

THE Libertarian Forum

A MONTHLY NEWSLETTER

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TO THE GOLD COMMISSION

(On November 12, 1981, your editor testified before the U.S. Gold Commission on the topic of the gold standard. Unlike other gold standard witnesses, who felt that at the first whiff of possible influence on Power it was important to moderate their views, I figured I might as well make my one chance at Congressional testimony an opportunity to present my all-out position. While the Gold Commission was hopelessly stacked from the very beginning in a Friedmanite anti/gold position, these views might find themselves embedded in the Minority Report to the Commission. This testimony was presented as part of a panel of experts, and in the question period afterward, many Commissioners were bemused at this radical, hard-core approach. The most heart-warming reaction was that of the notorious Edward Bernstein, for decades the *doyen* of Keynesian experts on international money. The elderly Bernstein kept bouncing up and down in his chair, shouting, in his thick Germanic accent: "It wouldn't work! It wouldn't work!" — Ed. Note)

The most important aspect of the gold problem is how we answer this seemingly simple but vital question: Whom do we trust, the people or the government?

In recent years, economists and other analysts have come more and more to see the errors and fallacies of government control and central planning, and the great importance of maintaining the rights of private property and of free markets and free enterprise. But while the economics of free market and property right has been extended in recent decades, there is one glaring gap: the crucial area of money. Why are we ready to accept freedom and private property, why are we ready, in short, to trust the people in all their economic affairs — and yet make a glaring exception in the case of money? Why do we favor freedom in many areas, and yet advocate total control over the supply and lending of money in the hands of the central government? For if we leave it up to the federal government to control the issue of dollars and demand liabilities to dollars, we are granting it this vital power. Money is relevant to the lives of every American. And yet we are willing to put our lives and our fortunes, if not perhaps our sacred honor, in the hands of the Federal Reserve, the monopoly creator and controller of all dollar issues.

It might be well for us to ponder how perhaps the most despotic regime of this century — Pol Pot's Cambodia — was able to exercise its genocidal policies over the Cambodian people. It did so by abolishing all use of money, so that no one could use money to purchase goods, and everyone had to go to

the central government to receive their meagre rations of food or clothing. The point here is not that I think that the Federal Reserve policies rank with Pol Pot's — only to underscore the vital importance to everyone's life of the people directing the control of their nation's money rather than the government.

Yet in the field of money we have allowed the U.S. government to confiscate everyone's gold in 1933, supposedly for the duration of the depression emergency. But here we are, nearly half a century later, and the people's gold, seized from them, still remains buried at Fort Knox. If we truly believe in free markets, free people, and private property, we must proceed to denationalize gold, and let the people take back their gold property which was, in effect, stolen from them in 1933 and never returned.

But let us go back to our central question: do we trust the people or the government? I would like to submit that it is precisely the area of money — an area nationalized throughout the world — where we *cannot* trust government at all, and even less so than in other areas of the economy. For government operation using taxpayer money rather than voluntary investment or payments from consumers *always* tends to be unsatisfactory and hopelessly inefficient. But in the area of money there is another vital factor, which causes the government to be *inherently inflationary*. Most economists will now concede that the major, if not the sole, cause of our chronic and ever accelerating inflation is the excessive creation of new money. But there is only one institution to blame for this, because there is only one institution that we all recognize to be the sole issuer and controller of dollars: the federal government and particularly the Federal Reserve. But if, as I maintain, government is inherently inflationary, then putting the Fed or any other government institution in charge of the supply of money is equivalent to letting the proverbial fox guard the chicken coop.

Why do I say that government is inherently inflationary? Simply because government, like many of the rest of us, is chronically short of funds — that is, it would like to spend more than it can take in in taxes without stirring up too much political unrest. To pay for the remainder, it can borrow from the public, or better yet, it can create new money and use it to finance its ever-larger deficits. The point is that economically, if not legally, the federal government — now the Federal Reserve — enjoys the monopoly of legalized counterfeiting, of creating new money out of thin air, or out of paper and ink. I submit that *any* institution, no matter how noble its possible

motives, will use any power that it has, especially the power to counterfeit. By creating new money, the government can finance its deficits, and subsidize favored political and economic groups by supplying cheaper credit than they would otherwise enjoy. Since the government, as monopoly issuer of fiat money, has the power and the ability to counterfeit, it will tend to keep using such power.

If we look at the record of governments throughout history, we see a dismal story of such counterfeiting — of fiat money, of runaway inflation that wiped out entire classes of people as well as destroying the value of the nation's currency. There is no economic holocaust — no recession or depression — that can touch the widespread and intense agony of runaway inflation. And if we continue our present course of trusting government rather than the people or the market, we will eventually have such hyper-inflation in America. Let us not forget that two of the notable runaway inflations in the twentieth century had disastrous political consequences: the German inflation of 1923 destroyed the middle class and paved the way for Hitler; and the Chinese inflation of the 1940s was instrumental in the loss of China to the Communists.

It is also unassailably true that the Western world enjoyed far greater price stability under the gold standard than we have had since. If we take the period since the founding of the American Republic, prices were far more stable than they have been since we were taken off gold in 1933. This is still more true if we realize that two of the major inflationary episodes occurred when the federal government issued fiat dollars inconvertible into gold — i.e. when we were off the gold standard — the War of 1812, when the government allowed the banks to issue dollars and not redeem them; and the Civil War, when North and South alike issued irredeemable greenbacks. And the situation improves still more if we take the pre-Federal Reserve era before 1913 and compare it with later periods, for an unmanaged gold standard with free or semi-free banking works much better and more stably than a gold standard managed — and therefore distorted and crippled — by a central bank such as the Federal Reserve.

It is possible, though not easy, to write off this historical record of the virtues of gold and the vices of fiat paper by attributing it to coincidence and various special features in the past. But if we understand that government, as legalized monopoly counterfeiter, is inherently inflationary, then we will see that the historical record is not a problem or puzzle, but simply confirms and illustrates our basic insight.

If we must denationalize gold, then we must also and at the same time denationalize *the dollar* — taking the issuance of dollar? Only by restoring the concept of the “dollar,” not as To eliminate and exorcise the spectre of inflation, we must see to it that gold, dollar, and money are in the hands of the people, of the free market, rather than the central bank.

How can this be done? How can we establish freedom and private property in money, while denationalizing gold and the dollar? Only by restoring the concept of the “dollar,” not as an independent entity, but what it was before 1933: simply a unit of weight of gold. That is what a “gold standard” means. But in order for the dollar to truly be a certain weight of gold, it must be redeemable on demand at that weight. Only if the average person can redeem his dollars at a fixed weight of gold coin can a true gold standard exist or perform its important functions.

This means that nothing less will do. A return to something like the Bretton Woods system, where the dollar was *supposedly* fixed in terms of gold but where only foreign central banks could redeem in gold, would be a sham and would only end in the same sort of disaster as did Bretton Woods in 1971. The dollar must be redeemable in gold not just to foreign governments but to everyone, Americans and foreign citizens alike. Only in this way can the dollar be tied firmly to the stable level of gold. Also it is important that gold be redeemable in coin and not merely bullion. For redeemability in bullion, such as existed in England during the 1920s and the United States from 1933 to 1971, might benefit wealthy businessmen and international operators, but it deprives the average person of the right to keep his property in gold rather than paper or deposit dollars.

It is furthermore important *not* to introduce escape clauses into the gold standard or to provide for changes in the definition of gold weight. A gold standard with an escape clause is useless, for it simply signals everyone that we don't really mean it, that the gold discipline to guard us from inflation won't *really* be enforced. Similarly with changes in definition. The gold standard is unfortunately commonly talked of as “fixing the price of gold.” The gold standard however, does not fix the price of gold in terms of dollars; rather it *defines* the dollar in terms of a weight of gold. Changing that definition makes as little sense, and is even more pernicious, than changing the definition of a pound from 16 to 14 ounces. Just as an “ounce” or “pound” is each a unit of weight and therefore fixed in relation to each other, so should be the dollar and a weight of gold.

But just as “pound” and “ounce” are *initially* arbitrary definitions and, once chosen, should remain fixed, so the *initial* definition of a dollar in terms of gold is also arbitrary. No one takes seriously the current statutory definition of the dollar as approximately \$42 per ounce, because there is no real way in which the dollar and gold are related. We should pick the most convenient initial definition and stick to it from then on.

I suggest that the most convenient definition would be one that would truly embody the dollar as a unit of weight of gold: a 100% reserve of the gold stock to the dollars — paper money and demand deposits — outstanding. This would be at approximately \$1600 an ounce. This high price — or rather low weight — of gold would *not* be inflationary, if, as should be done, reserve requirements are 100% from that point on. In no case should higher value of the gold stock be used to pyramid more inflationary dollars on top of gold. Furthermore, this sort of 100% gold dollar would enable the rapid liquidation of the Federal Reserve System and the establishment of sound uninflated free banking.

There are several common criticisms of the idea of a return to the gold standard. One is that we would be relying on the fluctuations of the supply of gold production on the market. We are fortunate, however, that gold is such a durable commodity that annual production can only be a small proportion of the total stock, and will therefore have little impact on prices. This is in contrast to paper money, which can be increased at will and nearly costlessly by the central government. No one says that gold is an abstractly “perfect” money, whatever that may be. It is far more trustworthy, however, than government.

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ROOSEVELT AND DISSENT

by Justus D. Doenecke

Review of George T. Eggleston, *Roosevelt, Churchill, and the World War II Opposition: A Revisionist Autobiography* (Old Greenwich, Conn.: Devin-Adair, 1979)

In 1979, the autobiography of George T. Eggleston was published. For anyone interested in the history of the American press, the anti-interventionist movement before Pearl Harbor, and the state of civil liberties under the Roosevelt Administration, this book is most significant. Before he was twenty-five, Eggleston was editor-in-chief of the "old" *Life* magazine, a humor weekly somewhat similar to the British *Punch* and associated with such names as Charles Dana Gibson and Robert E. Sherwood. In 1936, he was on the first board of editors of Henry R. Luce's famous picture weekly, also called *Life*. In 1940 and 1941, he edited *Scribner's Commentator*, an anti-interventionist monthly, and from 1941 to 1957, he was an associate editor of the *Reader's Digest*. Since his retirement, he has written several books on the culture and history of the Caribbean.

Eggleston began his writing career as an undergraduate at the University of California, where he edited the college humor magazine *The Pelikan*. After graduation, he went to *College Humor* and then to the "old" *Life*. In describing Luce's purchase of *Life*, Eggleston notes how anxious the old editorial board was. "We of the about-to-be dissolved magazine felt much the way a group of manacled slaves must have as their new owner came by on an inspection trip prior to sending them down the river," he writes. Yet Eggleston soon became in charge of color features for Luce's magazine, in the course of which he worked with such figures as John Shaw Billings, Alfred Eisenstadt, and Luce himself. In 1937, he travelled through the South Seas, after which he worked for Conde Nast publications.

At least half the book is taken up with the intervention controversy, and in particular with Eggleston's role as editor of *Scribner's Commentator*. It is particularly valuable on this topic, for we have few anti-interventionist memoirs that delve into this crucial period in any detail. The memoirs of Herbert Hoover (who incidentally was a friend of Eggleston's) end with the presidency. The diaries of Charles and Anne Morrow Lindbergh are quite thorough, but Charles's *Autobiography of Values* (1978) is much less so. Autobiographies of such figures as Philip F. La Follette, Burton K. Wheeler, Eddie Rickenbacker, and Chester Bowles are disappointing.

The story of *Scribner's Commentator* began early in 1940, when Eggleston met with Charles S. Payson, a prominent financier and lawyer then in his forties. Tall, slim, and athletic, Payson was a Yale graduate, prominent in steel and sugar refining, and the husband of Joan Whitney, heiress to the prominent Whitney fortune. Payson was then the publisher of *Scribner's Commentator*, a New York monthly founded in January 1937 as *The Commentator*. It was first designed to

carry original articles by radio commentators, and the broadcaster Lowell Thomas was its first editor. By November 1939, *The Commentator* had acquired the name of *Scribner's*, a distinguished monthly known for its literary excellence, and it changed its name to *Scribner's Commentator*. Like Eggleston, Payson was highly critical of Roosevelt's interventionism. Both men believed that Payson's journal could play a vital role in keeping the United States out of World War II.

Eggleston and Payson then met with Douglas MacCollum Stewart. (Stewart should not be confused with R. Douglas Stuart, Jr., a student at Yale Law School and national director of the America First Committee). The Harvard-educated Stewart owned a market analysis service. About the same age as Payson, he was stocky, bald, mustachioed, and — in Eggleston's words — looked like nothing so much as a successful banker. Stewart shared Eggleston's opposition to Roosevelt and got the financial backing of his cousin Jeremiah Milbank, once treasurer of the Republican party.

After a series of conferences involving Eggleston, Payson, Stewart, and Milbank, the P. and S. publishing house was formed, with Payson as president, Stewart vice-president, and Eggleston editor of the journal. Strongly anti-interventionist, the statement of principles began with a call to national defense. It said, "WE BELIEVE: That America should concentrate on defending America with all the might, skill, and resources that make the United States the greatest nation on earth. With sanity, unselfish efficiency, and concentration on our own preparedness now we can stop any nation that is foolish enough to think it can launch a 3,000-mile attack on us." Today Eggleston stresses that he was far from being a pacifist, having served in the ROTC in high school and earning a lieutenant's commission in the Army Air Force Reserve. Stewart had served in the navy in World War I.

The journal statement also stressed opposition to "all foreign *isms* antagonistic to democracy, whether they be communism, nazism, fascism, or socialism." In his own memoir, Eggleston notes that as editor of the "old" *Life*, "We were the first U.S. publication to brand Hitler for what he was." After condemning Hitler's conscription in 1935, Eggleston's magazine was banned in Germany. Similarly, after *Life* denounced Mussolini for invading Ethiopia, it was forbidden in Italy. At the same time, it endorsed the neutrality acts, and in Eggleston's words, called for "the observance of a strict neutrality so that we might be peacemakers to the world."

Once under Eggleston's direction, *Scribner's Commentator* continually stressed anti-interventionism. It usually featured a prominent anti-interventionist on the cover, with a feature story on that person within. Inside were editorials, cartoons (drawn by Eggleston himself), letters-to-the-editor, radio speeches, movie reviews, and quizzes. Book

reviews were written by the prominent libertarian essayist Albert Jay Nock. Stories pointed to America's anti-interventionist tradition, criticized prominent interventionists and groups, and called for the renunciation of Roosevelt's foreign policy.

In this memoir, Eggleston offers some personal impressions of various anti-interventionists and in so doing gives us some surprises. He notes how Henry Ford personally told him that he abhorred (in Eggleston's words) "the diabolical Hitler persecution of the Jews and the Stalin purges of the peasant farmers." He found Charles Lindbergh "anything but the stiff-necked man with the mechanical heart so often depicted by his detractors." Indeed, the prominent aviator had a warm sense of humor. He notes that W. Stuart Symington, later President Truman's Secretary for Air and Democratic senator from Missouri, was an avid fan of *Scribner's Commentator*, even buying it for associates.

In looking back upon this period, Eggleston finds the interventionist press so anxious to back Roosevelt's foreign policy that it deliberately exaggerated German dangers to the United States. He is particularly critical of his former boss, Henry Luce, in this regard. It was Luce who immediately coined the phrase "World War II" when the conflict broke out in September 1939, doing so — Eggleston infers — to create a sense of alarm. It was Luce who, early in 1940, issued a confidential memo to senior executives defining what he called "journalist duty." The memo read: "1. To continue to sound the danger signal in all aspects — Danger to the Sovereign U.S.A. 2. To cultivate the Martial Spirit. 3. To show that America is worth fighting for." Luce had the military writer George Fielding Eliot produce a series of articles claiming that Germany could bomb the United States from several bases in Latin America. Yet until the fall of 1939, so Eggleston writes, Luce had been "an admirer of Mussolini and uncritical of Hitler."

Eggleston also notes Roosevelt's political use of law enforcement agencies, an issue that historians are increasingly addressing. (See, for example, Richard W. Steele, "Franklin D. Roosevelt and His Foreign Policy Critics," *Political Science Quarterly* 44 [Spring 1979]: 15-22; Roy Turnbaugh, "The FBI and Harry Elmer Barnes: 1936-1944," *The Historian* 42 [May 1980]: 385-398). On May 21, 1940, Roosevelt authorized his attorney-general to bug certain private telephone lines. Lindbergh soon told Eggleston that the Federal Bureau of Investigation had ordered wire taps on all Lindbergh telephones, the phones of the America First Committee, and the lines of *Scribner's Commentator*. (Both Lindbergh and Eggleston said that they welcomed the electronic surveillance, as they had nothing to hide). Eggleston also claimed that the Internal Revenue Service was used politically against him and Stewart.

For Eggleston, however, such intimidation was just beginning. He writes that because such journals as the newspaper *P.M.* attacked *Scribner's Commentator* as being pro-Nazi and pro-German, a number of news dealers sabotaged sales. In addition, two sacks of mail were stolen from his mailrooms and never recovered. In the spring of 1941, the journal moved from New York to Lake Geneva, a resort town some 80 miles from Chicago. One day that summer, as Eggleston tells the story, he received a phone call from Stewart, who had been in Lake Geneva about a week after a business

trip to New York. Stewart said, "Please come by the house as soon as you can. I found a very curious parcel in my front hall a few minutes ago — curious, to say the least." Upon discovering that the parcel contained an anonymous \$15,000 donation in the form of twenty-dollar bills, Eggleston first thought that Henry Ford was giving the money, doing so via a messenger of Harry Bennett. However, writes Eggleston, it could have been any one of "a score of wealthy anti-war friends," to whom "any such contribution as Stewart received would have been considered minuscule indeed. And we could quite understand the donor's desire for anonymity."

In October 1941, Eggleston, Stewart, and several members of the journal's staff were called before a grand jury in Washington. Before meeting with the jury, Eggleston conferred with such anti-interventionist senators as Gerald P. Nye, Bennett Champ Clark, and Burton K. Wheeler. All three senators told him that Roosevelt had directly ordered "the grand jury witch hunt" investigation "to harass us out of business." Eggleston was interrogated concerning the finances and backing of his journal, but the case was temporarily dropped. Once the Japanese attacked Pearl Harbor, *Scribner's Commentator* closed down. "Freedom of speech," Eggleston writes, "was out for the duration."

Eggleston's battle with the Roosevelt Administration, however, was far from over. In December 1943, he received a commission as lieutenant junior grade. However, before he could serve on active duty, he was again called before a grand jury. In February 1944, government prosecutor O. John Rogge accused Eggleston of being "an officer in the Navy [who] had criticized his Commander in Chief." Rogge's evidence? Anti-Roosevelt cartoons Eggleston had drawn and published in *Scribner's Commentator*, said cartoon being published while the nation was still at peace with the Axis. Rogge also kept harping on the anonymous \$15,000 contribution. Almost immediately, and without being granted any hearing, Eggleston was dropped from the service. When he told the anti-interventionist senator David I. Walsh about his experience, Walsh told Eggleston he was lucky not to have been "shipped off to the Aleutian islands for the duration of the war."

Even as late as the middle of 1946, Rogge still hammered at Eggleston, demanding that the Justice Department prosecute him. Rogge, trying to cast as wide a net as possible, also sought to implicate such people as Senator Arthur Vandenberg, *Reader's Digest* publisher De Witt Wallace, former president Herbert Hoover, and labor leader John L. Lewis as being Nazi dupes. At this point, Attorney General Tom Clark fired Rogge for violating the confidentiality of Justice Department exposés. Stewart and Eggleston, however, still had to face another grand jury. They were charged with accepting the mysterious \$15,000 in New York from a German agent, but Eggleston showed that he was in California at the time of the supposed "drop" and was cleared. Stewart, however, faced trial. The defense attorney, in his summation, stressed that the prosecution failed to produce the two material witnesses necessary in a perjury case, had failed to produce any evidence whatsoever, and had forced the two major prosecution witness — two employees of the German embassy — to make statements under threat of death. The jury took little time in finding Stewart not guilty.

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THIS IS THE MOVEMENT YOU HAVE CHOSEN

by the Old Curmudgeon

The Craniacs Swoop Again

We owe our estimable colleague, SIL's *Individual Liberty* (February 1982, a bargain at \$5 a year for this monthly, at P.O. Box 1147, Warminster, PA. 18974) the fascinating saga of a Craniac strike in the Maryland LP. At the December 1981 Maryland convention, the Crane Machine was able to depose its long-time opponent, Dean Ahmad, as Chairman and replaced him with a certain Richard Kauffman. The interesting item is that, of those attending the convention, 22 voted for Ahmad and only 5 for Kauffman. The problem, however, was that 36 new member proxies were signed up and paid for by Craniac leaders Kent Guida and Paul Kunberger at the beginning of the meeting. Many of these proxy newcomers were residents of Virginia and of Washington, D.C., and included such Craniac/Kochtopus employees as Chris Hocker (Inquiry), David Boaz (Cato) and Kristina Herbert (Cato).

Allowing proxy votes, especially those paid for on the spot, of course opens itself completely to this kind of odious abuse of the democratic process. There should be no proxy votes in the LP, and this saga confirms that point.

The New York Party

It is high time to call attention to the parlous state of New York LP (the Free Libertarian Party), in particular its deteriorated and unfortunate condition in its heartland and my homeland, New York City.

First, politically, as we documented in the August-January issue the FLP is one of the worst parties in the nation. Under the tutelage of State Chair Gary Greenberg and his friends the Riches, the New York Party is Craniac to the core. For example, of the 24 votes it cast for National Chair, it voted 18 for Guida, 3 for Clark, 2 for Mason (of which one was the editor of the *Lib. Forum's*) and one for none of the above. The Crane Machine candidates for NatCom all won by a landslide in New York. Organizationally, it was almost fanatic in its detestation of requiring accountability of our Presidential candidates. And, ideologically, it is generally ultra-rightist, with Greenberg favoring foreign intervention and Albany leader Mike Kessler leading the obstructionist forces in blocking consideration of the radical new planks in the LP Platform.

Organizationally, the New York City party, at least, is in an advanced stage of putrefaction and petrification. In our great city of 7 million, in the cultural and media center of the nation, the number of people who showed up at our August NYC FLP convention in the fall of 1981 was approximately 25! This compares to about 35 in the fall of 1980, and slightly more in the fall of 1979. The New York City party never meets, or so it seems, except for the boring and no-show annual convention. The only "meetings" consist of twice-a-week sessions at FLP headquarters, where a handful of youthful

acolytes stuff envelopes at Greenberg's direction. A large number of dedicated activists have been totally turned off after observing one such "meeting" at the NYC FLP.

Contrast this to the vibrant — if a bit wacko — meetings that the NYC FLP used to have in the mid-1970s, when 70 or more militants would show up, and vote and argue all day over issues and tactics!

Furthermore, the FLP is perhaps the only LP in the nation which stubbornly *refuses* to have any platform! At the keynote address of the annual NYC meeting in the fall of 1980, *Lib. Forum* publisher Joe Peden strongly urged the NY party to have a platform, so that it could apply libertarian principles openly to local and state issues. The idea generated no interest whatever, and Greenberg flatly turned down the proposal. With no platform, this of course leaves all interpretation of issues in the hands of whatever candidate the FLP has to offer, and insures zero treatment of issues outside of actual campaigns.

The latest big election race of the NYC FLP was that of Judith Jones, who ran for Mayor in 1981. After the vote, which can only be accounted a total disaster, the Jones campaign (seconded by the Craniac mouthpiece, *UpChuck*) issued a release somehow claiming a great victory, the highest number of votes ever for a Mayor, etc.

But let us examine the record. The Jones campaign managed to amass a hefty campaign chest of about \$27,000. Ms. Jones obtained a total of 6,902 votes, an expenditure of \$3.91 per vote. This is such a dismal showing to anyone who knows anything about politics that I wonder that the contributors don't ask some very pointed questions and make some agonizing reappraisals.

More than that, the Jones vote amounts to a 0.56% of the total Mayoral vote in New York City. (As one Western LP leader commented "Hell, in my state, the candidates we don't vote for get 2%!") Furthermore, the abject decline of the FLP may be gauged by contrasting Judith Jones's 6,902 votes for Mayor with the race that Francine Youngstein made for Mayor way back in 1973, when Youngstein got no less than 8,818 votes!

It is true that the FLP leadership can rationalize this away by pointing out that, after all, Fran Youngstein's 8818 votes was a teeny bit lower percentage of the total vote that year (0.52%). But if we consider that Youngstein's was the first important LP race in the country, at a time when virtually no one had heard of libertarianism, and when we consider that now that we are "the third major party" (Hah!) our total number of votes had *declined* by 21.7% in eight years, the true sorry picture of the New York party now emerges in full blazing light.

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ARE WE BEING BEASTLY TO THE GIPPER? — PART III

4. Macro-Reaganomics: Money

Now that the American people are inured to expect inflation, there is only one way to stop our chronic and accelerating inflation: by stopping, immediately, sharply, and once-and-for-all, the Federal Reserve's continual creation of new money, that is, to stop its counterfeiting. It has to be done sharply and swiftly to be credible, and therefore to end the inflationary process. Furthermore, a sharp, swift "slamming on of the brakes" would lead to a sharp but short recession which would liquidate the unsound investments of the preceding inflationary boom and pave the way for rapid and sound recovery.

Reagan had the opportunity to perform this quick surgery when he came into office. Instead, he turned his economic policies over to the Friedmanite monetarists: Reaganomics is largely monetarism. The monetarist view is that the Fed must only very, very slowly reduce the rate of counterfeiting, and thereby insure a gradual, painless recession with no unemployment or sharp readjustments. The hoax of Reaganomics was that the phony "budget cuts" and "tax cuts" were supposed to provide the razzle-dazzle to give gradualist Friedmanism the time, or the "breathing space," to work its magic.

Instead, gradualism has led to the present shambles of Reaganomics. The rate of counterfeiting declined, enough to bring about our current recession, but *not nearly enough* to end inflation. Since November, in fact, the Fed, stung by the deep recession and by political urgings to expand the money supply, has increased M1 by a startlingly high annual rate of 13.7%. Panicky, the Administration is fighting amongst itself. Secretary Regan blames the Fed for looming re-inflation and higher interest rates since November; Fed Chairman Volcker lashes back by blaming Regan and Regan's enormous deficits for the fear of Wall Street and higher interest. Both, of course, are right.

There were two fundamental reforms the Reagan Administration could have proposed to end our Age of Inflation. First, either the abolition or the brutal checking of the Fed. Nothing was done, since monetarism wishes to give all power to the Fed and then naively urges the Fed to use that power wisely and with self-restraint. Second, the Administration could have followed Reagan's campaign pledge and reinstituted the gold standard. But the Friedmanite monetarists hate gold with a purple passion and wish all power to government fiat money.

When the Reagan program lay in shambles by the end of 1981, the Reagan Administration briefly flirted with the supply-side notion of instituting some form of phony gold standard, where the dollar would not really be convertible into gold but would cloak its decaying corpus in gold's well-earned prestige. For a while, it looked as if a phony gold standard would be the Reaganite diversion from the realities of grinding recession, zero economic growth, high interest

rates, almost double-digit inflation, and huge \$100 billion deficits. But this was not to be, and Reagan has clearly given the green light to the packed Friedmanite majority and staff on the U.S. Gold Commission to reject the gold standard out of hand and to continue the monetary *status quo*.

Instead, Ronald Reagan has found another diversionary tactic, another razzle-dazzle hoax with which to bemuse the media and the electorate: the "New Federalism" (see Part IV of this article).

Not only the gold standard, but all fundamental reform has been rebuffed by the Reagan Administration. The National Taxpayers Union's balanced budget amendment — as namby-pamby as it is — has been spurned by the Reagan Administration, as has the Friedmanite Tax Limitation Amendment, even though that would only freeze the *status quo*.

All of this raises the dread spectre of Thatcherism, of going down the disastrous route blazed by Mrs. Thatcher. More and more it looks as if the Reagan Administration, despite the warning signals sent up by the Thatcher experiment for the past several years, is going down the Thatcher trail. That is, to ignominy and disastrous defeat, and more important, to the discrediting of the free-market, hard-money cause by employing its rhetoric while thoroughly betraying it in practice.

5. Macro/Reaganomics: The Spectre of Mrs. Thatcher

Mrs. Margaret Thatcher came in roaring to the Prime Ministry of Great Britain in May 1979 with the promise of free markets, denationalization, and an end to deficits and monetary inflation. The denationalization has been virtually nil. Deficits continue very heavy; money and price inflation continue at double digit levels. The only result of Thatcherism has been to stifle economic growth and to bring about a seemingly permanent recession with very high unemployment. In short, Thatcherism has brought about the worst of all macro-economic worlds. Inflation continues high and rampant, along with very high unemployment levels and chronic stagnation. Moreover, the slight fall in income tax rates was immediately more-than compensated by an even greater increase in the VAT (essentially sales) tax. In this way, slight gains for upper income groups were more than offset by increased burdens on the poor and the middle class. If leftists were asked to describe a right-wing Bogey Man, they couldn't have done better, and with more disastrous results for the cause of economic freedom.

Why such disastrous results from an allegedly free-market regime? Because the Thatcherites are "Burkeans" rather than "right-wing Leninists," and are therefore committed to the glories of gradualism and moderation rather than to a hard-nosed radical and abolitionist approach to the

achievement of economic freedom. But it is too late for gradualism. Gradually tight money succeeded in bringing about a chronic recession, but it was not tight enough to end inflation or turn the economy around. Hence, the worst of both worlds, and the economic collapse. □

Look for PART IV in the next issue of Libertarian Forum.

GOLD COMMISSION *(Continued from page 2)*

Secondly, gold has often been blamed for the severity and extent of the Great Depression of 1929 and the 1930s. We should turn that charge around and point out that the New Deal could not get us out of the depression despite taking us off the gold standard in 1933. But more important, the crash of 1929 was caused, not by the gold standard but by the unsound *management* of the gold standard by the Federal Reserve System. Throughout the 1920s, the Fed unwisely kept pumping inflationary money and credit into the economy in order to help Great Britain to try to get out of the severe economic problems it had gotten itself into in the 1920s. Britain had gone back to gold at an overvalued pound in the 1920s, and tried to offset the resulting deflation and inability to export by getting other countries to inflate and to return to a phony "gold exchange" standard pyramiding money on top of the English pound. The United States was induced to inflate its own money and credit in order to keep Britain from losing gold to America. The tragic result was the 1929 crash and all countries going off gold.

At the onset of the crash, President Hoover, later followed by Roosevelt, prolonged the depression indefinitely by a host of "New Deal" measures: inducing businesses to keep wage rates at pre-1929 boom levels; vast loans to near-bankrupt businesses; public works expenditures; farm price supports; budget deficits; and the rest of the by now familiar apparatus of New Deal measures.

Another criticism of gold is that the two countries most benefiting from a gold standard would be particularly unpalatable politically: South Africa and the Soviet Union, the two leading gold producing countries. But we have never balked at purchasing oil, minerals, or other important goods from politically repellent nations. Why stop at gold? Furthermore, if the United States becomes healthier economically and defeats inflation by adopting a gold standard, this would help us far more than we would be hurt from Russia's gain from a higher price of gold.

A fourth complaint is that, while an international gold standard would be acceptable, the United States could never successfully go back to gold on its own. Lengthy international negotiations and numerous conferences would need to be held before a gold standard could return. But I see no reason why the U.S. could not return to gold immediately on its own. The resulting stability and end to inflation would set a superb example for foreign nations. I am sure that such hard money countries as Switzerland, France, and West Germany would be delighted to embrace the gold standard should the U.S., now the leading fiat money country, take the lead. But even if they do not, there is no harm done, for a gold dollar would, like the current paper dollar, be freely fluctuating in relation to other fiat paper currencies. A gold standard in the U.S. alone need provide no international monetary shock to other nations.

In addition, it is often said that we cannot go back to gold unless we first adopt monetary and fiscal stability, but if we can do *that*, why bother about gold? The answer is that governments need a leash, a tight rein, in order to cease their counterfeiting and inflationary activities. The same argument, after all, could be used against a Bill of Rights, a constitution, or any other restraint on government. The point is that we always need a checkrein on government, in all areas. In the monetary area, the best checkrein is one wielded not by government itself but by the people themselves through being able to redeem their dollars whenever they wish in gold coin.

This does not mean that gold is a panacea for all our ills, and we must avoid the danger of overselling gold and thereby raising false hopes that would soon be dashed. Gold would not be an instant cure or quick fix for recession, sluggish growth, or high interest rates. It is indispensable for checking inflation, but the Fed could still inflate or mismanage in the short run even under the gold standard if it is determined to do so. But not for long, for it would be subjected to gold discipline, which it would have to heed. Eventually, as I have noted, we should consider liquidating the Federal Reserve System and returning to a world of unmanaged free banking under the gold standard. Short of that, I would like to see, in addition to the gold standard, a law preventing the Fed from purchasing any further assets (that are not gold), and thereby stopping the continual creation of new reserves for the commercial banks.

But I would urge that if a gold standard is adopted, it be a genuine gold standard, one where the public can redeem their dollars at will at a fixed weight in gold. While even such a gold standard would not be a panacea, it is indispensable for ending inflation and returning to sound money. Anything else would be merely a sham, and would only wrap the prestige of gold around a program of permanent inflation. Such a hoax is bound to fail; it would be worse than nothing, because then the gold standard would be unfairly discredited along with the ever shrinking dollar. The American public deserves a gold standard in reality and not just in name. □

ROOSEVELT *(Continued from page 4)*

During the war, Eggleston started to work for the *Reader's Digest*, and he was always close to its publisher, De Witt Wallace. For many years, he directed the *Digest's* arts and graphic section, and in 1957 he retired to St. Lucia island.

For a historian of the anti-interventionist movement, the most important part of Eggleston's account deals with the intimidation of the Roosevelt administration. Even Leonard Mosley, who was highly critical of the aviator's politics, concedes that Roosevelt used the FBI politically. Eggleston's story shows that far more must be researched and written on this topic. Stanford historian Barton J. Bernstein notes the long governmental tradition at work. Showing that secret and partisan use of national security agencies did not begin with Nixon, he writes, "Franklin D. Roosevelt used the FBI to investigate opponents of his foreign policy and wiretap his own aides. Harry S. Truman, acting through his attorney-general, also had the FBI wiretap a former FBI adviser (probably Thomas Corcoran), who was trying to influence the new administration. John F. Kennedy leaked secret income tax information to the press and offered FBI reports to a friendly

(Continued on Page 8)

CURMUDGEON (Continued from page 5)

And speaking of "third major party," let us ponder the fact that one of the Youngstein campaign's proud boasts (and properly so) is that she got more votes than all the other minor parties put together. But look at the 1981 record: Jones's 6,902 votes only barely edged out Wells Todd, mayoralty candidate of the Socialist Workers Party, who obtained 5,793 votes. And in other races on the New York City ticket in 1981, the SWP candidates literally trounced the FLP nominees. The SWP's nominee for President of the City Council got 9,093 votes to FLPer John Francis's 5,966, and SWP's Raul Gonzales got 19,192 votes for Controller in contrast to Bob Flanzer's 6,444 on the FLP line. If we compare the total votes for all three city-wide races in November 1981, we get 19,312 votes for the Free Libertarian Party, and 34,078 for the Socialist Workers Party!

Our record looks even more dismal if we realize that the left-sectarian trotskyite Socialist Workers Party makes no pretense at being a mass party, or at running "winnable" candidates. It is frankly a cadre party, with stringent requirements, both in study and activism, for membership, and it regards its electoral campaigns as strictly and purely educational — at least until the hoped-for revolutionary lightning is supposed to strike. And yet the FLP, like the rest of the Libertarian Party, is trying its darndest to be a "third major party," to win elections, to take power through the political party route, and all the rest.

It is true that Greenberg deserves due credit for resurrecting the FLP from its depths in 1977, when Bill Lawry ran an "est-hole" campaign for Mayor, and got 1,068 votes. But it should be clear after eight years that the FLP, at the very least in New York City, is in deep, deep trouble, and that its survival value is very close to zero. Only a thorough and agonizing reappraisal by the Party itself, and a total reconstruction from top to bottom could possibly save it, and the chances of that happening are virtually nil. □

ROOSEVELT (Continued from page 7)

journalist in return for favorable stories. Johnson used the FBI for electronic and physical surveillance of rival forces at the 1964 Democratic convention, order FBI reports on Barry Goldwater's staff that year, had the FBI check on the phone calls of Vice-President-elect Spiro Agnew in 1968, and gave other fruits of FBI snooping to friendly congressmen for use against Johnson's enemies" ("Call it a Tradition," *Inquiry*, November 21, 1977, p.22).

Nor is this all. It is public knowledge that Robert F. Kennedy wiretapped Martin Luther King because he believed that King was influenced by a suspected communist. John F. Kennedy ordered the FBI to bug reporters who might have leaked classified information. Attorney General Ramsey Clark directed that federal poverty programs be used to help the Justice Department, in Clark's words, obtain "the most comprehensive intelligence possible regarding organized or other purposeful stimulation of domestic dissension." Then, of course, there are the antics of the Nixon administration.

The Eggleston story, though, is particularly important, for it deals with a president not usually censored by historians and the press for abuses of presidential power or for crude violation of civil liberties (the Nisei internment excepted). Roosevelt, Rogge, and the rest always claimed that issues of great "national security" were at stake. The proof, as so often in recent years, was never forthcoming. □

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