. Ten thousand articles have been written on these people and there is still no consensus concerning what the issue really is. The goals of the movement are posted here and there, but not everyone among the protesters agrees with them. The motivation is just as amorphous and varied: unemployment, sinking job prospects, sinking incomes, blowback from the bailouts, the desire to slum around in a decadent sort of way, and the destructive urge to trample down the pea-patch of life itself.

Worse, from my point of view, is that the movement isn’t really standing up to power. It is standing in for power to urge that the state take on more responsibilities and control people’s lives even more than it does already. They imagine that they are demanding human rights, but the main agenda as listed in public websites amounts to a list of ways for the government to violate human rights, or at least intrude aggressively upon them.

Raising the minimum wage, for example, amounts to a limitation on the rights of workers to negotiate their own employment contracts. The minimum wage says: you have no right to offer less for your services than the state gives you permission to offer. Thus, the minimum wage not only *promotes* unemployment; it restrains the human right to associate on any terms of a person’s choosing.

Likewise, the demand to nationalize health interferes with the rights of doctors and patients to negotiate their own contracts. The demand for tariffs interferes with the rights of people to peacefully trade with anyone from around the world, and effectively entrenches

the nation-state as the only permitted geographic range of economic associations.

The imposition of new taxes takes people's property. This is property acquired through their own labor which is then forcibly taken by the state to use for political purposes. This demand is a prescription for further impoverishment.

The push for refunding domestic infrastructure denies private entrepreneurs the opportunity to use their resources and talents to rebuild on a for-profit basis and in a manner that that can actually be maintained. There is a reason that state infrastructure always seems to be crumbling: it is built by the state with all the inherent economic irrationality of most state projects.

The real problem with the OWS movement is its political naiveté. The protestors imagine that by attacking free enterprise and the capitalist system they are upholding the rights of the common man. The exact opposite is true. The only real alternative to free enterprise is an economy owned and administered by society's most ruthless and cruel elements, who always seem to gravitate toward statist means.

If OWS is successful, it will wake up to a world that is lorded over by federal bureaucrats and jackbooted enforcement thugs. The entire world will be run like the Post Office, the TSA, the IRS, and the Customs Bureau. This has nothing to do with freedom and nothing to do with human rights.

For this reason, the OWS protest is not really a threat to the establishment. So far, its message has been that the state needs to be truer to itself, that the worst aspects of both the Democratic and Republican platforms need to be implemented with a vengeance. This is a movement the state can come to love. Indeed, the White House has drawn closer and closer to this movement, saying that Obama "will continue to acknowledge the frustration that he himself shares."

Again, the contrast with the Vietnam protests of the 1960s cannot be starker. The White House hated these people. The politicians of both parties were terrified of what "people power" meant in those days.

If we had the equivalent movement as it relates to economics today, it would be calling for an end to the Fed, privatization of education, privatization of health care, the right to global free trade, an end to state robbery of persons and their businesses, and a right to keep what you own. In short, a truly radical protest movement would be calling for a consistent and authentic capitalism as a corollary to the peace agenda in international politics.

Now *that* would be radical.

How Politicians Wreck the World

One of the coolest aspects of modern life is about to come to an end. I'm speaking of the great innovation in the last 10 years in which vending machines accept credit and debit cards. No more fishing in our pockets for quarters, dimes and nickels. No more having to flatten out your \$1 bills so that they will fit in just the right way and not be coughed up by the bill acceptor. Instead, you feed your card in, it is charged and you get a handy statement at the end of the month that makes sense of your spending habits.

Merchants have grown ever more willing to accept credit and debit cards for small transactions. This is how Redbox movies has made its profits and put new movies in high quality at nearly everyone's fingertips. It is easier to get a movie than a value meal. It's true at the convenience store too. You don't have cash, so you pull out the card to pay for the bottle of juice or the Snickers bar.

Online it is true too: Buy a small thing or donate to a small charity with micropayments. This is just part of modern life — something we have learned to love and take for granted. It's wonderful and innovative. It makes our lives better and the world a more beautiful place.

How could it end? Get the politicians involved. And they have gotten involved and it is all coming to an end. It is ending through a circuitous route that takes a few minutes to understand. So let me explain this.

As part of a political "crackdown" on the financial world, the Dodd-Frank Act passed last year, the fees that credit card companies can charge merchants now have a cap of twenty-one cents per transaction. The geniuses in Congress figured that this would save money for consumers because the average fee is actually forty-four cents. The masters of the universe figured that passing a law could make the world right. Oh, how necessary are their powers and privileges!

But you know what? The world is a bit more complex than that. What actually happened to make small transactions profitable was that companies would charge a high fee for large tickets and use that revenue to subsidize the costs of smaller transactions. Smaller transactions were not averaging twenty-one cents. Instead, they cost six or seven cents. This was made possible by the high fees that the politicians decided to legislate out of existence.

This makes financial sense in many ways. Card companies have every reason to maximize the number of institutions that use their services. Spreading out the variable costs according to a heterogeneous model does precisely this. It works, as all things in the market tend to work.

Maybe you can figure out already what is happening. If companies can no longer subsidize small transactions, they have to spread the revenue model among everyone equally. No longer able to charge forty-four cents, they can now charge only twenty-one cents. But transactions that used to cost six cents are also going up to twenty-one cents. This is intolerable for small merchants.

An immediate effect is that renting from Redbox will go up twenty cents, to \$1.20. That is politicians picking your pocket. Many merchants are already declining to accept credit cards at all for purchases under \$10. It's their right. It's their choice. If they can't make it work financially, they will end the practice. For other small merchants, like convenience stores and candy stores, this is nothing short of catastrophic.

Vending machines? Enjoy it while it lasts. Many of those machines will be shut down, or else the price of a can of Coke will have to go up 20%. You might soon have to go back to fishing for change and flattening out dollar bills.

Incredible, isn't it? Yes it is. Here is a piece of legislation that was supposedly designed to help you and me. Heaven protect us from their help!

Look what they have done. They have smashed one of the great emerging conveniences of modern life. How many small donations will no longer be made? How many micropayment widgets and systems will now go belly up? What kind of charitable projects and small web-based businesses will not come into existence because they can no longer afford the costs of doing business?

And all of this is happening in these terrible economic times. It's been blow after blow, delivered by the political class that claims to be stimulating the economy. To be sure, the credit card companies warned that this would happen. They said it would kill their business model. But the politicians are inclined to treat every complaint by business as a lie. So they dismissed it. They figured, hey, we put a price cap on something and the world obeys our dictate, so what's the downside?

The downside emerges only later. And hardly anyone will really understand the cause. All they know is that the price of movie rentals will go up, and they blame business. Everyone blames business for everything. Meanwhile, these puffed-up mini-dictators are hiding in the corner hoping that no one notices the mess that they make of the world.

Here is an archetype of what is often called "unintended consequences" of government legislation. This is just one tiny piece of a much-larger puzzle. Multiply this many millions of times and you gain some insight into why the world is such a mess. The politicians try to fix it and it only gets worse. Here is a general rule: politicians should do nothing, ever, except repeal their rotten attempts to make our lives better.

X.

Epilogue

Hayekian Moments in Life

I never tire of looking out the windows of airplanes. For all of human history until just about the day before yesterday, no living person saw the world like this. People could climb up to the top of mountains and see the valleys below. But to see that whole view looking straight down was the privilege of birds and God. Then about a hundred years ago, this changed and we could see what we never really experienced directly.

It's not raw nature that enthalls me. It's cities. It's the small towns. It's the lights. It's the vast, cultivated farmland. It's the seeming orderliness of human civilization that was no one's plan, but rather emerges through the bit-by-bit creation of minds. Everything we see was once an idea, and then it was made real through action.

Despite all the pretense by the government and the arrogance of its officials and the planning mind-set of its bureaucrats, what you see out the window of a plane is essentially ordered anarchy, the evidence of what millions of explosive units of creativity (also known as people) can build when they are all cooperating in pursuit of their own self-interest.

I'm also intrigued by the gargantuan swaths of seeming nothingness that stretch between east and west in the U.S., and it causes me to marvel about the talk over "overpopulation" or how we are running out of room. Under the right conditions, the whole planet could fit in this space with plenty of breathing room. Oh, and remember that talk some years ago about how we are running out of landfill space? Nuts!

That's not the only lesson to be drawn to this bird's-eye view. There is a scene in the 1949 movie *The Third Man*, set in Vienna after the Second World War, when the criminal bandit Harry Lime and the visiting author Holly Martins are at the top of a Ferris wheel. They look down, and Holly asks Harry if he has ever seen one of his victims. Harry answers as follows:

"Victims? Don't be melodramatic. Look down there. Tell me. Would you really feel any pity if one of those dots stopped moving forever? If I offered you 20,000 pounds for every dot that stopped, would you really, old man, tell me to keep my money, or would you calculate how many dots you could afford to spare?"

The allusion to how fighter pilots see the world must have been impossible to miss in those days following the war. The people are just dots from way above, about as valuable as the ants we routinely crush under our feet when walking through the grass.

This is pretty much the way the state sees us. The state is the predatory bird looking down, seeing not thriving and precious life, but dots that can be stopped and eaten or allowed to move in ways of which it approves. It imagines itself to be the master of all things below, but lacking the ability to actually cause beautiful things to be created, it falls back, again and again, only on its power to destroy without mercy.

The great challenge of liberty is to view the world from above, not as a predatory bird, but rather with the awe we feel as passengers when looking out the window of an airplane. We should see precious and awesome complexity, an order that can be observed but never controlled from the top.

This is how I imagine that F.A. Hayek came to see the world when he wrote his famous article "The Use of Knowledge in Society," which came out during the war in 1945. In his view, the whole economic problem had been radically misconstrued. Economics was not really about how best to employ social resources. Instead, he said, the economic problem was finding a system that made the best possible use of the various forms of knowledge of time and place that exists in the minds of individuals. This knowledge, he wrote, is ultimately inaccessible to central planners:

"The peculiar character of the problem of a rational economic order is determined precisely by the fact that the knowledge of the circumstances of which we must make use never exists in concentrated or integrated form, but solely as the dispersed bits of incomplete and frequently contradictory knowledge that all the separate individuals possess. The economic problem of society is thus not merely a problem of how to allocate 'given' resources — if 'given' is taken to mean given to a single mind, which deliberately solves the problem set by these 'data.' It is rather a problem of how to secure the best use of resources known to any of the members of society, for ends whose relative importance only these individuals know. Or to put it briefly, it is a problem of the utilization of knowledge which is not given to anyone in its totality."

Looking from above, then, we can only see, but we cannot actually know all the data that go into making the social order turn out the way it does. If we cannot know in totality what drives individual choice and human action, we certainly cannot substitute in their place the will of planning agents and expect a better result.

I admit that I've struggled for years to fully appreciate this insight. Even after reading the paper 100 times, Hayek's core point has eluded me, at least to some extent.

But when I was in Sao Paulo, Brazil, I had an amazing experience that helped to crystallize it for me. I went to one of the highest buildings in the middle of the city. On the roof, there is a very fancy place called the Sky Bar. It looked out over the whole city in all directions. You could spin in circles and see nothing but the evidence of human hands struggling to create a life.

There are some twenty million people in this city, but from the looks of the place, one imagines five instances of New York City all crammed together. There doesn't seem to be any center to it. It just goes on and on in a way that is impossible for the human mind to grasp in totality. What can you do but just stand in awe of such a sight? That is exactly what I and my friends from Mises Brasil did.

Brazil is a socialist state, but like all modern socialist states, it is only pretending to do what it claims to do. Rather than inspiring some new wonderful thing to happen, it only gets in the way with its meddling and regulation and taxation. Like all states, it drains productivity and wealth from society, rather than contributing.

Somehow it struck me as more obvious than ever from the height of this Sky Bar. It is the height of arrogance for any group of people to imagine that they can control such a place as this. Black and gray markets thrive. Unauthorized things define life itself. Spontaneity prevails. The whole city is gloriously rebellious of official dictate, and this is precisely what makes the place wonderful.

Yes, there is planning. Plenty of it. Individuals plan their lives. Businesses plan their production. Consumers plan their purchases. But the government plans nothing. It only interferes and lies about why.

It is as Hayek said: "This is not a dispute about whether planning is to be done or not. It is a dispute as to whether planning is to be done centrally, by one authority for the whole economic system, or is to be divided among many individuals."

Just as I stood on the top of that building trying to imagine and comprehend the expanse of the space of Sao Paulo, a couple stood in front of me and blocked my view. They fell into fond embrace, at length. Who are these people? How long had they known each other? Who between them felt the greater degree of affection? What would this public display of affection lead to? Was this one evening in the making or a lifetime?

I had no clue about any of this, and I wouldn't dream of interfering. Only these two know and can shape their lives, mistakes and all. These are two of twenty million who live out there. These twenty million are only 10% of the whole population of Brazil, and this country has only 3% of the total population of the world. And every single individual has a mind of his or her own. Thank God for that. Somehow it all works.

No one will finally rule this world.

