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# Libertarian Forum

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# NIXON'S NEP

In our special September issue on the wage-price freeze (which received considerable attention throughout the country), we did not have a chance to examine the other, vitally important aspects of President Nixon's New Economic Policy. To us, it is unaccountable that many conservatives and even libertarians reacted in this way to the Nixon economic package: "Well, of course we don't like wage-price controls, but . . . the rest of the package is so good that the overall effect might be favorable." For the rest of the package is almost as bad as the price controls, and is likely to have even more disastrous long-range effects.

I don't speak of the piddling proposals for an investment tax credit, which would only return us to the Democratic policy, or the even more piddling proposals to reduce a deficit which will still constitute the largest two-year deficit in peacetime American history. For the critical remainder of the package is its international economic and monetary policy. In the international part of the NEP, President Nixon announced, single-handedly and dramatically, perhaps the most savage program of nationalistic economic warfare in our history. After decades of lauding our allies of the "free world", Mr. Nixon turned suddenly and dealt them a vicious economic blow, a blow which changed the world economic picture overnight, and returned the world to the disastrous economic warfare of the 1930's. The brutal assault on exports from efficient foreign competitors, particularly from the amazingly productive and thrifty Japanese, will shatter the structure of international trade and the international division of labor, and lead to pernicious political consequences. It is true that the proclaimed American "free trade" policy, from Cordell Hull onward, has always been far more solicitous for freedom for *our* exports than for freedom for exports *from abroad*. But the unilateral imposition of the 10% surcharge, coupled with going off gold and bludgeoning the Japanese into accepting stringent quotas on their exports of textiles, is a blatant reversion to economic nationalism, warfare, and autarchy. It is true that, for many years, American industry has been losing the competitive race in many areas, partly because so much capital and technological research have been diverted to unproductive military channels, partly because the increasingly inflated dollar has been overvalued. But attempting to cure this inefficiency by a reversion to blatant protectionism will not only injure the American and the foreign consumer in countless ways: in the long run it will not even aid American industry, *or* the deficit in the balance of payments.

Protectionism not only injures the American consumer directly, by using coercion to prevent him from buying the cheaper textiles or cameras or automobiles that he would like to buy. It also injures the consumer indirectly and even more intensively, by freezing labor, land, and capital resources in the increasingly inefficient industries, and thereby preventing them from moving into those industries that are more efficient and have a competitive advantage in selling at home and abroad. By this freeze, the efficient export industries are prevented from expanding, and thus these industries are hurt, along with the consumers who would benefit from the more efficient allocation of resources. But, as the 19th century libertarian economist Frederic Bastiat put it, the latter effect, however crucial, is "unseen", whereas the direct aid to the inefficient and floundering textile, steel, and camera industries is visible and "seen." And furthermore, of course, the foreign countries cannot be expected to take this brutal affront lying down forever. Already, Denmark has placed its own 10% surcharge on American exports, and we can expect American exports, and consumers everywhere, to suffer grievously from the general and accumulating breakdown in international trade. As Western Europe moves toward economic unity, we can expect ever stronger measures of retaliation from the disillusioned and understandably embittered nations of Europe. The tough, "hard-nosed" negotiating attitude of Secretary Connally, who seems to think that he is dealing with Mexican field hands on a Texas ranch, will of course only accelerate the disintegration of the world market.

Particularly disquieting politically is the attitude pervading the Administration toward Japan, which it is hardly an exaggeration to say verges on the war hysteria that developed in the 1930's. We have to go back to George Orwell's *1984*, or to some of the imaginative writings of the Old Right revisionists, to catch the flavor of the anti-Japanese hysteria that has been sweeping the American government. For Orwell and the revisionist writers postulated that it is almost as if, every twenty years or so, the ruling insiders in the Establishment push a few buttons, and suddenly national "friends" become national "enemies" and *vice versa*, not only in the government but throughout the nation's press and media. Thus, in the late 19th century, Germany was "good" and Russia "bad"; in the first decades of the 20th, however, Russia was "good" and Germany "bad". After World War I, Germany was "good" again and Russia "bad"; in the mid-1930's, Germany shifted to "bad" and Russia became "good"; and since World War II, Germany has been "good" again and Russia "bad." Who knows when the next switch will occur? On the Asian front, in the early years of the twentieth century, Japan was "good" and China "bad"; and then, by the mid-1930's, Japan became "bad" and China "good"; and, finally, after World War II, Japan became "good" again and China was "bad". But now, another dramatic Asian reversal appears to be underway. At the same time that the Establishment is beginning to move toward a "China good" policy once

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again, Japan is swiftly becoming "bad". We seem to be back in the atmosphere of 1937 once more. Japan, so recently a progressive and staunch bastion of the "free world", is being referred to in the press once more as "aggressive", expansionist, troublesome. A friend of ours who was until recently on the senior staff of the Council of Economic Advisors reports that, throughout the Administration, every time Japan sells another yard of textiles or another camera in the U. S., the anti-Japanese hysteria pervading our government rises another notch. As one cynical wag put it, it's a good thing that Japan is unarmed, otherwise we would be provoking it into another Pearl Harbor.

So what was there about the Nixon package that could tempt some libertarians into partial approval? Ironically, it was Nixon's going off gold, a step that did even more than the 10% surcharge in driving the world into a competitive policy of national economic warfare. The irony is particularly acute because for over twenty-five years, the small, unsung – and still unsung – band of "Austrian" economists: headed by Mises, Rueff, Heilperin, Hazlitt, and including your editor, warned day in and day out that the Bretton Woods system was headed for certain collapse. The irony is that for twenty-five years the Establishment economists, now so righteous in ditching Bretton Woods, pooh-poohed the Austrian warnings, and asserted that the system was graven in stone, that the dollar was an eternal rock, and could not be shattered. And now, though some libertarians have been slow to realize it, Bretton Woods has been ditched in the *reverse* of an Austrian direction, and toward even worse and more pernicious systems.

Some historical background: for generations before 1914, the world monetary system was roughly one of free trade, allied to and intertwined with a "classical" international gold standard. Every national currency was defined as a certain weight of gold, and therefore *was*, in effect, that weight. All paper currencies were convertible into gold, and, therefore, into each other, freely and without governmental restraint. Not only did this mean the monetary and therefore the virtual economic unification of the international economy. It also meant that the redeemability of paper currency into gold provided a vital check upon the inflation of paper currency by governments, and hence kept inflation and the business cycle within moderate bounds. (The fact that the gold standard was partly vitiated by central banking and fractional reserve banking only weakened but did not destroy the effectiveness of the world monetary order.)

World War I wrecked the international gold standard and the pieces were never put back together again. Every country financed the war effort by large-scale currency inflation, and every major country but the U. S. abandoned the gold standard, to go over into paper currencies governed by the fiat of the nation-State. During the 1920's, the world moved, *not* back to a classical gold standard, but to currencies tied only nominally to gold, and actually to the British pound, which in turn was tied to the dollar, which remained the only currency clinging to the older gold standard. Britain, furthermore, insisted on returning to nominal gold at a highly overvalued par, overvalued in relation to the severe inflation of the pound during and after the War. The result was a chronic British deficit in the balance of payments, and inflation in the U. S. to alleviate that deficit. The overinflated currencies collapsed in the Great Depression, and every country, including the United States, went over to a world of fiat paper currencies, inflation, exchange control and blocked currencies, competing devaluations to stimulate one country's exports and block the other fellow's exports, competing protective tariffs, and a general breakdown of international trade which helped perpetuate and intensify the depression on a world scale. And no less an authority than Secretary of State Cordell Hull repeatedly testified that the economic warfare of the 1930's was directly responsible for the outbreak of World War II.

One of the major American war aims was to reconstruct a new international monetary order from the shambles of the 1930's. But, once again, it was not to be a classical gold standard, with its concomitant of free trade, *laissez-faire*, and avoidance of inflation. The new order, established by severe American pressure at Bretton Woods in 1944-45, was a recrudescence of the shaky and unsound system of the 1920's, with two important differences: (a) the new order rested on the dollar, and not at all on the pound; and (b) no country, including the U. S., returned to a full gold standard, in which each currency was redeemable in gold. Instead, gold was re-established as redeemable only for dollar balances held by foreign central banks; American citizens were no longer to enjoy the gold hedge against inflation. American citizens were still prohibited from owning gold, as they had been since 1933, ostensibly for the duration of the bank crisis "emergency." The dollar price of gold was fixed at $35 an ounce, which had been the official price since 1934, and all other currencies were fixed in terms of dollars. Moreover, the other countries were allowed to fix their currencies in terms of their pre-war exchange rates, rates which did not reflect their considerable inflation. Hence, most foreign currencies were overvalued in terms of dollars, while dollars in turn were undervalued.

The world returned to an international monetary order, with roughly fixed exchange rates and a fair amount of interconvertibility of currencies. But foreign countries now held their reserves in dollars more than in gold, and the supply of dollars was in the hands of an ever-inflating American government. Thus, in the early post-war period overvalued foreign currencies suffered from a predictable "dollar shortage", and the propaganda then arose that the U. S. had a "world responsibility" to supply dollars to these countries in foreign aid to "cure" their continuing and ever-present shortage. But around 1950, international economic conditions began inexorably to change. European – and Japanese – economies and currencies became sounder and relatively less inflated, helped by the advice of highly-placed Austrian and semi-Austrian economists: Wilhelm Ropke and Alfred Muller-Armack in Germany, Jacques Rueff in France, President Luigi Einaudi in Italy. Gradually, as Keynesianism took hold in the U. S. and lost credit abroad, the dollar became increasingly inflated, both absolutely and relatively to the continent of Europe. The dollar became increasingly *over*valued, (a) in relation to such "hard" currencies as the West German mark, the French franc, the Swiss franc, and the Japanese yen, and (b) and equally important, overvalued in relation to gold at the frozen price of $35 an ounce. The continuing dollar inflation brought about an increasing overvaluation and a perpetual deficit in the U. S. balance of payments, made up by the piling up of dollar balances abroad, *along with* a continuing outflow of gold, bringing down American gold holdings from $22 billion to less than $10 billion.

The Austrian economists continually warned against the coming collapse of the system, and urged the end of dollar inflation as a cure to the deficits, along with the return to an international gold standard as a permanent check on inflation. The Austrians differed on the best path to return to gold; the soundest plan was that of Rueff and Heilperin for a drastic increase in the price of gold as part of the return; such an increase would cure the overvaluation of *every* inflated currency with respect to gold, and, by putting more gold behind every currency, facilitate a general return to the gold standard. The Mises-Hazlitt proposal for an initial floating of currencies to find the "free-market price" of gold ignored the basic fact that, on a *truly* free-market, there would *be* no independent national currencies, and that every currency, being only a different weight of gold, would automatically find its "exchange rates" fixed in relation to one another. In the

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deepest sense, to talk about a "free market" of dollars and francs is as absurd as calling for a "free market" between ounces and pounds: both are eternally fixed at a weight ratio of 16:1.

The Establishment met the challenge by moving in the opposite direction. Anxious in the long-run to destroy gold altogether as a monetary commodity so as to allow unlimited inflation and dictation of the money supply by governments, the world central banks first abandoned the vain attempt to keep gold at its undervalued $35 an ounce on the free market. Instead, the authorities, in the late 1960's, destroyed the single gold price, and established a "two tier" gold price system, attempting to insulate the central bank price at $35 from the higher market price. Next, as gold flowed out and dollar balances piled up, even distinguished American economists – some of them "renegade" Austrians – devised the absurd theory of "benign neglect." Let the Europeans sizzle, the theory went, they can do nothing else than pile up dollars. Dollars are anyway more important than gold; gold is an obsolete relic, and dollars are backed by the most productive economy in the world. Therefore, why worry about deficits? To reinforce the trend away from gold and toward inflatable paper, the world authorities then established an SDR system of paper units to supplement gold in American currency reserves.

But none of these expedients helped for long. By August, 1971, over $40 billion of dollar claims to gold had piled up in European hands, and Europeans expressed their unwillingness to continue subsidizing American dollar inflation by holding off on their right to redeem in gold. President Nixon was faced with a crisis run on the dollar, and met it by plunging the world back into the monetary and economic chaos of the 1930's. "Benign neglect" was clearly no longer enough.

By cutting all ties with gold, furthermore, Nixon has gone over into totally fiat money; he has cut the last link with an independent, market, commodity check upon inflation. Austrian economists like Rueff realized that, while the dollar may have been overvalued in relation to foreign currencies, going over to a floating rate is a cure worse than the disease: for it abandons the last, balance-of-payments, check upon American inflation. Before August 15, the American authorities at least had to keep a wary eye on the balance of payments deficit and the gold outflow, and therefore were at least partially restrained in their inflation of the money supply. Now, only falling exchange rates remain as a check, and this is a flimsy reed, especially since American export interests are whooping it up for devalued dollars which would bring them competitive advantages abroad.

What else could President Nixon have done? He could have adopted the Rueff plan: of a drastic increase in the price of gold, and a concomitant move toward restoration of the full international gold standard. But this of course is the last thing the Administration – and the entire economic Establishment – wants. Note, for example, how stubbornly Secretary Connally has resisted even the most feeble West European efforts to induce us to raise the price of gold by only a negligible amount. The reason is that the Establishment knows full well that a rise in the price of gold would bring gold back more strongly into the international scene. It would hinder the long-run aim of the Establishment to abandon gold altogether. Hence, no libertarian can look upon the abandonment of Bretton Woods for a *far worse* system as anything but an economic disaster.

Libertarian perception of the international monetary scene has been grievously distorted by the pernicious role of the Friedmanites of the Chicago School. For the Friedmanites have long advocated their pet solution for world money: the total abandonment of gold, *and* freely-fluctuating exchange rates between the various national fiat paper moneys. Hence, the Friedmanites have helped divert libertarian and conservative opinion away from gold and toward the absolute control of the monetary system by the nation-State, a State which invariably leans toward inflation. Hence, the misguided cheers of many libertarians for at least the international side of the NEP package. But, apart from the evils of abandoning commodity money and relying on absolute state control of money, the Friedmanites are unrealistic Utopians whistling in the dark. *Even if* freely fluctuating exchange rates were desirable (which I would not concede for a moment) it is absurd of the Friedmanites *first* to grant absolute monetary power to the State and *then* to call upon the State to leave exchange rates free to fluctuate. No government, possessed of the monetary power granted to it by the Friedmanites, will consent to leave exchange rates alone. Hence, the naivete of the cry of many Friedmanites and quasi-Friedmanites since August 15: "Hey, the governments are not allowing floating rates; instead they are instituting a 'dirty float', with exchange controls, interferences in convertibility, etc." What did the Friedmanites expect? Will they ever *stop* putting their trust in Power?

Equally ludicrous was the expectation of the Friedmanites – and even some Austrians who should have known better – that now that the dollar has been severed from gold, the U. S. government will allow American citizens to own and sell gold. Again, the Friedmanites miss the point – that the Establishment is interested, not in maximizing economic freedom, even in distorted Friedmanite terms – but in abolishing gold altogether to pave the way for unchallenged fiat paper. If the government should allow gold, which they have so long proclaimed to be a "worthless", Neanderthal "relic", to be owned by American citizens, then the ever-present threat will be there for Americans to turn from increasingly worthless paper dollars to their own use of gold as a stable and sound currency. This is what many Americans, especially in gold-plentiful California, did during the disastrous greenback inflation of the Civil War. The outlawry of gold is a vital step on the road to unchecked government control of money and toward unchecked paper inflation.

And so President Nixon, in the international part of his NEP package, has plunged the world into a system far worse than the unfortunate Bretton Woods system that is now dead as a doornail. Our Caesar has plunged us back into the destructive world of the 1930's, into a world of unchecked paper inflation, of exchange controls, economic warfare, accelerating protectionism, and breakup of the world market. He has plunged us, in short, into the precise *international* counterpart of the economic fascism at home. The package is, we must admit, consistent and of a piece: in both domestic and foreign economic policy, the aggrandizement of the nation-state, the crushing of the market economy, the perpetuation of inflation, the substitution of statism and conflict for the harmony and voluntarism of the free market. We are faced, in the economic sphere, with fascism in domestic policy and foreign, at home and abroad. And all this, mind you, in the name of "freedom".

Meanwhile, on the domestic front, those libertarians still bemused by the "good old Dick Nixon" syndrome, and who foolishly predicted that all controls would disappear after the 90 days, have one hopes, learned an instructive lesson. Phase II is almost here, and we are promised the first permanent peacetime controls since the unlamented, and still unconstitutional, NRA. Of course, not "permanent", only for two, three . . . how many? years. Pervading the whole show is the stream of private and even quasi-public utterances assuring us that the President doesn't "really" believe in the controls, and that he and his economic planners know that they won't work. Rather than reassuring, all this tells us is the certain knowledge that the Administration has transcended mere economic ignorance and error, and is actively and cynically guilty of moral turpitude. In the meanwhile, the President's rhetoric, as for example in his

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Phase II address of October 7, becomes increasingly Orwellian and collectivist.

Thus, the architect of international monetary chaos calls his program a "campaign to create a new monetary stability"; the creator of a new protectionism says that "this nation welcomes foreign competition." The speech was studded with altruist-collectivist rhetoric, ominously reminiscent of the famous Nazi slogan: "Gemeinnutz geht vor Eigennutz." ("The common good comes before the individual good" – the "common good", of course, as interpreted by the rulers of the State apparatus.) Thus, the President spoke of his "call to put the public interest ahead of the special interest," and to "put their country's interest above their interest in fighting this battle." Even more blatantly collectivist was the President's egregious "What is best for all of us is best for each of us." Whenever the government speaks of "sacrifices", furthermore, it is time for the citizen to guard his pocket and to run for the hills; sure enough, the President called for willingness to "sacrifice for a long-term goal". It is characteristic of such pleas, of course, that it is always "you and him sacrifice"; I have not seen any dramatic evidence lately of any great sacrifices incurred by President Nixon, Secretary Connally, or the rest of their coterie.

"Confident", moreover, that the wage-price controls can be sustained "on a voluntary basis", the President sternly warned that if any Americans should fail to cooperate with this system of "voluntary restraint", the "Government must be and will be prepared to act against them", and will "be backed by authority of law" to make its "decisions stick." Thus, the President has given us a new and creative definition of the "voluntary" – that is, the "voluntary" backed by a hefty measure of coercion. Challenged by libertarian questioners in a debate on the NEP with your editor in Washington on October 19, Dr. Herbert Stein, quasi-Friedmanite member of the Council of Economic Advisers and principal architect of Phase II, seriously replied – after a spell of being befuddled by the question – that the program is indeed voluntary, "just as voluntary as taxes." A wave of sardonic libertarian laughter greeted Stein's remark, at which point I could not refrain from pointing out that for the first time that night I whole-heartedly agreed with a statement by Dr. Stein.

In fact, Stein's open cynicism is indicative of all too much

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the criticism of Friedman himself and many of his disciples has been strangely muted. Thus, Stein, commenting on my charge that the controls won't work in checking inflation, really agreed, and added, in effect, "so why worry about them?" In short, since the controls won't work, they are simply icing on the cake, or "cosmetic" in Friedman's words, and will therefore eventually be repealed. There is no recognition here of the economic harm that will be wrought, the distortions, black markets, declines in quality, as well as the political harm in foisting a system of fascistic controls on the public – not to speak of the immorality of a demagogic appeal to the public in the razzle-dazzle showmanship of the NEP. Furthermore, the smug view that simply because a policy won't work means that it will shortly disappear ignores the political dynamics. The President, for example, is trying to carry water on both shoulders by imposing controls, and yet by keeping a minimal bureaucracy for enforcement and for making the almost infinite number of price and wage decisions that make up the economy from day to day. After the controls fail, then, the Democrats will inevitably call for a wider bureaucracy and for more stringent enforcement, and the economic disaster can be prolonged for many years.

All this is reminiscent of the time when he, and numerous other economists, ranging from the Austrians through the Chicagoites to the Democrats and New Dealers, participated in a conference on inflation and price controls during the last control period, in the Korean War. After Austrian Henry Hazlitt had attacked price controls for causing a meat famine, Friedman made a comment which frankly put him "in between" Hazlitt and the defenders of controls. Friedman of the Friedmanite response to the wage-price controls, for said: "I think the real argument against price control is precisely that it produces this illusion of famine when there is none." (A. Director, ed., *Defense, Controls, and Inflation*, University of Chicago Press, 1952, p. 243.) In short, while price controls do not work, they have no harmful effects either – an ironic twist to those who suffered from the meat famine of 1946 under the OPA.

Just as this issue was about to go to press, Milton Friedman has to some extent redeemed himself by writing a two-part critique of the controls in the New York *Times Op-Ed* page of October 28 and 29, "Morality and Controls." Particularly in the latter article, Friedman at last took a strong stand on the *immorality* and on the dictatorial nature of the government's presuming to outlaw voluntary price and wage agreements between buyer and seller, employer and worker. It was a bit late in the day, but we are glad that Friedman finally saw the light.

There is a sense, of course, in which Phase II rests, even for short-term success, not on the "voluntary" consent, but on the support of the great majority of the public. For lacking a large bureaucracy, enforcement will have to be placed largely in the hands of the public. And that is why libertarians have a unique opportunity to help wreck the controls earlier than otherwise: for it is up to us to raise the banner of opposition, to educate the public on the unworkability and the evils of the New Economic Policy. We have an historic responsibility; we can strike a blow for freedom far beyond what seems likely from our small numbers. By merely pricking the bubble of the bemused national consensus, we can help restore sanity and liberty to the nation. ◘

# We Fight The Freeze

Unfortunately – since it reflects a massive default by conservatives, businessmen, and economists – the task of openly and resolutely battling the wage-price freeze has fallen to the libertarian movement. We have, however, risen to the occasion.

In this struggle, the lead has been taken by your editor. In addition to the widely noted special issue of the *Lib. Forum* in September, which generated a need for a massive reprinting, Murray Rothbard denounced the freeze as "fascism" in the New York *Times Op-Ed* page of September 4, in a lead article called "The President's Economic Betrayal." There was the aforementioned debate in Washington with Herbert Stein on October 19, parts of which were carried on CBS-TV and which was noted for strong audience opposition to the freeze in the *Wall Street Journal* of Oct. 22. In addition, Rothbard opposed the freeze on the Lee Leonard TV Show (Channel 5), and on radio stations WNYC, and WBAI-FM, there inaugurating a monthly libertarian series on that station. Furthermore, a lengthy interview with Rothbard on the freeze appeared in the (Denver) *Rocky Mountain News Global* of Aug. 22, entitled *Is This the Death of the Free Market?* The sympathetic interview appeared on the initiative of libertarian reporter Peter Blake. The Times Op-Ed article stimulated the New York *Sunday News* (Brooklyn) to do an interview with Rothbard on October 17, neatly titled *Laissez Faire Called Fairest System of All*.

The most massive organized libertarian effort against the controls was a full-page ad that appeared in the Sunday *Washington Post* of Oct. 10. Drawn up largely by Rothbard and James Davidson, executive director of the National Taxpayers Union, the ad was submitted by the newly-formed Committee to Restore Freedom, organized by the NTU. Denouncing the controls as tyranny as well as being unworkable, the ad pointed out that the price inflation is caused by monetary expansion by the Federal Reserve System, and called on everyone to "do his part to see to it that wage-price controls are made unenforceable." All libertarians are urged to send their names and their contributions for further ads and television appearances to the Committee to Restore Freedom, which can be reached at 319 5th St., S. E. Washington, D. C. 20003.

The list of signers of the CRF ad constitute a veritable roll-call of honor in these dark days. Among economists they include: Henry Hazlitt; Dr. Hans Sennholz, Chairman of the Economics Dept., Grove City College; Dr. D. T. Armentano, Economics Dept., Hartford University; Dr. John Snare; Dr. H. E. French, III; Dr. Laurence Moss, Economics Dept., University of Virginia; Colonel E. C. Harwood, head of the American Institute for Economic Research; and in a sense our prize catch, Dr. Sam Peltzman, Economics Dept., UCLA and until recently a senior staff economist of the Council of Economic Advisers.

Businessmen who signed the ad should be particularly honored, defying as they did not only the general run of business opinion but also risking possible retaliation against their businesses by the federal control bureaucracy. Businessmen signers included: Charles Koch, head of Koch Industries; Robert D. Love, head of the Love Box Co.; and John L. D. Frazier; all of Wichita, Kansas; William L. Law, head of Cudahy Tanning Co. of Cudahy, Wisc.; William Grede, head of Grede Foundries, Milwaukee, Wisc.; Frank Bond, head of Holiday Universal of Baltimore; Charles A. Pillsbury, of the Pillsbury family of Minneapolis; Henry J. Hohenstein of Creative Equity Corp.; Mrs. Fabiola C. Moorman and Leonard P. Cassidy, of Quincy, Ill.; George E. Judd, head of Judd & Detweiler; Alvin M. Benesch, of AIM Enterprises, Washington, D. C.; and John Zeigler, head of John Zeigler, Inc. of New York City.

Other libertarian leaders who signed the ad included: Robert D. Kephart, publisher of *Human Events*; Stephen

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J. Ganslen, of *Human Events;* Edward Nash, head of Nash Publishing Co., Los Angeles; George Pearson, of Wichita, Kan.; Jarret B. Wollstein of SIL, and editor of the *Individualist*; Roy A. Childs, Jr. and James A. Webb of the *Individualist* and SIL; Phillip Abbott Luce; Gary Greenberg, head of the New York Libertarian Association; A. Ernest Fitzgerald, formerly of the Dept. of Defense and now head of the National Taxpayers Union; Leonard P. Liggio of the History Dept. of City College, CUNY; C. Merton Tyrrell; and attorney David J. Mandel of New York City.

One constructive thing that libertarians can do is to place this ad in local newspapers around the country. Already, Charles Koch is in the process of placing the ad in the Wichita, Kansas press, and young libertarian lawyer Butler Shaffer is placing it in the Omaha, Nebraska papers.

We have had strong differences in the past with objectivist commentator Jeffrey St. John, but St. John rose nobly to the occasion: delivering a moving tribute to Professor Ludwig von Mises on his 90th birthday, September 29, over CBS-Radio *Spectrum*. In the course of his tribute, St. John mentioned that a group of disciples of Professor Mises has single-handedly rallied to battle the wage-price controls, and to place the ad in the Washington *Post*. St. John referred to the wage-price freeze as Nixon's *Mein Kampf*.

Other trenchant attacks on the controls have now begun to appear: Henry Hazlitt in *Human Events* (Sept. 4); Davis Keeler in his *Research Review* (Sept. 20) (The review is published monthly by the Economic Research Corp., P. O. Box 365, Barrington, Ill. 60010); and Frank S. Meyer in a critique of Phase II in *National Review* (Nov. 5). Also doing good work against the freeze have been the *Research Reports* of the American Institute for Economic Research of Great Barrington, Mass., and the magazine *Cointact* in Dennison, Ohio. I am also informed that the Birch Society has been attacking the wage-price controls as fascism.

In sum, libertarians have acquitted themselves well in quickly and strongly reacting to the New Economic Policy. As the bloom falls off the rose – and there are increasing signs of disenchantment among business and the public as the freeze is beginning to fall apart – hopefully the public will begin to turn to libertarians for politico-economic leadership. ■

# Confession—Pavlovian Style

BY Lucille E. Moran

Before quizzing individual witnesses or suspects, every police officer from village constable to FBI agent, including those of intermediate jurisdiction, such as city cops and county sheriffs, utters the assurances of the Miranda warning.

Even Revenue agents piously intone the Miranda options in face-to-face interviews with witnesses or suspects. But, in their instance, the recitation is MEANINGLESS, when they say:

> "Under the Constitution of the United States you have the right to refuse to answer any questions or make any statements that may tend to incriminate you under the laws of the United States. However, anything you say or any evidence which you produce may be used against you in any proceeding which may hereafter be undertaken by the United States. Do you fully understand this?"

While other statist investigators seeking leads, information and evidence on which prosecutors can build cases, arrange to immunize those who agree to perform as State Witnesses, revenuers usually start off with such a whopping advantage over their marks that they tend to believe no need for similar amnesties exists for the kind of people they pursue.

Their activities begin where most other detective work leaves off. They start with a confession signed and submitted by their prey and work backwards. The confession they hold is known as a Tax Return Form.

This wondrous state of affairs arises from an easy device so simple and obvious it is overlooked by the guileless and unwary it aims to entrap: *The MIRANDA options are slyly omitted from where they rightfully belong— ON TAX RETURN FORMS.*

The whole income tax strategem has survived to date by wilfully mistiming the announcement that what you confess on Tax Return Forms may be used against you. By the time revenuers get around to notifying the gullible of this fact, they are already attempting to shake them down on the basis of their signed confessions.

Revenue attorneys and Justice Department prosecutors (who do their pinch-hitting) promote the mendacity that in tax suits the accused and their star witness should be one and the same person.

Unfortunately, this falsity is similarly entertained by people who think of themselves as "tax-payers".

But, of the two opposing parties perpetuating this fraud, the act of consent by members of the body politic is the more grievous. For it has encouraged the opposition to practice the misconception that in cases concerning tax collections the immunities from prosecution, penalties and punishment, routinely afforded State witnesses, may be suspended and the law of this land still observed.

The error committed by timid souls who file returns and accept the label "tax-payers" (as if it indicated a fixed status or political class) might have the mortal effect of a complete forfeiture of their rights to the Enemy consistent with the legal maxim *"volenti non fit injuria"* (if you consent to a wrong, you can't claim to be injured by it) – except for certain inadvertencies that gained emphasis during the past decade.

The most significant took form as a suddenly fastidious concern by members of the entrenched bench-bar to protect persons accused of offenses against Natural Law from self-incrimination – which, of course, is itself a far more serious breach of Natural Law. What we know as Fifth Amendment securities are restraints on the eternal temptation of Inquisitors to coerce people into acting as witnesses against themselves, under threat of prosecution, penalty or punishment. The 'Fifth' consistent with Natural Law politics, thereby prohibits under any legalistic pretext, circumstances by which people could be called to an accounting by accusing them of that old favorite of tyrants: CRIMES AGAINST THE STATE.

Reciting the Miranda options to punks and hoods suspected of pulling jobs or being material witnesses thereto, amounts to carrying coals to Newcastle. They've been around enough to know they aren't obliged to trade their secrets for NOTHING.

They demand and get something in return. Before consenting to supply information expected of State witnesses and informants, experienced hoods exact their price in

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the immunities they are due. Having pegged the opposition's modus operandi, they jolly well know their adversary can't proceed into prosecution without the information and evidence they have to barter.

No one need grandstand advisements to cons and felons to avoid the mistake of relinquishing their right to claim injury by going along with statist treacheries. They already know who needs whom most. And, that self-confession is violative of Natural Law unless it has a return, at least in absolutions, if not always in money, from those who rely on receiving their statements.

Can you imagine the hue and cry from "sharing" Liberals were legislation enacted making it a crime for punks and felons to refuse, on the one hand, to supply statists the information needed to prosecute them; or for making confessions on the other, that statists don't believe are quite up to snuff? The opposition might have to set up a separate court system along the lines of Star Chamber devoted exclusively to handling such Crimes against the State.

Yet, the adversary has done JUST THAT and successfully hooked reputable persons of irresolute character into going along with the tax strategem. Revenuers dispose of most cases of resistance through the dummy 'Tax Court of the United States', which isn't a court at all, but a deliberately misnamed executive chamber. It is operated by Treasury Department employees for quietly disposing of matters involving revenue collection from their view – and property rights and entitlements from yours – without jury-trial. A handful are tried by Justice Department prosecutors in United States District Courts in hopes of busting people as "criminals" as object lessons to others that don't think of themselves as fixed in some class called "tax-payers".

Although the first line of the CODE OF ETHICS subscribed to by Internal Revenue employees admits that the act of informing against one's self, or anyone else for that matter, *can't be made compulsory*, by the following language, "The Federal system of taxation is based on *voluntary* compliance by the people of the United States", (emphasis mine) revenuers and Justice Department dudes depend heavily on making the tax scheme *seem* involuntary and mandatory to trusting souls, who being unwise to the ways of the world are susceptible to programs for conditioning their responses so they will react predictably.

These worthies rush to file an annual confession of their activities, as if it were their Easter duty, with a display of signal responses comparable to Pavlov's dogs failing to obey their instinct to bite when their food is withdrawn.

Evading publication of the Miranda options on Tax Return Forms is the first deception used to sensitize the unwary in order to enlist their help and consent for a scuttling of Natural Law processes and safeguards.

The quarry is further conditioned by the statists' covert withholding (oops) of the fact that the Federal system of taxation has always rested on the volition of individual members of the body politic. This operates to suppress the principle that – those who don't care to contribute to their own undoing, DON'T HAVE TO – and, conversely, those who want to tell on themselves and/or make free will donations, CAN.

By thus joining these two failures to supply timely information, a majority is led into the misapprehension that within a Natural Law political system, they are still duty-bound to fling themselves into the role of victims of any ruse devised by the minds of cunning men.

Heartened by their ability to induce otherwise honorable members of the body politic into reacting with attitudes reflecting the misguided notions of Old World politics, the opposition has availed itself of the other side of this fantasy and enacted legislative frivolities on this basis.

Section 7203 of United States Code Chapter 26, the Internal Revenue Title, dramatizes the extent of delusions belabored by servants, acting solely on delegated authority, in presuming to exchange roles with their natural lords and masters in this land from "sea to shining sea."

By the oddest coincidence, Section 7203 of Chapter 26, just happens to be entitled, "WILFUL FAILURE TO FILE RETURNS, SUPPLY INFORMATION OR PAY TAX". And, its provisions attest to the objective of neutralizing Natural Law politics under pretensions of "law" and process in order to regiment people into classes and destroy the body politic:

> "Any person required under this title to pay an estimated tax or tax, or required by this title or by regulations made under authority thereof to make a return, keep any records, or supply information, who wilfully fails to pay such estimated tax or tax; make such return, keep records, or supply such information at the time or times required by law (sic) or regulations, shall in addition to other penalties provided by law, be guilty of a misdemeanor and upon conviction thereof, shall be fined not more than $10,000.00 or imprisoned not more than 1 year, or both, together with the costs of prosecution."

Consider the handsome reduction in salaries for FBI agents and money for paying off their informants, if similar accommodations could be written for FBI convenience. The savings in informants' fees alone would be substantial, if the value attached to such necessary services by one Bureau spokesman is an index. He acknowledges that – "one good informant is worth 50 agents."

If crooks and hoods would only cooperate enough to give a yearly accounting of themselves to their friendly, neighborhood FBI office, on or before a designated day of holy obligation, Federal agents could enjoy the fun of busting them for Crimes against the State. This would be a much easier task than trying to nail them for crimes against natural law without demolishing it, in the doing.

Then, shady characters could be prosecuted for wilful failure to file annual confessions, supply information, etc., and tried by jury in a United States District Court on charges of such disobedient deportment. With any luck at all, Justice Department prosecutors could show that the defendant lacked the proper demeanor of docility and refused to cooperate by failing to comply voluntarily with the rule of men. Then the culprit would be convicted, locked up and federal coffers would ring just as merrily. He'd have to ante up the costs of his own prosecution, as

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well as a disobedience tax of not more than $10,000.

In light of the foregoing, the Independent Bar Association uses, and advocates the use by Tax Rebels, of three techniques for check-mating the opposition with their own implements:

It places the burden on the other side by citing the first line of the CODE OF ETHICS subscribed to by Internal Revenue employees, about "voluntary compliance"; it reminds the adversary of its plan to hoodwink respectable members of the body politic into walking into Federalist traps by a wilful and calculated omission of the Miranda options from Tax Return Forms; and, at the first sign of revenuers' interest in an individual's business, it slaps them with a piece of certified mail containing an Independent Bar Association DEMAND FOR IMMUNITY FORM, which states in part, "Please further take notice, that this is only what every run-of-the-mill punk and hoodlum knows he can demand and get for providing Federalists with the information they need to proceed."





# LIBERTARIAN WIT

Review of Jerome Tuccille, *It Usually Begins With Ayn Rand* New York: Stein & Day. 192pp. $6.95

by The Old Curmudgeon

Humor is the key. The dividing line on the new Tuccille book is whether or not you have a sense of humor. And by humor I do not mean the ability to enjoy one-liners by a stand-up comic. I mean socio-political wit and satire. In any age, this sort of a sense of humor is in all too short supply. In the present age, this high sense of wit and satire has disappeared almost to a vanishing point. We are surrounded by belligerent and humorless fanatics, blighted souls who believe that in order to be "serious about your values", wit and humor must be tossed into the discard. And, sad to say, the libertarian movement is scarcely a conspicuous exception to this miasma, to say the least. It is not just that wit and satire are great joys in themselves, a part of the happy and joyous affirmation of life and its values that should be enjoyed by everyone. It is also that a sense of humor lends one a rational perspective, keeps one in tune with reality and what is generally known as "common sense." It is impossible to conceive of people blessed with a sense of humor, for example, howling that the titles "Mrs." and "Miss" must be purged from the language, or coming to the view that the practice of bestiality is a rational moral obligation.

What the libertarian movement needs most is a bracing dose of wit and satire, and this is precisely what Tuccille offers in his new book. If you have a sense of humor, you'll find it consistently hilarious; if you don't, you'll hate it. If you don't, then take a few Miltowns first, but read it anyway. It will do you good.

Already the carping has begun. "There are a whole host of factual errors in the book." This criticism misses the whole point of the book. Tuccille is not and does not claim to be a scholarly historian; he is a novelist, and his portrayal of the persons and events in the libertarian movement is a novelist's satiric and hilarious reconstruction; it is not the literal truth but the novelist's truth, the keen perception of the essence of the movement by reconstructing events through Tuccille's vivid and satiric imagination. It is novelized non-fiction, somewhere in between the witty and more novelistic political novels of Roger Peyrefitte and the personal journalism of Jimmy Breslin. By presenting poetic truth it captures the spirit of our often kooky movement far better than a sober-sided and scholarly history could do. The book is already a best-seller, so . . . relax and enjoy it.

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