



Outlawing Jobs: The Minimum Wage, Once More

by Murray N. Rothbard

There is no clearer demonstration of the essential identity of the two political parties than their position on the minimum wage. The Democrats propose to raise the legal minimum wage from \$3.35 an hour, to which it had been raised by the Reagan administration during its allegedly free-market salad days in 1981. The Republican counter was to allow a "subminimum" wage for teenagers, who, as marginal workers, are the ones who are indeed hardest hit by any legal minimum.

This stand was quickly modified by the Republicans in Congress, who proceeded to argue for a teenage subminimum that would last only a piddling 90 days, after which the rate would rise to the higher Democratic minimum (of \$4.55 an hour). It was left, ironically enough, for Senator Edward Kennedy to point out the ludicrous economic effect of this proposal: to induce employers to hire teenagers and then fire them after 89 days, to rehire others the day after.

Finally, and characteristically, George Bush got the Republicans out of this hole by throwing in the towel al-

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The "We" Fallacy

by Sheldon L. Richman

In discussions of international trade, there is no word more pernicious, more responsible for the inanities heard daily, than *we*: "We have a trade deficit. We are a debtor nation. We must do something about it." Reporters and commentators endlessly drone on about these things. But who is *we*? The people living under the jurisdiction of the U.S. government may be conveniently referred to as *we*, but the uncritical use of this term infects thinking about political-economic subjects. Careless aggregation is the enemy of good sense.

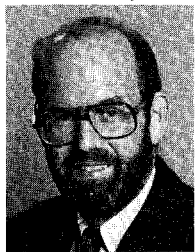
For example, it is said that in July *we* had a merchandise trade deficit of over \$4 billion with Japan. In other words, the dollar value of the products sold by some Americans to some Japanese was \$4 billion short of the dollar value of what some Japanese sold to some Americans. Who exactly suffered this deficit? Maybe I did. I probably bought some Japanese-made products that month, but I cannot recall selling anything to a Japanese person. On the other hand, there are probably Americans around who sold things to Japanese people, but didn't buy anything from them; they had a trade surplus, according to the statisticians. Although I seem to have had a trade deficit with "Japan" in July (and ever since, most likely), I can't say this was any kind of disadvantage. I bought what I wanted, period. The same is true for those with a "surplus." They could have bought Japanese products had they preferred, but they didn't.

What does it mean to statistically combine all the transactions of Americans and Japanese (ignoring transactions with people in other groups) in order to determine the status of the two groups? All of us in the "deficit" group are still as happy as we were when we were considered individually. To be sure, some people wish they sold *more* to the Japanese than they did. But it has nothing to do with the rest of us. What they did not sell in no way offsets the benefits of what

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From the President

by Llewellyn H. Rockwell, Jr.

Why Government Grows

In the 1980s, political rhetoric has helped hide a government that—far from getting off our backs and out of our wallets—is more oppressive and expensive than ever. Republicans or Democrats, conservatives or liberals, there seems to be no end to federal taxing, spending, borrowing, inflating, and intruding. None of this is foreordained, of course, no matter how much the politicians might want us to think so; only by understanding the reasons for government growth, can we have a chance of reversing it.

Interest Groups

There are two ways of earning a living: voluntarily through the market process, and coercively through the political process. Special interests that prefer the latter method cluster around Washington, said the late Gary Allen, like flies around a garbage can. These muggers in three-piece suits raid the Treasury and manipulate the government's regulatory apparatus to their own benefit. The politicians, with a very occasional exception, are happy to be their partners in return for power and money.

The most successful special interests have: 1) a focused purpose and a coherent strategy; 2) a willingness to devote a lot of money to their efforts; 3) a heavy dependency on government intervention, where a slight change in regulations or subsidies can mean success or bankruptcy; 4) large and obvious benefits from the government, while the cost is hidden and spread throughout the economy; and 5) the

ability to cover their depredations with a pretended concern for the general welfare.

Welfare spending, for example, has doubled since 1980 in the name of helping the poor. But the cash flows to the interest groups that can bribe and lobby, not to the poor, who receive barely 8% of the total. The real money goes to poverty lawyers, consultants, public housing contractors, Medicaid doctors, hospitals, and other special interests, plus the bureaucrats themselves. The poor are intentionally turned into an enduring underclass, dependent on government, so that others may live well at the expense of the rest of us. Thanks to the welfare state, there is virtually no social mobility from the bottom. As Walter Williams notes, the bottom rungs of the ladder have been cut off—in the name of compassion.

Permanency

Thomas Jefferson wanted the entire government turned out of office at every election, to prevent entrenchment. Yet thanks to "civil service," most government officials have become permanent. And most politicians are permanent too, with 98.4% of House incumbents reelected every two years. Congressional staffs are also permanent, drawn from a pool of present and former Capitol Hill aides. As Jefferson feared, this has meant that these people get better and better at looting us.

Bureaucracy

Bureaucracy is necessarily inefficient because it doesn't operate on the basis of profit and loss. Without the pressure to economize resources, even well-intended bureaucrats typically overspend. And, of course, most bureaucrats are not well-intended. They are motivated only by increased power, income, and perks, which they get by increasing the number of bureaucrats under them on the all-important organization chart, and by spending every dime they're allotted. If they underspend, their budget can be cut. So the checking accounts are emptied in a spending frenzy at the end of every fiscal year, and then the agency—with the help of its affiliated special interest groups, on whom the budget is spent—appeals to the White House and Congress for more money. The President and Congress, who are also in hock to the special interests themselves, then budget an increase for this important public service that was underfunded in the previous year.

Crisis

Government has grown fastest in this century during war and depression. A crisis is the perfect excuse for more power and money to "solve" the problem, while it paralyzes the opposition. One recent example is the stock market crash of 1987, which allowed the SEC to grab more power over the markets, and fueled the trend toward a European Central Bank and an eventual World Central Bank. Professor Robert Higgs, in his great book *Crisis and Leviathan*, shows that the

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public always loses, since it is saddled with a bigger government after the emergency is over.

The Media

We're taught that the big media are antagonistic to the government—a useful myth for both. In fact, they are allies on all bedrock issues. To take just one area, the media encourage government growth by parroting the government economic line. Whether it's the latest obfuscation from the Federal Reserve or White House claims about cutting the budget, the media are an echo chamber.

Government, as the dominant institution in our society, uses the media to define the proper bounds of opinion, bolstered by the special interests that control so much of the media's advertising. Nothing would be better for America, or worse for Washington, D.C., than the undermining and eventual abolition of the Federal Reserve and the income tax. But such Jeffersonian ideas are branded as extremist and therefore unworthy of consideration, thanks to the government-media-special interest combine.

Interventionism

The free-market economy is an intricate and carefully balanced network of prices and exchange relationships. When government intervenes to fix a real or alleged prob-

First, we should rip away the cloak of lies that hides the real intentions of the special interests.

lem, it upsets this balance, causing even more problems, which in turn give an excuse for more intervention. Ludwig von Mises called this the "logic of interventionism"; it's why a mixed economy is so unstable. An interventionist system must always be moving in one direction or the other—towards socialism/fascism or towards liberty.

Ideas

A final reason for government growth is the lack of free-market understanding. Colleges and universities are dominated by leftists and other interventionists. Economic texts are improving, but they still preach that intervention is necessary. The public is often ignorant of the harm caused by government.

What Is To Be Done

These are just some of the reasons government continues to grow. How do we counter it? First, we should expose all government crimes, ripping away the cloak of lies that hides the real intentions of the special interests. Next time you hear someone call for more welfare spending, point out that welfare has destroyed the poor, while making the real welfare recipients—the special interests—rich at our expense through the gun of government. Real charity can only be

private, as anyone who has ever dealt with church workers as versus government social workers knows.

Second, we should work for radical changes—for *abolishing* programs and bureaucracies, and not merely for ameliorating them (although we'll take that too). If our side starts out compromising, we have even less chance of marginal improvements, while tacitly agreeing to the whole system, and to its moral (or rather, immoral) underpinnings of theft and fraud.

Third, we should ourselves refuse to believe government propaganda and undermine it with others, supporting alternative sources of news and information.

Fourth, we should seek to place free-market professors and students in the institutions of higher learning, and try to mobilize the people through appeals to justice as well as economic efficiency. There is nothing like the realization that you are being ripped off as a goad to action.

Theft is immoral, whether private or public. In spreading the ideas of the free market and sound money, and denouncing and working against the perpetrators, we have our only chance to succeed. The obstacles are, of course, immense. But we have a world to win. ■

The "We" Fallacy...from page 1

any of us bought. Lee Iacocca's failure to sell more Reliants to people in Tokyo has no great implications for "the nation," though it may mean something for a specific, identifiable group involved in producing Reliants.

But this is not the way the policymakers and news media see it. When the August trade figures were reported, the increase in the "deficit" was lamented across the land. True, American businesses had record exports, but this was said to be undercut by the larger volume of imports and thus the overall picture was reported bleak. How absurd! For any level of exports, there can always be a higher level of imports. More important, the media's analysis implies that it is better to be on the money side rather than the goods side of a transaction. Put that way, no one would believe it. But drape it in the mantle of statistics and it's time to crack down on buyers of excessive imports.

There are other ways in which the pernicious *we* infects people's thinking about trade. It is often said that foreigners should open their markets to "us" because "we've" opened ours to them. We do them a favor by letting them sell here? Do you buy things as a favor to the seller? I don't, and I'm sure no one else does. But if that is true, what happens when the U.S. government closes a market in the United States in retaliation for some misdeed abroad? It might be a favor to those seeking shelter from competition, but it must hurt other Americans. There is no indivisible *we*.

This policy of hurting some Americans to help others is
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known officially as strategic trade policy; it is really protectionism prettified by the claim that its motive is free trade. Not only does it play fast and loose with the right of Americans to buy what they want, but it also fails on its own terms. In the 1960s, the American government and the producers of chickens complained that European countries had barriers to chicken imports. In the name of open markets, the U.S. government imposed a 25% tariff on light trucks, which Europeans exported here. That tariff not only remains in effect today, it is applied to light trucks from Japan as well.

If the Europeans had removed their barriers to chickens, do you suppose the American producers of light trucks would say, "Okay, the chicken market is open; time to abolish the truck tariff"? Of course not. And that's the point: a nation is not made up of a single set of interests. There is no *we*.

As much as it might pain Lee Iacocca and his cohorts, most Americans have a harmony of interests with producers in other countries. What comes between them hurts some of

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us. These Americans do not necessarily benefit by everything that benefits Chrysler or USX or Harley Davidson. They certainly do not benefit when companies win political privileges, because they must come at the expense of everyone else. Any time someone invokes patriotism to get you to buy his product ("Made in the U.S.A. It Matters!"), bolt your door and get out the shotgun.

Once aggregates are banished from discussions of trade, everything is clearer. Take foreign investment: there is suddenly great concern that foreigners are investing in American businesses, even buying them out. This is supposed to spell danger for us. How so? All that is happening is that foreign capitalists are bringing their money here and putting it to work. The results are new opportunities and new products. Is that bad? Note that you rarely hear complaints about British or Dutch investment. The danger seems exclusively Japanese. But British and Dutch holdings combined are three times those of the Japanese. There is undoubtedly racism at the bottom of this, and I expect the New Yellow Peril to be a major issue in the 1990s.

What about this business that America is a debtor nation? Same fallacy. Some Americans are debtors, some are creditors. *America* is neither. (I exclude from consideration the government's debt, which is another story.) As a matter of fact, the statistics being bandied about are misleading. Assets are recorded at book, or historic, value, and the foreign holdings of Americans are older than foreigners' holdings here. Thus, it appears, falsely, that Americans' holdings are worth less than foreigners' holdings. Last year, Americans' total income from foreign assets exceeded that of foreigners' from American assets. In 1988, there is a slight deficit.

But even if it were true that foreigners' holdings were worth more or that they had more income, so what? Freely chosen investment here by anyone cannot possibly be bad. And if investment produces large incomes for foreigners, it must mean that it's profitable—that the goods and services being produced are popular with consumers.

Ludwig von Mises taught that we must be methodological individualists. Economic phenomena are invariably the products of individual persons acting for chosen objectives. Two persons come together for exchange if and only if each expects to come out ahead. And, assuming neither has erred, each can and does come out ahead. This is virtually all one needs to know to make sense of international trade. ■

What To Do About Traffic Congestion

by Walter Block

Traffic congestion has to be one of the most annoying occurrences known to mankind. It limits vehicles capable of 150 miles per hour under specialized conditions, and 65 miles per hour under normal conditions, to crawling along, bumper-to-bumper, at five miles per hour.

Congestion is also a danger. Apart from psychological buffeting, frayed tempers undoubtedly create traffic accidents. The vehicles, too, deteriorate at a faster rate than they otherwise would, and overheated engines, etc., are the cause of even more highway injury.

The economic costs are monumental. Millions of productive workers are forced to sit idle for long periods in the morning, and another long period in the evening, while their vehicles use costly fuel.

In many large cities, almost anything out of the ordinary can trigger congestion, from the end of a ballgame to people returning from the beach. In New York and other major cities, the problem is reaching crisis proportions.

A crisis calls for urgent solutions, but almost no one is addressing the fundamental problem: the fact that the roads are owned and run by the government, therefore prohibiting the price system from solving congestion.

Traffic congestion is not unique. On the free market,

people are continually choosing between lower-priced but more crowded conditions, and higher-priced but less congested alternatives. Should they patronize a crowded fast food chain or a quiet, expensive restaurant? A discount department store or a full-price boutique? But with our roads, there is no market where consumers can make their preferences known; there are no congested but cheaper highways competing with more expensive but emptier ones.

There are plenty of "non-pricing" solutions to this problem. But because none rely on consumers expressing their wishes in a free market, all will fail.

A perennial government favorite is staggered work hours. The government need do nothing: instead the employer, and his recalcitrant employees, can be made scapegoats for congestion.

Restaurants are busiest during breakfast, lunch, and dinner time. Thus they too suffer from congested traffic. But were a restaurant owner to propose that customers stagger their meal times, he would be laughed out of business.

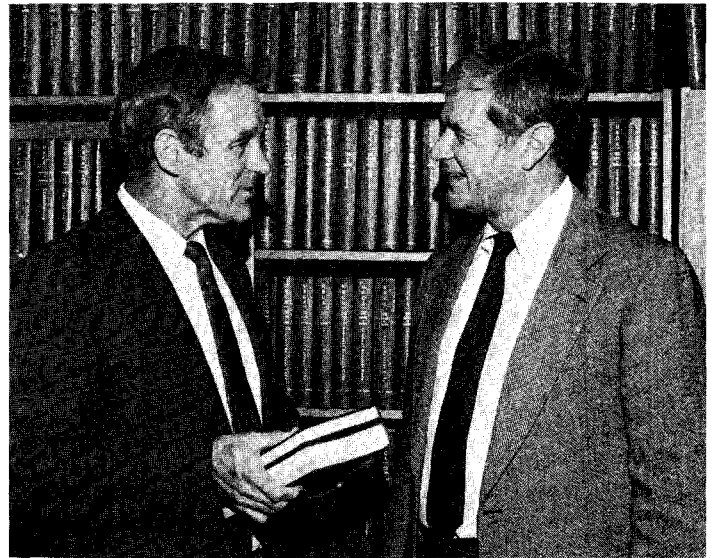
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Instead, he accommodates himself to the customers.

Many bowling alleys are open 24 hours a day, but "suffer" peak-load congestion in the late afternoon and early evening. They solve this by cutting prices during the less busy hours. Customers are satisfied because they can coordinate their plans with the prices they choose to pay. But the exhortation to "stagger" travel times displays a typically callous government disregard for consumers.

Another strategy is the conversion of two-way streets into one-way ones, to align the direction of traffic in accord with the majority of motorists (outbound in the evening, inbound in the morning) and prohibit turns on and off these main thoroughfares, to keep traffic moving as quickly as possible.

This may sound like a panacea, but none of the cities implementing this plan have succeeded in ending rush hour congestion. There is simply too much traffic for the streets to handle. This policy also restricts motorists' travel. Every time a two-way street is converted into a one-way, the driver must cover a greater amount of territory to get where he is



Congressman Ron Paul dedicates his former Congressional Law Library at the Institute's academic headquarters on the Auburn University campus. Representing the Institute is its Vice Chairman John V. Denson, an Auburn University trustee.

going. For if the one-way streets follow an every-other-street-in-a-different-direction pattern, the motorist will have to go around the block in half the cases. And the greater the number of prohibited turns, the greater the difficulty in maneuvering. Many motorists will have to go several blocks out of their way to turn, which only adds to the congestion.

Other solutions involve the metering of entrances to highways with lights. But these schemes do not eliminate highway congestion. They merely transform it into a situation where cars travel at medium speeds and wait in long lines to get on. What's worse: slow speeds and no lines, or long lines with medium speeds?

Some people in the "transportation community" say congestion cannot be solved by itself; instead we should have more public transportation and government planning: more buses, restrictive land-use controls, expensive subways, car pooling, "high-occupancy vehicles" lanes, etc. Since government control hasn't worked, we therefore need more of it.

Governments have poured billions into public transit schemes, and the results have been disappointing to disastrous: taxes are continually increased to pay for unworkable and inconvenient systems, which are eventually taken over by society's most destructive elements. These comprehensive plans are always based on bureaucratic estimates of "social"—as opposed to individual—costs and benefits; they treat consumers as if they were a homogeneous unit, whose individual needs do not matter.

The individual motorist vastly prefers his private mode of transportation to most conceivable mass transit alternatives.

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For planners, this is the ultimate frustration. So some planners have suggested that the ultimate solution is to ban cars.

All these "solutions" are bad substitutes for the price system. If congestion occurs on the free-market transportation network, where all roads are private, the response will resemble what accompanies "excess demand" for any other good or service: the businessman does not rest day or night until he provides the extra services the market is clamoring for.

The fast food restaurant with long lines hires additional workers as soon as possible; the movie theater which must turn people away soon expands its facilities. That's because in the private economy, "congestion" is a golden opportunity for expansion of output, sales, and profits. It is only when the government takes over that customers clamoring for additional services are denounced and thwarted.

As long as government owns the roads, we will see no real solution to traffic congestion. Only when we privatize our nation's roads will we see the benefits of the price system inherent in the free market, and an end to the traffic jam as a daily feature of American life. ■

Socialism Comes Full Circle

by Jeffrey A. Tucker

A remarkable story appeared on the front page of the *Washington Post* on October 16, 1988, that confirmed Ludwig von Mises's predictions about the failure of socialism.

East Bloc efforts to introduce markets have so far failed, wrote Jackson Deihl, a journalist based in Yugoslavia, because prices are not free. Communist governments are discovering that:

Prices are the key mechanism of the market economic system, the force that links together all kinds of activity, from producing to trading to bankruptcy.... In the new economic engine that communist states are trying to build—and that western capitalism takes for granted—prices are like the drive shaft. Without the shaft, the other parts of the engine can only idle. Until now, the drive shaft of the socialist economy has been administrative orders—the commands of bureaucrats to state enterprises specifying what and how much to produce and where and at what price to sell it. In effect, the task of communist governments is to replace the bureaucrats and their order sheets with prices, which—by freely moving up and down according to the market forces of supply and demand—accomplish the same task of giving orders to companies, [but] more efficiently.

Deihl is arguing a point denied by almost all intellectuals

in the heyday of socialism. They said that since private property and freedom of exchange are unnecessary, prices can either be abolished or manufactured by bureaucrats. All that is needed for efficiency and social justice are bright minds and mathematical models (and lots of government guns).

Ludwig von Mises and his students were the first to show that an economy without free-market prices could not work. Mises said that money prices are indispensable for efficiency because they signal the relative values of goods and services on the market, communicate the desire of consumers back to producers, tell producers whether they are producing efficiently, allow for the computation of profit and loss, reflect economic information about the present, and carry expectations that people have about the economic future.

By making economic calculation possible, prices are a fundamental institution of an orderly society. And, Mises showed, accurate money prices are an exclusive product of the free market. Therefore, without market prices to guide decision-making, socialism must necessarily fail. And because all government interventions thwart the price system,

Because all government interventions thwart the price system, the choice, Mises said, must be between market prices or communist commands.

the choice, Mises said, must invariably be between civilized market prices or chaotic communist commands.

Mises's arguments find their full development in *Socialism, An Economic and Sociological Analysis*, a massive refutation of socialism first published in 1922. In it, Mises makes his most forceful case for the price system over the command economy, and applies his logic to many economic problems, including those of supply and demand determination, labor, free trade, taxation, and monopoly. He examines the prospective for syndicalism, "economic democracy," and other varieties of collectivist social organization. Mises does not confine his analysis to economics alone. He also saw that socialism must cause social destruction, and that the Marxian notion of class conflict creates cultural chaos. He even dealt with the ethical implications of socialism. When *Socialism* was written, the intellectual establishment tried to dismiss it, but seven decades later, its wisdom is manifest.

As we end the 20th century, who is calling for all-out socialism? Who wants the means of production to be put into the hands of the state? Very few—other than leftwing

professors in Europe and the United States.

The failure of traditional socialism may have reduced its role as the world's major threat. However, another version of socialism may be already replacing it: a regulatory state where there is private ownership, but the government eliminates competition at the behest of established economic interests. Prices exist, but they don't reflect the values of consumers.

Will Mises's critique be able to meet and challenge this new threat? Yes. In the Epilogue to *Socialism*, which Mises added in 1951, he attacks this fascist-like form of economic organization, and predicts that it, in the future, "will be resurrected under a new label and with new slogans and symbols." The consequences will be "destruction and death."

Indicative of this trend is this year's Nobel Prize winner in economics, Professor Maurice Allais. He advocates an "efficient" state sector, where an economist (himself?) determines prices for the factors of production in absence of competition. He opposes piecemeal regulation, but instead wants wholesale industrial cartels, the kind that existed in immediate post-World War II Europe. He doesn't seek to eliminate private ownership or markets altogether; he only wants to target selected industries for the abolition of entrepreneurship, restriction of free entry and exit, elimination of the consequences of economic loss, and, most of all, the disallowance of production decisions based on free-market prices.

How can the Nobel Prize committee justify such a selection in light of the alleged global trend toward privatization? The committee pointed out, according to the *New York Times*, that the buyers of state-owned enterprises usually receive a guaranteed monopoly privilege from the state. The committee argued that this is a move away from socialism, but towards state cartelization. The committee saw Allais's ideas coming to full fruition in the Western world, where the importance of prices is discounted.

What about the United States? The Department of Defense recently released a study by its Defense Science Board calling for the Pentagon to take a "more assertive role in setting economic policy," especially in the area of "taxes, trade laws, environmental regulations, and education." Not surprisingly, the commission's members were drawn from "industry and universities." In such schemes, intellectuals provide the cover for government power grabs, and favored big business profits.

Mises's masterwork *Socialism* will be relevant as long as there are schemes to thwart the price system in favor of government control, whether under all-out socialism or the advancing regulatory state. The march to statism is reversible, as world events show. But if it is to be reversed in the West, the public and the intellectuals will have to recognize the importance of Mises's work.

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together, and plumping for the Democratic \$4.55 an hour, period. We are left with the Democrats forthrightly proposing a big increase in the minimum wage, and the Republicans, after a series of illogical waffles, finally going along with the program.

In truth, there is only one way to regard a minimum wage law: it is *compulsory unemployment*, period. The law says: it is illegal, and therefore criminal, for anyone to hire anyone else below the level of X dollars an hour. This means, plainly and simply, that a large number of free and voluntary wage contracts are now outlawed and hence that there will be a large amount of unemployment. Remember that the minimum wage law provides no jobs; it only outlaws them; and outlawed jobs are the inevitable result.

All demand curves are falling, and the demand for hiring labor is no exception. Hence, laws that prohibit employment at any wage that is relevant to the market [a minimum wage of 10 cents an hour would have little or no impact] must result in outlawing employment and hence causing unemployment.

Remember that the minimum wage law provides no jobs; it only outlaws them; and outlawed jobs are the inevitable result.

If the minimum wage is, in short, raised from \$3.35 to \$4.55 an hour, the consequence is to disemploy, permanently, those who would have been hired at rates in between these two rates. Since the demand curve for any sort of labor [as for any factor of production] is set by the perceived marginal productivity of that labor, this means that the people who will be disemployed and devastated by this prohibition will be precisely the "marginal" (lowest wage) workers, e.g. blacks and teenagers, the very workers whom the advocates of the minimum wage are claiming to foster and protect!

The advocates of the minimum wage and its periodic boosting, reply that all this is scare talk and that minimum wage rates do not and never have caused any unemployment. The proper riposte is to raise them one better; all right, if the minimum wage is such a wonderful anti-poverty measure, and can have no unemployment-raising effects, why are you such pikers? Why are you helping the working poor by such piddling amounts? Why stop at \$4.55 an hour? Why not \$10

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an hour? \$100? \$1,000?

It is obvious that the minimum wage advocates do not pursue their own logic, because if they push it to such heights, virtually the entire labor force will be disemployed. In short, *you can have as much unemployment as you want*, simply by pushing the legally minimum wage high enough.

It is conventional among economists to be polite, to assume that economic fallacy is solely the result of intellectual error. But there are times when decorousness is seriously misleading, or, as Oscar Wilde once wrote, "when speaking one's mind becomes more than a duty; it becomes a positive pleasure." For if proponents of the higher minimum wage were simply wrongheaded people of good will, they would not stop at \$3 or \$4 an hour, but indeed would pursue their dimwit logic into the stratosphere.

The fact is that they have always been shrewd enough to stop their minimum wage demands at the point where only

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marginal workers are affected, and where there is no danger of disemploying, for example, white adult male workers with union seniority. When we see that the most ardent advocates of the minimum wage law have been the AFL-CIO, and that the concrete effect of the minimum wage laws has been to cripple the low-wage competition of the marginal workers as against higher-wage workers with union seniority, the true motivation of the agitation for the minimum wage becomes apparent.

This is only one of a large number of cases where a seemingly purblind persistence in economic fallacy only serves as a mask for special privilege at the expense of those who are supposedly to be "helped."

In the current agitation, inflation—supposedly brought to

a halt by the Reagan administration—has eroded the impact of the last minimum wage hike in 1981, reducing the real impact of the minimum wage by 23%. Partially as a result, the unemployment rate has fallen from 11% in 1982 to under six percent today. Possibly chagrined by this drop, the AFL-CIO and its allies are now pushing to rectify this condition, and to boost the minimum wage rate by 34%.

Once in a while, AFL-CIO economists and other knowledgeable liberals will drop their mask of economic fallacy and candidly admit that their actions will cause unemployment; they then proceed to justify themselves by claiming that it is more "dignified" for a worker to be on welfare than to work at a low wage. This of course, is the doctrine of many people on welfare themselves. It is truly a strange concept of "dignity" that has been fostered by the interlocking minimum wage-welfare system.

Unfortunately, this system does not give those numerous workers who still prefer to be producers rather than parasites the privilege of making their own free choice. ■



Ludwig von Mises's great book *Socialism* is available in a magnificent large-format, quality paperback for \$9.00, which includes U.S. postage and handling.

The Next Four Years

by Murray N. Rothbard

George Wallace's famous adage that "there ain't a dime's worth of difference between the two parties" was never more true than in election year 1988.

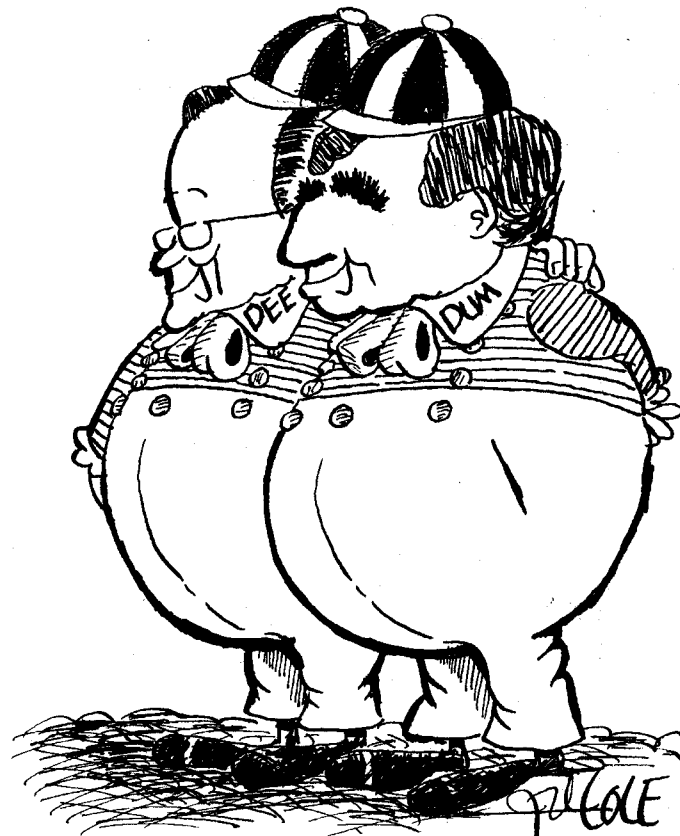
This maxim is particularly true if we concentrate, as we should, on the actual and proposed *policies* of the candidates rather than the rhetoric or their media imagery. Both Bush and Dukakis are centrists ("mainstreamers") devoted to the preservation and furtherance of the Establishment status quo. Set aside the cut-and-thrust of negative campaigning, and both men meet on that broad, fuzzy, and cozy ground where "moderate conservative" meets "moderate liberal."

Lew Rockwell has demonstrated in the *Free Market* that Bush's and Dukakis's leading economic advisors are old buddies, and students of one another, who agree on virtually everything. (How different, indeed, can a "moderate conservative Keynesian" be from a "moderate liberal Keynesian"?) Neither candidate will do a single thing to cut government spending; neither one will cut the enormous deficit that both parties and all centrists have now come to accept as a fundamental part of the American way of life.

Both candidates will, if elected, sharply increase our taxes. Both will search for creative semantics in deciding how to label a tax hike. Dukakis has promised a drastic escalation of enforcement as the first step in a tax program, and Bush will not be far behind (What is this but a tax increase?), although Bush, following the lead of the Reagan Administration, may be expected to be more innovative in fancy linguistic substitutes. (The last eight years have already brought us: "increasing fees," "revenue enhancement," "plugging the loopholes," and "tax reform" in the name of "fairness.")

Both Bush and Dukakis, as dedicated Keynesians, propose to solve the deficit problem by the fatuous suggestion that the economy will "grow out of it." "Growth," indeed, will be a key word for both prospective presidents, and "growth," it should never be forgotten, is simply a code term for "inflation."

As Keynesians, both candidates may be expected to expand the money supply mightily, and then strive, by fine-tuning and coercive policies, to try to control the resulting price inflation through manipulations by the Federal Re-



serve. Indeed, the Greenspan Fed has emulated its predecessors in monetary expansion; this year, the money supply (e.g. governmental counterfeiting) has been increasing at a rapid rate of 7% per year. Greenspan's inflationism, coupled with cautious dampening when things threaten to get out of hand, has delighted the Democrats in Congress, who report that they, and a Democratic president, would be delighted to work with a Greenspan Fed. (And, I am sure, *vice versa*.)

Either Bush or Dukakis can be relied upon to continue the expansion of government power and domination over the individual and the private sector. Thus, when "wild spender"

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From the President

by Llewellyn H. Rockwell, Jr.

The Opportunity To Study Under Murray N. Rothbard

Ludwig von Mises was the greatest economist and champion of liberty of his time. Murray N. Rothbard is his heir.

Rothbard received his PhD from Columbia University, and studied for more than 10 years under Mises at New York University. But like Mises's, Rothbard's unfashionable views meant it was very difficult for him to find an academic post. Finally, he was hired by an engineering school.

He worked there until 1985 when he was offered the prestigious S.J. Hall professorship at the University of Nevada, Las Vegas.

Despite unfavorable working conditions before 1985, Rothbard was extraordinarily prolific. His books included *The Panic of 1819* (1962), *Man, Economy and State* (1962), *America's Great Depression* (1963), *Power and Market* (1970), *For a New Liberty* (1973), *Conceived in Liberty* (1976), *The Ethics of Liberty* (1982), and *The Mystery of Banking* (1983).

Rothbard's dissertation showed that the Bank of the United States, the Federal Reserve's ancestor, caused the first American depression. In *America's Great Depression*, Rothbard proved that the Federal Reserve caused that economic calamity, and that other government interventions prolonged and deepened it.

He has also demonstrated that only a gold coin standard is consistent with sound money, and that we should work for the abolition of central banking. Central banking and its inevitably inflationary monetary policies causes recessions and depressions that are not inherent in a free-market economy. Government, Rothbard shows, is the source of every business cycle in history.

Rothbard was also the first to show that a free market cannot create monopolies, and that government is the enemy of competition. And in *Man, Economy and State*, he provides a logical answer to virtually every argument used against the free market.

In his *Power and Market*, he develops a comprehensive critique of government coercion. He outlines the bad effects of every possible intervention in the economy, and is especially good on the harmful effects of taxation.

Not only is he a brilliant economist, he is also a master of narrative political history and an important philosopher in the individualist tradition. Right now, he is writing a massive

history of economic thought from an Austrian perspective.

Rothbard is a writer and teacher of style, humor, and power. Like Mises, he has inspired millions with his vision of the free society. And now, thanks to an agreement between the College of Business and the Department of Economics at the University of Nevada, Las Vegas, and the Ludwig von Mises Institute, Austrian students will have a chance to study for a Masters in Economics under Professor Rothbard and other outstanding economists.

For information on the MA program, write: Dr. Thomas Carroll, Graduate Program Coordinator, Economics Department, University of Nevada, Las Vegas, Las Vegas, NV 89154. For a graduate catalog and application, write: the Graduate College, University of Nevada, Las Vegas, Las Vegas, NV 89154. (There is a \$3.00 fee for the graduate catalog. Checks should be made out to the Board of Regents.) To learn more about the Mises Institute fellowships available at UNLV for top students who intend to enter a PhD program, write me. ■

Mr. Rockwell is founder and president of the Mises Institute.

The Next Four Years...from page 1

Jimmy Carter became president, he found a federal government that was spending 28% of the private national product. After four years of Carter's wild spending, federal government spending was about the same: 28.3% of private product. Eight years of Ronald Reagan's "anti-government" and "get government off our back" policy has resulted in the federal government spending 29.9% of private product. We can certainly expect Bush and Dukakis to do no less.

Neither is "deregulation" an issue when we realize that the major deregulatory reforms of the last ten years (CAB, ICC) were installed by the Carter administration, and when we understand that the Reagan administration has greatly added to the weight of regulation—particularly when we focus on the savage attack that it has conducted on the non-crime of "insider trading."

Neither can we conjure up "protectionist" Democrats versus "free-trade" Republicans; the Reagan Administration has been the most protectionist in American history, imposing "voluntary" as well as outright compulsory import quotas, and organizing a giant government-business computer chip cartel to battle the efficient Japanese.

The farm program has become truly monstrous, as government intervention doubles and redoubles upon itself; whatever happens, whatever the climatic conditions—whether the crops are good and therefore there is a "glut" or whether there is a drought—ever more billions of taxpayer money are ladled out to the farmers so that they may produce and sell less for the consumer.

Bush will certainly do no less; and, furthermore, he promises to intensify federal government spending on "education" (i.e. the swollen and inefficient Department of Education that he and Reagan promised to abolish), and on "cleaning up the environment," which means further cost-raising regulations on American business.

In short, we are seeing, more than ever before, a bipartisan Keynesian consensus, an economic policy to match bipartisan policies in all other spheres of politics. But the single most dangerous aspect of the economics of the next four years has gone unnoticed.

Since he replaced Donald Regan as Secretary of the Treasury, James R. Baker (a close friend of Bush and slated to be Secretary of State in a Republican administration) has been unfortunately effective in pushing the Keynesian agenda on the international economic front: that is, worldwide fiat money inflation coordinated by the world's central banks, ending in the old Keynesian goal; a world paper currency unit (whether named the "bancor" [Keynes], the "unita" [Harry Dexter White], or the "phoenix" [the *Economist*]) printed by a World Central Bank.

The World Central Bank would then be able to inflate the phoenix, and pump in reserves to all the countries, so that the national central banks could pyramid their liabilities on top of the World Bank. In that way, the entire world could experience an inflation controlled and coordinated by the World Central Bank, so that no one country would suffer from its inflationary policies by losing gold (as under a gold standard), losing dollars (as under Bretton Woods), or suffering from a drop in its exchange rate (as under Friedmanite monetarism). There would be no remaining checks on any country's inflation except the wisdom and the will of the World Central Bank.

What this amounts to, of course, is economic world government, which, because of the necessity of coordination, would bring a virtual political world government in its wake. Because of his powerful international financial connections, Baker has been able to move rapidly toward this coordination, to bring European and even Japanese central bankers into line, and to help bring, very soon, a new European currency unit and central bank, which would be an important prelude to a world paper currency.

Whoever Dukakis would appoint to his Cabinet would not have the powerful financial connections, or the track record of the last four years, and so the only real difference I can see in a Dukakis victory is that it would significantly slow down, and perhaps totally derail, the menacing drive toward Keynesian economic world government. ■

Dr. Rothbard, the S.J. Hall distinguished professor of economics at the University of Nevada, Las Vegas, is vice president for academic affairs at the Ludwig von Mises Institute.

The Double Danger of AIDS

by Richard Hite

AIDS is bad enough, but the government is making it worse. The feds are using this horrible disease as an excuse to expand at our expense. Already, they have used it to justify legislative and judicial interventions in employment, insurance, research, and education. And there is worse to come.

Consider the case of the Florida company that—concerned for the safety of its other employees—dismissed an AIDS-carrier. The AIDS-infected employee sued, won \$190,000, and forced his employer to rehire him. The court claimed AIDS is a handicap that cannot serve as a reason for discrimination.

Why? Because Title VI of the Civil Rights Act of 1964 and Section 504 of the Rehabilitation Act of 1973 allegedly prohibit it. Section 504 states that firms receiving federal funds, very broadly defined, cannot discriminate against an individual with a physical handicap, and the courts have classified AIDS as a handicap—the only communicable disease so defined.

*Government is using AIDS
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education.*

There are at least two things wrong with this. First, it restricts the right of employers to choose their employees freely, which leads to an array of bad economic consequences. Second, people with AIDS are given privileges that are withheld from other diseased persons, such as those with cancer or heart problems.

The Right to Discriminate

Today, an employer properly has the right to discriminate against cigarette smokers. He may refuse to hire smokers for any number of reasons, including to appease nonsmokers who don't like smoke, or who fear its possible health effects. Similarly, an employer should have the right to discriminate against AIDS carriers, whether to calm other workers or to reduce the marginal chance of contracting AIDS.

There are other legitimate reasons employers might not want to hire AIDS carriers. For example, they may fear drastic increases in health insurance premiums. By not being allowed to discriminate, employers may have to cut back on insurance to others, or eliminate it entirely. When employ-

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ers spend time training new employees, they are investing scarce resources now in expectation of a return later. Why should they invest resources in training AIDS-infected persons who unfortunately offer little potential for a long-run return?

Nor will laws against AIDS discrimination stop employers from discriminating. These laws will only lead to different sorts of discrimination. In order to screen out potential AIDS carriers, employers will tend not to employ members of groups perceived to be at high risk. That is, they will be less likely to hire single, male, black, poor applicants, and those they think might be homosexual.

By shifting their discrimination toward those who they think may be in a high-risk group, employers will tend to favor applicants who are married, female, white, non-poor, and apparently heterosexual. That's why it makes sense for employers to have the freedom to require that all job applicants take an AIDS test.

Laws against AIDS discrimination will not stop employers from discriminating. They will only lead to different sorts of discrimination.

AIDS and Insurance

The government-AIDS mania has also infected insurance. In 1986 the District of Columbia forbade insurance companies to discriminate against those who are "AIDS infected, perceived to be infected with AIDS, or perceived to be at high risk to AIDS infection." That is, non-AIDS carriers have to subsidize AIDS carriers through higher insurance premiums.

To fulfill their very important economic function, insurance companies must operate on the principle of calculated risk. It doesn't take much calculation to assess the possibility of paying out large sums to AIDS-infected persons. The total could reach \$50 billion in the next five years.

If the practice of forcing insurance firms to cover AIDS grows, premiums will become so high that most people could not afford them. It's all too likely that government will then step in to "help" the victims of "uncaring" profit-minded businesses with more programs and regulations.

AIDS and Taxpayers

AIDS has been especially hard on the U.S. taxpayer, with the government shelling out more than \$1 billion per year for

alleged research and education. Recent bipartisan bills before Congress would increase the amount to \$3 billion per year by 1990.

Research accounts for \$600 million of this total and education about \$450 million. And there is no shortage of organized groups anxious to be added to the public payroll. Medical researchers are one, and the American Medical Association is currently lobbying hard for more AIDS funding.

Between 1981 and 1987, 67,000 cases of AIDS were reported and 30,000 people died of AIDS. Yet 65,000 people die of heart disease every month. Surgeon General Everett Koop estimates that 270,000 cases of AIDS will occur by 1991. Yet by 1991, there will be *one million* new cases of cancer. Even if I accepted a federal role in health, and I do not, I still have to wonder why huge sums of taxpayer money should be spent on a disease which affects such a small portion of the population, and which is preventable by behavior changes.

Practitioners of "unsafe sex" and intravenous drug users should be allowed to make choices like everyone else. But they, and not the taxpayers, should assume the risks for the consequences of their actions. If the government spends billions to find cures and provide insurance for AIDS-infected persons, maybe it should do the same for high-wire walkers and human cannonballs.

As Misesian economics predicts, government has misallocated the money it spends on AIDS. Most has gone to notoriously inefficient and bureaucratized government labs or government-run labs, while the FDA harasses private vaccine development. But the key is that there is a lot of money to be made by the government-medical-industrial complex. And the same goes for the \$450 million that Washington wastes annually on AIDS "education." A recent survey of D.C. residents found that 86% knew that AIDS is primarily spread through intimate sexual contact. However, 33% did not know that blood transfusion can transmit AIDS, 39% did not know that sharing needles transmits AIDS, 16% thought toilet seats can transmit AIDS, and 28% thought drinking glasses can carry AIDS. The half billion is, as usual, largely going for salaries in the bureaucracies and grants to Beltway-bandit consultants who lobby for the funding to begin with. AIDS education would be much more effective if carried out by profit-motivated advertising.

If the government would simply get out of the way, the private sector would have a chance to provide preventative and curative measures. In the meantime, AIDS will continue to endanger us, not only medically, but with the violations of liberty perpetrated in its name. ■

Mr. Hite is a graduate student in economics at Virginia Polytechnic Institute.

The Market in Used Human Body Parts

by William Barnett II

In the March 1988 issue of *The Free Market*, Dr. Walter Block makes a solid case for a free market in human body parts. I agree with Dr. Block's analysis of the problems caused by governmental intervention into the market for used human body parts, and offer the following as an extension of that analysis.

The process whereby used human body parts are transferred from the original owner to the final owner consists of two exchanges. And, while the law prohibits a free market in one of these, the law allows a restricted market in the other. There are three parties involved: the original owner of the part (hereinafter, specifically not referred to as the "donor"), the medical industry, and the final owner (the recipient, hereinafter, specifically not referred to as the "donee").

In the first exchange the original owner transfers ownership to the medical industry. This is the exchange for which a market process is prohibited by law. Therefore, the

I do not think that the people in the medical industry are victims of the current law, but, rather, that many in the industry benefit from it.

only way the original owner of the part may transfer ownership of it is as a gift.

In the second exchange, the industry transfers ownership to the recipient. This is the exchange for which a market, although restricted, is allowed. For although the medical industry is not allowed to sell the part, qua part, it is allowed to, and does, sell the whole package of absolutely essential complementary services. That is, the medical industry does not give away the services of the labor and complementary capital goods necessary to the transfer, and the recipient does not end up with the new part integrated into his body at no charge, although such charges are frequently picked up by others.

What in fact takes place is a tie-in sale, whereby the seller(s) of the part, the particular individual(s) in the medical industry in whom the choice of the recipient is vested, requires the recipient to purchase a particular set of complementary services of labor and capital goods, if the recipient is to be able to acquire the part.

This practice may well violate the antitrust laws, not that

the free market should be subjected to such, only that they do exist. And, if ever a case may be made that previous intervention, however unwarranted and harmful, justifies subsequent remedial intervention, a tie-in sale where the primary good (the body part) was, in effect, stolen, may well be it.

For my part, I am inclined to think that the total price of the whole package of doctors' and hospital services includes at least a part of the (shadow) price of the body part, if not its full value in a free market process. That is, I believe that the de facto owners of the body part after the initial non-market transfer do, in fact, sell the part as an element in the tie-in sale to the recipient, granted that it might be at a price (for the part) less than the free market might generate.

I do not think that the people in the medical industry are victims of the current law, being forced to make difficult choices on the basis of their own subjective values, but, rather, that many in the industry benefit from the current law.

The proof of the pudding will come if, and when, an attempt is made to change the system to a free market process. Similar to the opposition of those engaged in the illegal drug trade to the legalization of such drugs, I would expect those members of the medical industry who profit from the current system to oppose efforts to create a free market in body parts. ■

Dr. Barnett is professor of economics at Loyola University in New Orleans.

A Wall Is a Wall

by Patrick Watson

Through the middle of Europe runs a wall built by communists to imprison people who want greater freedom. Every year hundreds are killed by exploding mines, automatic shotguns, machine-gun-toting guards, and electrified fences.

U.S. politicians love to junket overseas (at our expense) to have their picture taken against this monstrous wall while they proclaim their love of liberty. Yet along the southern border of the U.S. our government has also built a barrier. It's been called the "Tortilla Curtain."

There are, of course, practical differences between the two. The Berlin Wall keeps people in; the Tortilla Curtain keeps them out. The U.S. border patrol doesn't shoot people on sight. They and the Immigration and Naturalization Service simply jail them up and ship them back. The communists deny people the freedom to leave. The U.S. and other anti-communist governments deny people the freedom to enter. But the direction of travel is irrelevant.

This is not easy to see, and a number of myths keep people from understanding the inconsistency of being pro-freedom

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and anti-immigration.

Myth One:

"Illegal immigrants are after jobs, not freedom." The right to seek a job is an important freedom. The most important freedoms are economic as well as political. We should not deny someone the right to seek work simply because he was born on the wrong side of a political line. The most basic human right is the ability to freely sell one's labor.

Myth Two:

"U.S. immigration laws cannot be compared to the Iron Curtain." While it's true we don't have land mines along the Rio Grande, our barrier is comprehensive.

It is not impossible to cross the border itself. But once they get across, immigrants encounter the real wall: bureaucracy. To get a job in the United States, the potential employee must prove his "right to work." This means—if one has a foreign accent—showing a passport, social security card, or

other ID. Legal aliens can present their hard-to-get "green card" permit. Illegal aliens have two alternatives: fake documents or the underground economy.

Fake documents are very expensive, so most aliens end up working in the unofficial economy on farms or construction sites, where their employers face prosecution for hiring illegals.

Myth Three:

"Aliens take jobs away from Americans." The unstated assumption here is that the number of jobs available is limited. In fact, as long as there is economic scarcity, there will be jobs available.

Government, however, can restrict the *prices* at which jobs are available through minimum wage laws, plant-closing laws, union shops, and a host of other interventions. In a free economy, the interaction of supply and demand determines wages. If immigration increases the supply of a labor, the quantity demanded will also increase. But when government intervenes, the quantity cannot change. The result is a glut of workers and a shortage of approved jobs. That is an argument for repealing pro-labor union laws, not for restricting the right to immigrate or discriminating on the basis of address.

Consumers want the best product at the lowest price. If a merchant can provide that by hiring aliens, consumers win. If he can do it by hiring citizens, consumers win again. In either case, by paying a lower price, consumers are able to save more for investment in new ventures, providing greater opportunities for everyone.

Myth Four:

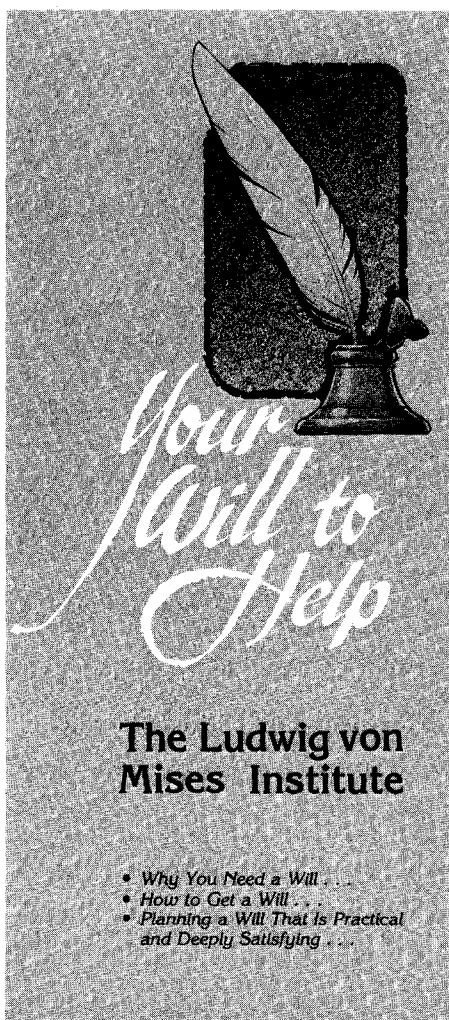
"Illegal immigrants are a drain on society because they don't pay taxes yet get government services." This begs the question of whether what we get from the government can be classified as services. But immigrants are by and large hard workers who avoid welfare. They are usually fleeing foreign bureaucrats, and will do almost anything to avoid U.S. ones. Furthermore, illegal "aliens" don't use government "services" precisely because they are not supposed to be here in the first place. In fact, illegal aliens do pay taxes: directly for sales and excise taxes, and indirectly, property and income taxes through the goods and services they buy from those of us lucky enough to be taxpayers. I do support, however, making it illegal for all non-citizens to go on welfare; step two is making the citizens ineligible as well!

Myth Five:

"Immigrants are the dregs of their society." In fact, the opposite is more likely true. People come to the United States seeking opportunity to *work*. Immigrants built this country thanks to the Founding Fathers who welcomed all willing hands. Our ancestors weren't dregs; they were productive members of society.

When someone has something to contribute, what possi-

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The Economic Wisdom of the Late Scholastics

by Jeffrey A. Tucker

Free markets are often most threatened by appeals to ethical, not economic, considerations. Statists say that mere economic analysis is not enough to satisfy the demands of "social justice" or "compassion" to the poor. Free markets may be productive, they claim, but at too high a price. The answer is government intervention or even socialism.

Answering this charge, new writers and thinkers have begun to show that Christian morality and tradition, as well as Biblical exegesis, support free markets, not state coercion. Such scholars as Michael Novak, Ronald Nash, Rousas John Rushdoony, Gary North, Paul T. Heyne, David Chilton, Richard John Neuhaus, and James V. Schall have helped reassert the morality of the free market.

Dr. Alejandro A. Chafuen shows that in this demonstration, they are following a great—if hitherto lost—tradition of the late scholastics, a school of thought active in Spain

Free markets are often most threatened by appeals to ethical, not economic, considerations.

from the 14th to 17th century. They taught that the free market was always practically and morally superior to statism.

In his groundbreaking *Christians for Freedom: Late-Scholastic Economics* (1986), Chafuen shows that this school was even pre-Austrian in subjective value, marginal utility, prices, the quantity theory of money, economic calculation, and the problems of collective ownership.

Jesuit Juan de Mariana (1535-1624) wrote that the king may spend his own personal wealth, but he has "no domain over the goods of the people, and he cannot take them in whole or in part." Further, "how sad it is for the republic and how hateful it is for good people to see those who enter public administration when they are penniless grow rich and fat in public service." Mariana demanded to know, "where is this money coming from if it is not from the blood of the poor and the flesh of the businessmen?"

Balanced budgets, Mariana said, should be the "main concern" so that "the republic is not entangled in more evils because of its inability to pay its debts." But taxes are not the solution to debt because, as Mariana noted, "taxes are commonly a calamity for the people and a nightmare for the government. For the former they are always excessive; for the latter they are never enough, never too much."

Writing in 1619, Fernandez Navarrete, chaplain to the

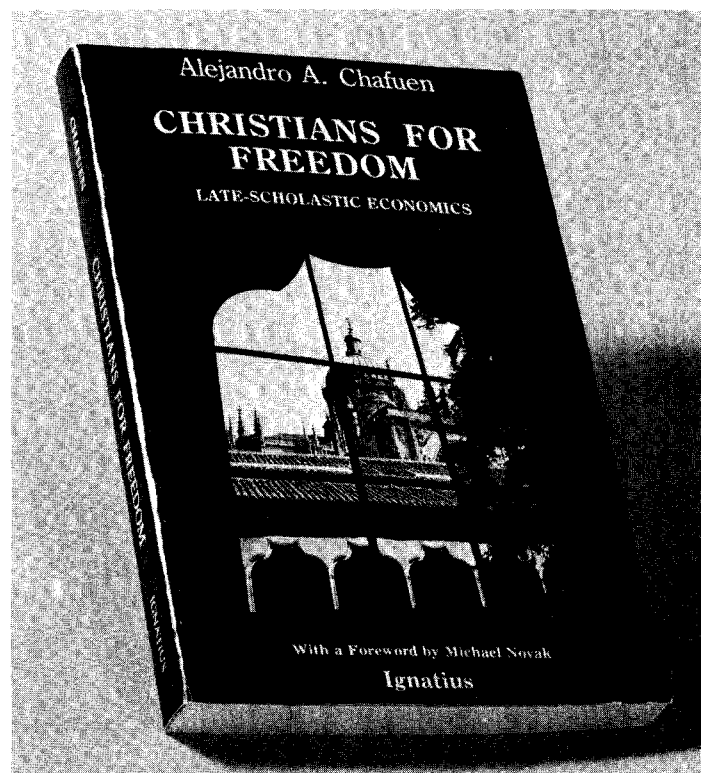
king, advised him that, "The origin of poverty is high taxes. In continual fear of tax collectors, [the farmers] prefer to abandon their land, so they can avoid their vexations. As King Teodorico said, the only agreeable country is one where no man is afraid of tax collectors."

Regarding bureaucrats, Navarrete said "it is good to dismiss many of them." It is not sufficient to stop the growth of bureaucracy. Rather, "we need to...purge it of its present excess of hangers-on. People may say that this is an extreme suggestion since the court supports so many people, but the disease has become so grave and so evident that we have no excuse not to employ the remedy."

On inflation, Mariana pointed out that "if the legal value of the currency is reduced, the prices of all goods will, without fail, increase in the same proportion." He concluded that "any alteration of money is dangerous. It can never be good to debase currency or to fix its price higher than its natural valuation and common estimation." Martin de Azpilcueta, a Dominican, noted in 1553 that "other things being equal, in countries where there is a great scarcity of money, all other saleable goods, and ever the hands and labor of men, are given for less money than where it is abundant."

Another Dominican, Tomas de Mercado (1500-1575), condemned inflation because it rearranges debtor-creditor relations so that "the poor become rich and the rich poor."

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Publication of the Month: Alejandro Chafuen's important *Christians for Freedom: Late-Scholastic Economics* is available for \$15, which includes U.S. postage and handling. Please see the enclosed form.

Economic Wisdom...from page 7

His solution: "the value" of money, and "even its seal and design, must be durable and as invariable as possible." Not for just a short time, but for "twenty generations, and the great-grandsons will know what they inherited from their great-grandparents and what in their goodness they increased, gained, and left to their children."

What about the common claim that scholastics from St. Thomas Aquinas forward believed in a "just price" and a "just wage" set outside the market? Chafuen shows that this is a myth. The Jesuit scholar Luis de Molina (1535-1600) captured the prevailing view: "the just price of goods depends principally on the common estimation of the men of each region. When a good is sold in a certain region or place at a certain price (without fraud or monopoly or any foul play), that price should be held as a rule and measure."

To these scholastics, the "common estimation of market" theory of pricing also applied to wages. Molina said, "if the

Dominican scholar Domingo de Soto (1495-1560) advised workers "if you do not want to serve for that salary, leave!"

wage that is set for him is at least the lowest wage that is customarily set in that region at the time for people in such service, the wage is to be considered just." The just wage cannot be judged on "what is sufficient for his sustenance, and much less for the maintenance of his children and family." The Dominican scholar Domingo de Soto (1495-1560) wrote that workers cannot steal from their employers "with the excuse that they are not sufficiently well paid." This is because "no injury is done to those who gave their consent." He advised workers, "if you do not want to serve for that salary, leave!"

They also understood that value is not inherent in a good; it resides in the minds of individuals who use it. Molina writes, "a price is considered just or unjust not because of the nature of the things themselves...but due to their ability to serve human utility." That is "why rats, which according to their nature are nobler than wheat, are not esteemed or

appreciated by men. The reason is that they are of no utility whatsoever."

On value, Adam Smith said we could never understand why diamonds sell for a higher price than bread, even though bread is more necessary for life. Almost 400 years earlier, St. Bernardino of Siena (1380-1444) solved the problem. He said that prices are a function of relative scarcities: "Water is usually cheap where it is abundant. But it can happen that, on a mountain or in another place, water is scarce, not abundant. It may well happen that water is more highly esteemed than gold, because gold is more abundant in this place than water."

The scholastics were, of course, in favor of private property and rejected common ownership. Domingo de Soto notes in 1567 that "private interest" works where "universal love" doesn't. "Hence, privately owned goods will multiply. Had they remained in common possession, the opposite would be true."

Chafuen shows that the late scholastics found a perfect reconciliation between the demands of economic logic and Christian morality. By restoring to us the wisdom of this school, Chafuen has undermined the Christian socialists and left-liberals, and renewed the credibility of those who find no contradiction—indeed, a harmony—between Christianity and sound economics. ■

Mr. Tucker is a graduate student at George Mason University, administrator of the Fertig Center, and managing editor of *The Free Market*.

A Wall Is a Wall...from page 6

ble reason can there be to turn him away? What if, a hundred years ago, we had erected the wall which exists today? Many of us wouldn't be here, and America would be far poorer in every sense.

As Ludwig von Mises wrote in *Liberalism* (1927), freedom of movement is an idea of "momentous significance for the future of the world." The right to immigrate "belongs to the very essence of society based on private ownership." The "fate of civilization" depends on nations eliminating walls to the free flow of goods and labor. That was correct 61 years ago, and it's right today. ■

Mr. Watson is a PhD candidate in political science at Rice University.