

# FreeMarket

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## The Freedom Revolution

BY MURRAY N. ROTHBARD

It is truly sobering these days to turn from a contemplation of American politics to world affairs. In the United States, the hot issue has been the piteous complaint about the "martyrdom" of Jim Wright, Tony Coelho, and John Tower to the insidious advance of "excessive" ethics. If we tighten up ethics and crack down on graft and conflict of interest, the cry goes, how will we attract good people into government? The short answer, of course, is that we will indeed attract fewer crooks and grafters, but one wonders why this is something to complain about.

And then in the midst of this petty argle-bargle at home comes truly amazing, wrenching, and soul-stirring news from abroad. For we are privileged to be living in the midst of a "revolutionary moment" in world history. History usually proceeds at a glacial pace, so glacial that often no institutional or political changes seem to be occurring at



all. And then, wham! a piling up of a large number of other minor grievances and tensions reaches a certain point, and there is an explosion of radical social change. Changes begin to occur at so rapid a pace that old mar-

kets quickly dissolve. Social and political life shifts with blinding speed from stagnation to escalation and volatility. This is what it must have been like living through the French Revolution.

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## Triumph of Liberty? Not in the U.S.

BY ROBERT HIGGS

If you have been spending your time in certain circles—among libertarians, classical liberals, or other pro-market people—you may well believe that the tide of history has turned in the United States decisively in favor of the free market.

Many pro-market observers have exulted over the so-called Reagan Revolution. During the past decade, they believe, deregulation has swept away many of the governmental controls

built up over the previous century. In their enthusiasm for the removal of regulatory fetters, supporters of the free market have tended to exaggerate what has actually been accomplished, and they have failed to notice that the political momentum for further deregulation evaporated years ago.

During the past decade, deregulation has been significant but far from revolutionary. Important deregulatory changes have occurred in only a few

sectors, mainly transportation, communication, energy, and certain financial services. At the same time—and receiving far less notice—increased regulation or governmental manipulation of markets has occurred in other areas, including agriculture, international trade and finance, health care, environment, safety, defense, and aerospace.

Moreover, one must take account of the enormous taxpayer-financed bailouts of the failing

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# Breaking Up the Opinion Cartel

## From the President



BY LLEWELLYN H.  
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Where have all the ideological battles gone? When I first became politically active as a young conservative in the middle 1950s, everyone on our side—including those in Washington—knew that freedom was our goal and big government our enemy. Every student argument, every political battle, was couched in those terms. Today, that sentiment seems almost to have disappeared.

Too many agree with George Bush when he condemns the “divisiveness” of politics and praises the “new breeze” that will make the “old bipartisanship...new again.” And, indeed, since January, hot air from the executive and legislative branches has blown serious discussion of ideas out the window. In Washington, it is hard to find more than a marginal difference of opinion on any issue.

Fred Barnes in the *New Republic* calls this a “new era in American politics and government... an era of consensus, conciliation, and compromise.”

“Serious ideological disputes are a thing of the past,” he says. “Republicans and Democrats have narrowed their differences on big issues. Their fights are now over small and often barely relevant issues, or over personalities.”

Barnes says the latest *anti-consensus* era lasted from 1965 (when Lyndon Johnson broke his campaign promise and escalated the Vietnam war) to 1987 (when the Iran-Contra scandal petered out without doing any damage to Ronald Reagan).

One can quarrel with his dates, but not with Barnes’s analysis. Since Bush and the new bipartisanship arrived, we’ve gotten agreement on the S&L bailout, the Brady Plan bank bailout, a higher minimum

wage, a massive increase in environmental regulation, gun control, and budget prevarication that’s unusual even for Washington.

Running through all these policies, and making a thousand points of light in our pocket-books, is the triumph of interests over values. If there is value in a free market, individual liberty, private property, and truth, then we have to oppose the Brady plan, gun control, budget fraud, and all the rest. But, since interests rule ever more openly in Washington, the S&L bailout and the rest of these bipartisan plans sail through, reminding us that bipartisan means they have *both* their hands in our wallets.

Fred Barnes is wrong, however, when he describes the origins of the new bipartisanship as part of an inevitable cycle. In fact, it is a result of what Walter Lippmann once approvingly described as the government’s “manufacture of consent.”

Our country has a wonderful lack of official restraints on freedom of speech and press. But we combine that with a narrow range of respectable opinion, which is no coincidence. The officials, academics, media owners, and pundits who define that narrow range constitute what Joe Sobran has called a deliberate opinion cartel.

All governments, and the elites that live off them, want to control public opinion. Most do it through open censorship and official propaganda. Ours uses subtler and therefore more effective techniques to insure that we do not oppose the host of programs that take money from producers and hand it out to non-producers—government and its friends.

Professor Noam Chomsky, a famed linguist, explains it this way: “Where obedience is guaranteed by violence..., it is enough that people obey; what they think does not matter too

much. Where the state lacks adequate means of coercion, it is important to control what people think as well.”

“In wartime,” said Winston Churchill, “truth is so precious that she should be attended by a bodyguard of lies.” Maybe that’s to be expected, but Washington follows this rule in peacetime as well. And how wonderful that it does, says Professor Everett Ladd, a specialist in public opinion: this is “the essence of statecraft.” The government “must...engineer democratic consent.”

Despite the myth of government-press antagonism, the national media are all too useful in this effort. Typically, the media simply recycle government handouts, from Keynesian economic projections to phony statistics on the size of the federal deficit.

Here are just a few of the issues on which consent is engineered by the opinion cartel, but which desperately need a public hearing if we are to secure human liberty:

### Income Tax

The income tax distorts production, reduces prosperity, violates property rights, and trespasses on financial privacy. It provides but 40% of a federal budget now more than twice the size of Jimmy Carter’s, but no one questions it.

### Central Banking

The Federal Reserve debauches the purchasing power of the dollar, distorts interest rates, creates the business cycle, and privileges big banks. It does more harm to savers and investors than any other agency, but it too is unquestioned.

### Deficit

The economically destabilizing federal deficit used to be

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# Triumph of Liberty? Not in the U.S.

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farm credit system and the bankrupt savings and loan institutions—bailouts that will eventually cost hundreds of billions.

Paul Weaver has observed that the most one could say for Reagan is that “he kept the nation from reverting to liberalism.” I disagree. He could not keep the country from reverting to liberalism because in fact it had never departed from the liberalism that has characterized the political economy of the United States since the New Deal.

As a check, one can secure an organization chart of the federal government for, say, 1979 and a corresponding chart for 1989. Comparing the two, can one see any evidence that the government’s scope has been diminished? The Civil Aeronautics Board has disappeared, but the Department of Veterans Affairs has appeared. Bad test? Too simple? Then peruse the *Federal Register* for recent years to see whether the government has taken itself off someone’s back.

But surely the vaunted tax cuts signify a blow against big government? No. There has been no tax cut, properly speaking. The best simple measure of the nation’s tax rate is the proportion of the national product commanded by government spending. Total government expenditures for final goods and services (transfer payments are *not* included in this total) relative to gross national product averaged 29.9% for 1970-79 and 31.8% for 1980-88; the federal spending portion alone rose from 20.5% to 23.2% of GNP. No shrinking government here. Nor will any shrinkage be found when one examines the mushrooming totals from federal direct loan obligation or guaranteed loan commitments.

But even if the so-called Reagan Revolution stands revealed as almost entirely bogus, has there not been a dramatic shift of

public opinion in favor of the market and against governmental intervention? James Buchanan recently observed that “the collectivist urge has surely lost some of its motive force.” I agree with Buchanan that “the grounds of debate in the academy and even in journalistic circles have shifted,” but again one must be careful not to exaggerate.

Liberals continue to dominate the establishments of journalism, academia, civic institutions, and politics. *The New York Times* recently reported that President Bush “faces growing Congressional and public pressure to revitalize the Federal regulatory machinery,” and many members of Congress “are now poised to push for new controls.” Almost simultaneously, *The Wall Street Journal* discerned the “government’s role may soon grow again” because of renewed pressures for intervention in financial markets and the airline and trucking industries as well as for more vigorous antitrust measures and restraints on international trade. The Bush administration seems to have little interest in pushing strongly for additional deregulation and in some areas, such as the environment, favors even greater regulation.

Whatever may be the prevailing opinion among elites, there is little doubt that the general public continues to give strong support to a plethora of statist policies. In 1985, on the heels of President Reagan’s reelection landslide, for example, 46% of those polled in a national survey either favored or expressed indifference toward “control of wages by legislation”; similarly, 59% for “control of prices by legislation”; similarly, 85% for “government financing of projects to create new jobs”; similarly, 90% for “support for industry to develop new products and technology”; similarly, 75% for “support for declining industries

to protect jobs.”

Proportions ranging from 36% to 65% agreed that government should either own or control the prices and profits of the following industries: electric power, local mass transportation, steel, banking and insurance, and automobiles. At least 95% agreed that government has either some, important, or essential responsibility for “looking after old people,” “seeing to it that everyone who wants a job can have one,” “providing good medical care,” and “providing adequate housing.” At least 73% wished to see government spend more or at least the same amount now being spent on the environment, health, education, retirement benefits, and unemployment benefits; 54% wanted the same or greater government spending for culture and arts; 72% of those polled agreed that taxes on business and industry are either about right or too low.

We may all devoutly hope that these data are inaccurate measures of true public opinion, but they are consistent with the data obtained by many other such surveys. If these are the opinions of a nation that has turned away from collectivism, then I am undoubtedly the King of Albania.

In sum? we live now, as we have lived for over 50 years in a nation deeply committed, in practice and in preference, to statist institutions.

Increasingly, during the past couple of decades, supporters of individual liberty and a free economy have emerged from the obscurity and intellectual contempt that had shadowed them for most of the twentieth century, especially during the modern Dark Age from the early 1930s into the 1970s.

But let us not live in a fool’s paradise. In promoting the ideals and practices of a free society, the bulk of our work remains still to be done. ◀

# The Free-Rider Confusion

BY TOM BETHELL

If property is not privately owned, then it must be either state owned or communally owned. We know state-owned property results in economic failure. What happens when we consider the case of communal property? Why does this too not seem to work very well?

A main reason is that common ownership encourages "free riding" by the joint owners. There is no satisfactory way to assure the communal owners of a just "ratio" between the effort they individually expend producing goods and their ultimate consumption of goods. What one person sows another can reap. Before long, this results in a general laziness—the bane of communes. He who toils finds that the fruits of his labor are tossed into a common pool, where they may be consumed by his less industrious brethren. Slackers profit from the con-

scientious. This is a classic illustration of the free-rider problem—a problem that arises when the institutional setting does not permit property rights to be well defined.

The free-rider problem arises because it is a characteristic of human nature that if we are offered a free good, we are strongly inclined to accept it. By the same token, we are strongly disinclined to labor if the fruits of our labor are promptly made available to others, free of charge.

If you turn to economics textbooks, however, and look up "Free-Rider Problem," you find something quite unexpected. You find that the concept of free riding is always discussed in a context of "market failure," almost never in a context of "collective failure." Indeed, current economics textbooks do not so much as entertain the idea that there is any such thing as a "common-pool problem" or "col-

lective failure." They point out that a problem of "public goods" arises when it is technically difficult to prevent those who do not pay for certain goods from using them. One example frequently given, albeit historically inaccurate, is that of lighthouses.

It is true, of course, that in certain situations it is technically difficult to confine the use of certain economic goods to those who pay for them. In such cases, there is said to be a "positive externality," in which non-payers receive an "external benefit." To the extent that this is true, a theorist may well perceive a "market failure." But it is not a particularly serious problem. It does not prevent commercial (i.e., private) radio stations from operating profitably. And technological changes make private lighthouses, security, and roads increasingly practical.

The mere *technical difficulty* of confining the use of goods to

## Free-Riding in the Textbooks

In his famous text *Economics* (11th edition), Paul Samuelson notes that "wherever there are externalities, a strong case can be made for supplanting complete individualism by some kind of group action." He does not seem to realize that these externalities above all arise in a setting where individualism has in fact been supplanted by group action, or perhaps never existed in the first place.

"Because of their characteristics," Robert Heilbroner and James K. Galbraith argue in *The Economic Problem* (8th edition, 1987), "all public goods share a common difficulty: their provision cannot be entrusted to the decision-making mechanism of the market." This is true, but tautological. Public goods are so defined in their book. The authors' discussion of the problem

of externalities is confined to the negative externalities that arise in a free-market system (e.g., pollution), and overlooks the positive externalities that arise in a communal system (the institutional arrangement that permits me to reap what you sow). Hence the free-rider problem is seen as causing difficulties only for the market, and their discussion arises in a chapter entitled "Where the Market Fails."

"Externalities lie at the heart of some of society's most pressing problems," William J. Baumol and Alan S. Blinder write in *Economics: Principles and Policy* (2nd edition, 1982). They cite "the problems of the cities, the environment, research policy and a variety of other critical issues. For this reason, the concept of externalities is one of our 12 Ideas for Beyond the Final Exam. It is a subject that will

recur again and again..." Even so, their discussion is limited to the kind of "externality" that is alleged to cause a problem for the market. All this is in a chapter headed "Shortcomings of the Market Mechanism and Government Attempts to Remedy Them." They do not bring up the severe externality problem that arises when the "market mechanism" is supplanted by collectivism.

Stanley Fischer and Rudiger Dornbusch (*Economics*, 1983) likewise confine their discussion of the free-rider problem to the realm of market problems.

Roy J. Ruffin and Paul R. Gregory (*Principles of Economics*, 2nd edition, 1986) note that "externalities are a classic example of market failure," adding: "Many externalities are the result of poorly defined property rights." They proceed to give examples of the failure of com-

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those who pay for them is as nothing compared to the *institutional difficulties* that arises when property is owned in common. Here the free-rider problem strikes with a vengeance. It becomes (in any commune above family size) impossible to apportion consumption to production, and a great sense of injustice begins to take hold. But try to find an economics book that uses the free-rider problem to illustrate the concept of collective failure. (See below.)

Some would say that communal ownership is so limited in the modern world that it is not particularly relevant or important. Economists argue that in socialist countries, such as the Soviet Union, the free-rider problem does not exist because the ill-defined ownership on common property has been replaced by the monopoly ownership of the state—or by a “single will,” as Ludwig von

Mises put it.

In practice, however, the free-rider problem exists on a giant scale in all socialist countries. F.A. Hayek has drawn attention to the difficulties of organizing production in centrally planned economies, pointing out that the central planning authority can never have at its disposal sufficient information to issue intelligent commands.

The problem with Hayek’s objection to planning is that it implies that people are willing slaves, eager to toil for socialist construction if only their masters at the central planning bureau would issue the right commands. But people, including Soviet people, are not made that way. In the Soviet Union, as in all institutional settings in which the individual is not primary, people are reluctant to work when they can’t capture the fruits of their labors, and when they are paid (minimally,

it is true) whether they work or not.

At the end of April 1989 the Associated Press reported the following from Moscow: “‘The food problem is far from solved,’ Gorbachev said in one of his frankest admissions of the Soviet Union’s problems. ‘The housing problem is acute. There is a dearth of consumer goods in the shops. The list of shortages is growing. The state’s financial position is grave.’” He diagnosed the problem in this way: “Many people have forgotten how to work. They got used to being paid,” he said, “just for coming to work.”

And there, in spades, you have the free-rider problem posing difficulties for socialism: state socialism, not just communitarian socialism. By comparison, the problem that the free riders pose for markets is minimal. But you wouldn’t know it from our economics texts. ◀

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munal ownership—overfishing of communally owned fishing grounds, and so on. But their whole argument is set in a chapter entitled “Market Failure, Environment, Energy.”

Oddly, in light of this chapter title, their diagnosis of the problem of externalities is the same as that of Harold Demsetz in his famous article “Toward A Theory of Property Rights,” (*American Economic Review*, May, 1967). Demsetz really did establish the key point that free-riding undermines communalism. The Labrador Indians overhunted beavers on communal hunting grounds because the benefits of such hunting were enjoyed by individual hunters (i.e., were privatized), while the costs were borne by other members of the tribe (i.e., socialized, or “externalized”). The solution, Demsetz said, was to establish private hunting grounds, which would

save the beaver.

Communal ownership, Demsetz wrote, “fails to concentrate the costs associated with any person’s exercise of his activities on that person.... The effect of a person’s activities on his neighbors and on subsequent generations will not be taken into account fully. Communal property results in great externalities.” Privatizing the land would “internalize the externalities,” Demsetz wrote.

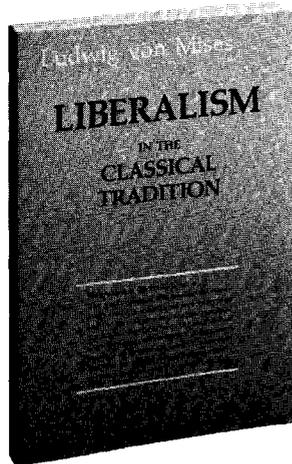
Ruffin and Gregory write, “the solution is to internalize, or put a private price tag on, externalities. This price must be paid by the one imposing the cost or received by the one imposing the benefit.” In the 20 years that separate Demsetz and Ruffin & Gregory, what has changed? A problem of communalism has been construed as a problem of the market.

James Gwartney and Richard

Stroup discuss the free-rider problem in Chapter 28 of their *Economics: Public and Private Choice* (4th edition, 1987). They point out that where there are external benefits, people can become free riders (true). They add that “the problems caused by externalities stem from a failure (or an inability) to clearly define and enforce property rights” (also true). They do discuss the externality problems that arise with communal property—the overgrazing of English commons in the 16th century, the overhunting of beavers by the Montagnais Indians in the 17th century—and here they are indeed making the case that massive free riding, hence overuse, tends to destroy communal property. What is misleading is that all this information is conveyed in a chapter entitled “Problem Areas for the Market.” ◀

# Mises's Blueprint for the Free Society

BY SHELDON L.  
RICHMAN



Book of the Month: Ludwig von Mises's *Liberalism* is available for \$13, which includes U.S. postage and handling. U.S. funds only, please. See enclosed form.

**T**he Chinese students were an inspiration to lovers of liberty everywhere. They were calling for freedom of speech and assembly and an end to official corruption. These are laudable objectives, but—as later became obvious—they cannot be guaranteed without more fundamental changes in China's communist system. And the most consistent and integrated alternative is classical liberalism, a philosophy and tradition that built Western civilization.

The best place to explore the foundations of classical liberalism is in Ludwig von Mises's classic work *Liberalism*. This is Mises's succinct statement of the meaning of the political philosophy that liberated mankind from the old order of feudalism and mercantilism and raised man's standard of living such that the noblemen of old would envy the position of today's poor.

Early in the book, Mises acknowledges that "Liberalism...has nothing else in view than the advancement of [men's] material welfare and does not concern itself directly with their inner, spiritual and metaphysical needs." He realizes that classical liberalism has been attacked through the ages for not being concerned with man's non-material needs, and he answers the charge forthrightly: "It is not from a disdain of spiritual goods that liberalism concerns itself exclusively with man's material well-being, but from a conviction that what is highest and deepest in man cannot be touched by any outward regulation." Liberalism seeks "outer well-being because it knows that inner, spiritual riches cannot come to man from without, but only from within his own heart."

Mises identifies seven tenets that form the foundation of clas-

sical liberalism:

## Private Property

This is the most misunderstood part of liberalism. It is the key that separates advocates of capitalism from its opponents, even those who are otherwise concerned with individual liberty. To the Marxist or Maoist, property is exploitation; to the real liberal it is liberation. Mises says, "the program of liberalism, therefore, if condensed into a single word, would have to read *property*, that is, private ownership of the means of production." "All the other demands of liberalism result from this fundamental demand," he writes.

## Freedom

Mises is concerned to tie the case for individual liberty to the progress of society and the material advancement of the human race. He writes: "What we maintain is only that a system based on freedom for all workers warrants the greatest productivity of human labor and is therefore in the interest of all inhabitants of the earth." Freedom for Mises means the right to enter contracts, to move as one pleases, to immigrate, and to emigrate. When we get to Mises's discussion of limits on government power, we'll see what else he attaches to this concept.

## Peace

Classical liberalism from the beginning was associated with peace. When the martial virtues were extolled, it was the liberals who vouched for the superiority of production and commerce. As Mises puts it, "The liberal critique of the argument in favor of war...starts from the premise that not war, but peace, is the father of all things. What alone enables mankind to advance and distinguishes man from the ani-

mals is social cooperation. It is labor alone that is productive.... War only destroys; it cannot create." Mises differentiates the liberal case against war from the "humanitarian" case by pointing out that the liberal "is convinced that victorious war is an evil even for the victor...."

## Equality

No concept that began with liberalism has been more subject to abuse than "equality." The various doctrines of egalitarianism ride on the achievements and goodwill created by liberalism, but would destroy them if practiced consistently. For Mises, equality means no more and no less than equal treatment under the law. "Nothing, however, is as ill-founded as the assertion of the alleged equality of all members of the human race," writes Mises. "Even between brothers there exist the most marked differences in physical and mental attributes."

## Limited Government

Under liberalism, government power is to be limited to protecting people and their property from aggression. Anything beyond that makes the individual a slave. "We see that as soon as we surrender the principle that the state should not interfere in any questions touching on the individual's mode of life, we end by regulating and restricting the latter down to the smallest detail," he writes. The danger of government's moving beyond its narrow function is the suppression of the innovators. "All mankind's progress has been achieved as a result of the initiative of a small minority that began to deviate from the ideas and customs of the majority until their example finally moved the others to accept the innovation themselves," writes Mises. "To give the majority the

right to dictate to the minority what it is to think, to read, and to do is to put a stop to progress once and for all."

## Tolerance

Mises makes a poignant plea for tolerance: "Liberalism," he says, "must be intolerant of every kind of intolerance." It "proclaims tolerance for every religious faith and every metaphysical belief, not out of indifference for these 'higher' things, but from the conviction that the assurance of peace within society must take precedence over everything and everyone." "Only tolerance," he says, "can create

and preserve the condition of social peace without which humanity must relapse into the barbarism and penury of centuries long past."

## Democracy

Mises's democracy is to be sharply distinguished from other theories of democracy. For Mises, democracy is the method of choosing the "rulers," not the rules. The difference is critical. Under the latter conception, no one is safe from the whims of the majority or the well-organized minority, as under the absolute democracy of Athens or of Rousseau's fantasies.

For Mises, democracy is the

method of making violent internal political upheaval unnecessary. "There can be no lasting economic improvement if the peaceful course of affairs is continually interrupted by internal struggles," Mises writes. "Democracy is that form of political constitution which makes possible the adaptation of the government to the wishes of the governed without violent struggles."

The passionate young people of China and those who struggle for freedom all over the world can learn from Mises and his integrated philosophy of liberalism. ◀

# Breaking Up the Opinion Cartel

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defined as the annual increase in the national debt. For the purpose of disinformation, it now means only the *official* deficit, while the real red ink is almost twice as large. For the S&L bailout, the Bush administration wanted the borrowing "off-budget." The Democrats wanted it "on budget," but not to count against the already leaky Gramm-Rudman ceiling. No one in Washington says the budgetary emperor is naked.

## Minimum Wage

The unions have waged a two-year campaign to raise the minimum wage, which will throw marginal employees out of work and strengthen the competitive position of overpaid union crews. One expects Teddy Kennedy to support this nasty business, but so does George Bush. The only argument is: how high? No one proposes the repeal of this malodorous law.

## Federal Spending

The government spends more than \$1.1 trillion a year. Where does all that cash end up? Very little provides the "services"

we're allegedly taxed for. The poor, for example, receive a tiny portion of the welfare budget, with the vast majority going to special interests. It is the same in every area of the government.

## Bureaucracy

Washington, D.C., is crawling with the most overpaid and underworked people in the world. Almost all the bureaucrats at the departments of Education, Labor, Commerce, Health and Human Services, etc., do virtually nothing. And the few who do work usually gum up the economy for the rest of us. But no one talks about eliminating these unconstitutional departments.

## Environmentalism

We are all supposed to prefer taxpayer-financed wilderness to human economic development. But why should the majority pay to support the aesthetic preferences of the few? The environmental movement openly seeks bigger government and poorer people. Should the "rights" of plants and animals really take precedence over the rights of people?

These and other issues are

vital to America's future, yet they are never discussed. The opinion cartel bars them from the public forum.

Yet it is not our job to convert the cartel, which is probably impossible. It is to work around it, in the academic world, in the media, and with the general public. Here, unlike in Washington, we're making progress.

The average American is convinced of a sort of popular public choice: that most politicians are corrupt, and that they seek their own interest over the common good. It is not a giant step to convincing the people that these same crooks and clowns should not be running our economy and our lives. The popular opposition to the Congressional payraise shows what can be achieved.

Not that it will be easy. We have been losing this battle for too long. But I don't believe that a consensus in Washington on ripping us off is permanent. Nor do I agree with Fred Barnes that "Americans, it turns out, like big government." They have only been fooled and cowed into it. Breaking up the opinion cartel is therefore the first step toward mobilizing a people that still longs for liberty. ◀

# The Freedom Revolution

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I refer, of course, to the accelerating, revolutionary implosion of socialism-communism throughout the world. That is, to the freedom revolution. Political positions of leading actors change radically, almost from month to month. In Poland, General Jaruzelski, only a few years ago the hated symbol of repression, threatens to resign unless his colleagues in the communist government accede to free elections and to the pact with Solidarity. On the other hand, in China, Deng Hsiao-ping, the architect of market reform ten years ago, now becomes the mass murderer of unarmed Chinese people because he refuses to add personal and political freedom to economic reform, to add *glasnost* to this *perestroika*.

Every day there is news that inspires and amazes. In Poland, the sweep by Solidarity of every contested race, and the defeat of unopposed Communist leaders by the simple, democratic device—unfortunately unavailable here—of crossing their names off the ballot. In Russia, they publish Solzhenitsyn, and a member of the elected Congress of Deputies gets on nationwide TV and denounces the KGB in the harshest possible terms—to a standing ovation. The KGB leader humbly promises to shape up. In the Baltic states, not only are *all* groups—from top Communists down—calling for independence from Soviet Russia, but also the Estonians come out for a free market, strictly limited government, and private property rights. In Hungary, numerous political parties spring up, most of them angrily rejecting the very concept of socialism.

In the “socialist bloc” covering virtually half the world, there are no socialists left. What all groups are trying to do is to dismantle socialism and government controls as rapidly as possible; even the ruling elites—certainly in Poland and Hungary—are trying to desocialize with as little pain to themselves as possible. In Hungary, for example, the ruling *nomenklatura* is trying to arrange desocialization so that *they* will emerge as among the leading capitalists on the old principle of “if you can’t beat ’em, join ’em.”

We are also seeing the complete vindication of the point that Hayek shook the world with in the *Road to Serfdom*. Writing during World War II when socialism seemed inevitable everywhere, Hayek warned that, in the long run, political and economic freedom go hand in hand. A socialist economy will inevitably be dictatorial.

It is clear now to everyone that political and economic freedom are inseparable. The Chinese tragedy has come about because the ruling elite thought that they could enjoy the benefits of economic freedom while depriving its citizens of freedom of speech or press or political assembly.

The unarmed Chinese masses in Beijing met their fate because they made the great mistake of trusting their government. They kept repeating again and again: “The People’s Army cannot fire on the people.” They ached for freedom, but they still remained seduced by the Communist con-game that the “government is the people.” Every Chinese has now had the terrible lesson of the blood of thousands of brave

young innocents engraved in their hearts: “The government is *never* the people,” even if it calls itself “the people’s government.”

It has been reported that when the tanks of the butchers of the notorious 27th Army entered Tiananmen Square and crushed the Statue of Liberty, that a hundred unarmed students locked arms, faced the tanks, and sang “The Internationale” as the tanks sprayed them with bullets, and, as they fell, they were succeeded by another hundred who did the same thing, and met the same fate.

Western leftists, however, cannot take any comfort from the contents of the song. For “The Internationale” is a stirring call for the oppressed masses to rise up against the tyrants of the ruling elite. The famous first stanza, which is all the students were undoubtedly able to sing, holds a crucial warning for the Chinese or for any other Communist elite that refuses to get out of the way of the freedom movement now shaking the socialist world:

*Arise, ye prisoners of starvation!  
Arise, ye wretched of the earth,  
For justice thunders condemnation,  
A better world’s in birth.  
No more tradition’s chains shall bind  
us,  
Arise, ye slaves; no more in thrall!  
The earth shall rise on new foundations,  
We have been naught, we shall be  
all.*

Who can doubt, any more, that “justice thunders condemnation” of Deng and Mao and Pol Pot and Stalin and all the rest? And that the “new foundations” and “the better world in birth” is freedom? ◀

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