

# WHAT IS LIBERTARIANISM ?

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out as we proceed. David Friedman, an economist at the University of Pennsylvania, gives the best short statement I know of in The Machinery of Freedom:

In 1974, a book was published which forced the intellectual community to take a grudgingly respectful look at a political philosophy called "libertarianism." The book was Anarchy, State, and Utopia, by Robert Nozick. Previously, the position was virtually unknown to most people; or, insofar as anything was known about it, it was considered an extreme right-wing ideology, associated with the name of novelist Ayn Rand, and dismissed as unworthy of serious consideration.

Nozick, while probably winning few converts to libertarianism, at least put a stop to this cavalier treatment of it. Here was a man who had made full professor at Harvard at the age of thirty, and had established a reputation in the arcane field of decision theory. His book, which won the National Book Award, was replete with brilliant arguments, and contained a penetrating critique of the work it supplanted as the most-discussed recent book on political philosophy, John Rawls' A Theory of Justice. Academic journals and intellectual magazines were soon printing counter-attacks by liberals and socialists who had seen their most cherished ideals subjected to incisive criticism from someone who was obviously not a fool or a crackpot, but a master of modern techniques of philosophical analysis.

More recently, other strange phenomena have begun to appear. A Libertarian Party has turned up on ballots of over thirty states, and has run professional-looking campaign spots on national television. Chapters of the Young Libertarian Alliance are being formed on college campuses. Those who have looked beyond Nozick's book have discovered a small library of other works expressing a similar point of view, as well as such periodicals as Reason, The Libertarian Review, The Libertarian Forum, and others. There is even a new libertarian think-tank, the Center for Libertarian Studies, which publishes its own journal and sponsors scholarly conferences.

In spite of all this, libertarianism is still largely an unknown quantity. Nozick's book, which is most people's main source of information on the subject, makes no pretense of being a comprehensive statement of the position; and the works which provide a fuller account are still fairly obscure.

What I will attempt to do in this paper, therefore, is to present a general overview of libertarianism, touching on some of the main features of this point of view. Of course, as with any school of thought, there are differences of opinion among libertarians on many points. I will mention one major bone of contention, but will concentrate on the broad areas of general agreement which typify the position.

It might be useful to begin with a capsule definition of libertarianism which can be fleshed

The central idea of libertarianism is that people should be permitted to run their own lives as they wish. We totally reject the idea that people must be forcibly protected from themselves. A libertarian society would have no laws against drugs, gambling, pornography -- and no compulsory seat belts in cars. We also reject the idea that people have an enforceable claim on others, for anything other than being left alone. A libertarian society would have no welfare, no Social Security system. People who wished to provide for their old age would do so through private insurance.

People who wish to live in a "virtuous" society, surrounded by others who share their ideas of virtue, would be free to set up their own communities and to contract with each other so as to prevent the "sinful" from buying or renting within them. Those who wished to live communally could set up their own communes. But nobody would have a right to force his way of life upon his neighbor. (pp. xiii-xiv)

Libertarianism, then as its name implies, advocates the liberty of every individual to do as he or she chooses. Since this applies to every individual, it is unnecessary to add the proviso that one person's freedom must be limited by the equal freedom of others; this is already implicit. Another way to state this would be to say that libertarianism upholds voluntarism: it seeks to enlarge the sphere of voluntary actions, and to reduce that of coercion. It is, therefore, necessarily hostile to government, which is coercive by its very nature.

Mention of this hostility to government brings to mind a misconception about libertarianism which it would be just as well to dispose of now. Some people who have a slight acquaintance with libertarianism think of it as a form of anarchism; I, myself, for example, am frequently referred to as an anarchist. Strictly speaking, however, anarchism is quite different. The great nineteenth-century anarchist theoreticians, Godwin, Proudhon, Bakunin and Kropotkin, as well as the various groups of political activists who have called themselves "anarchists", are all part of the socialist movement. This may sound odd: how can anarchists advocate state ownership of the means of production when they desire the total abolition of the state? The answer is that state ownership is merely a means which some socialists see as necessary to achieve the real goal of socialism. This goal, which is the defining characteristic of socialism, is equality; socialism is really radical egalitarianism. Socialism's hostility to capitalism is due to the inequalities inherent in the capitalist mode of production. The anarchist agree with this, but

believe that if capitalism were deprived of the support of the state, it would collapse of itself, and the innate equality and cooperativeness of human nature would then shine forth.

Libertarianism, unlike anarchism, does not hold that people are equal except in the ethical sense that they are all equally owners of their own lives. Nor does it hold, with other varieties of socialism, that they should be forced to be equal. It contends that, if left alone to engage in voluntary interactions, some individuals will acquire more wealth than others, simply because of their greater ability to provide goods or services desired by other people. The only way to prevent this and maintain a condition of equality would be by limiting the freedom of individuals to engage in voluntary transactions. In Robert Nozick's famous phrase, "The socialist society would have to forbid capitalist acts between consenting adults." (P. 163)

All that libertarianism and anarchism have in common, then, is their opposition to government. But this brings us to the main division of opinion among libertarians, which I mentioned earlier. One side would remove the state from as many spheres of life as possible, reducing it to what they regard as its only necessary functions: protection of individuals against violence, theft, and fraud, and perhaps the enforcement of contracts. The other side maintains that even these functions could be performed by private organizations, and that government could be eliminated altogether. The first group are known as "limited-government libertarians"; the second call themselves "no-government libertarians", "radical libertarians", or "anarchocapitalists".

Nozick belongs in the first category. He says, in Anarchy, State, and Utopia:

Our main conclusions about the state are that a minimal state, limited to the narrow functions of protection against force, theft, fraud, enforcement of contracts, and so on, is justified; that any more extensive state will violate persons' rights not to be forced to do certain things, and is unjustified; and that the minimal state is inspiring as well as right. Two noteworthy implications are that the state may not use its coercive apparatus for the purpose of getting some citizens to aid others, or in order to prohibit activities to people for their own good or protection. (p. ix)

Other exponents of the limited-government view include Ayn Rand and John Hospers, professor of philosophy at the University of Southern California (and recipient of one electoral vote as the Libertarian Party presidential candidate in 1972).

The leading advocate of anarchocapitalism is Murray Rothbard, professor of economics at Brooklyn Polytechnic Institute, who says in his book, For a New Liberty:

The ultimate libertarian program may be summed up in one phrase; the

abolition of the public sector, the conversion of all operations and services performed by the government into activities performed by the private-enterprise economy. (p. 201)

The disagreement between these two factions is one of principle. The limited-government side believes that those functions which involve the use of force, such as police protection, the courts, and the penal system, are not amenable to market mechanisms, but must be concentrated in a single, impartial agency cloaked with legitimacy—i.e., the state. The anarchocapitalists, on the other hand, contend that legitimacy is a myth; that the arguments which demonstrate the superiority of private enterprise to government in performing other activities, such as postal service, also apply to police and judicial functions; and, probably most important, that limited government will not stay limited. (For myself, I find these latter arguments convincing, and incline toward anarchocapitalism; but I would consider a limited-government society a vast improvement over what we have now.)

Apart from this divergence, fundamental though it is, there is wide agreement among libertarians on most major issues. Let me now turn to some of these.

The popular media, which have recently begun to discover libertarianism, sometimes describe it as a "combination" or "meeting-ground" of liberalism and conservatism. This is not an unfair assessment. I would venture to say that libertarianism is what both liberalism and conservatism would become if they were made completely consistent. In economics, conservatives and libertarians both advocate free enterprise, competition, and the unregulated market; but conservatives also—inconsistently—support tariffs, import quotas, subsidies, and loan guarantees. In the area of personal freedom, conservatives tend to be paternalistic, wanting to protect people from their own foolish desires to take drugs, purchase pornography, patronize prostitutes, and gamble. So the conservatives think that people are rational to take care of themselves — within limits — in the market place, but too stupid to be allowed to determine their own life styles.

The liberal attitude is generally the opposite. Economically, the public is regarded as in need of paternalistic guidance in the form of regulatory commissions, wage and price controls, welfare, social security, protection against misleading advertising, etc. But when it comes to individual freedom, people suddenly become capable of making their own decisions — within limits: hence, the liberal advocates decriminalization of marijuana, and legalization (under government regulation) of pornography, prostitution, and gambling. But just as the conservative is inconsistent in his approach to economics, the liberal is inconsistent here: he draws the line at "hard drugs", advocates censorship of violence rather than sex, and seeks to ban handguns instead of prostitutes.

In opposition to both, the libertarian says: in economics, free enterprise means total laissez-faire — no regulation, tariffs, subsidies, or controls. If Lockheed, the Penn Central Railroad,

or the family farm cannot survive without government help, they should perish and make way for more efficient enterprises. In regard to personal freedom, individuals should be left alone as long as they are not committing aggression against others, no matter how self-destructive their behavior may appear to be. Ultimately, the libertarian sees the whole dichotomy of economic freedom versus personal freedom as a false one. The decision to allocate some of one's resources to purchase narcotics or the services of a prostitute is an economic matter, just as the choice to work for less than the minimum wage is a matter of personal freedom. Either people require paternalistic regulation; or else they are, by and large, competent to manage their own lives. Liberals and conservatives arbitrarily demarcate spheres of competence and spheres of regulation; libertarians opt for competence, and apply it across the board.

Libertarianism can, then, as a first approximation, be considered a synthesis of liberalism and conservatism. But it can more accurately be characterized as a combination of a certain kind of philosophy, a particular economic theory, and a distinct historical perspective. I will now take up each of these elements in turn.

The philosophical component of libertarianism has two parts. The first is an epistemology which stresses the severely limited scope of human reason and knowledge. No individual or group can have wisdom which would be required to plan and control an entire society. The diversity of individuals, the complexity of social interactions, and the uncertainty of the future all preclude this. Friederich Hayek makes this point quite clearly in Law, Legislation, and Liberty:

Complete rationality of action... demands complete knowledge of all the relevant facts. A designer or engineer needs all the data and full power to control or manipulate them if he is to organize the material objects to produce the intended result. But the success of action in society depends on more particular facts than anyone can possibly know...

What we must ask the reader to keep constantly in mind throughout this book, then, is the fact of the necessary and irremediable ignorance on everyone's part of most of the particular facts which determine the actions of all the several members of human society.... To talk about a society about which either the observer or any of its members knows all the particular facts is to talk about something wholly different from anything which has ever existed....

Only in the small groups of primitive society can collaboration between the members rest largely on the circumstance that at any one moment they will know more or less the same particular circumstances. Some wise men may be better at interpreting the immediately perceived circumstances or at remembering things in remote places unknown to others. But the concrete events which the

individuals encounter in their daily pursuits will be very much the same for all, and they will act together because the events they know and the objectives at which they aim are more or less the same.

The situation is wholly different in the Great or Open Society where millions of men interact and where civilization as we know it has developed...

The characteristic error of the constructivist rationalists in this respect is that they tend to base their argument on what has been called the synoptic delusion, that is, on the fiction that all the relevant facts are known to some one mind, and that it is possible to construct from this knowledge of the particulars a desirable social order... All those who are fascinated by the beautiful plans which result from such an approach because they are "so orderly, so visible, so easy to understand," ... forget that these plans owe their seeming clarity to the planner's disregard of all the facts he does not know. (pp. 11-15)

This is why the most well-intentioned, rational schemes for social betterment repeatedly backfire. Prohibition was supposed to stop people from drinking alcoholic beverages; but it resulted in an increase in drinking, a decline in the quality of liquor, and the creation of organized crime. The banning of heroin is intended to reduce addiction to that drug; instead, it has driven the cost of what would be a 50¢-a-day habit to \$150.00 a day, which in turn provides incentive for pushers to create more addicts, and forces addicts to steal to support their habits. Agricultural subsidies and price supports are supposed to help the farmer; what happens is that they stimulate increased production, which drives farm prices down. Minimum wage laws are intended to benefit the worker; their actual effect is to price marginal workers out of the market, thereby increasing unemployment. Regulatory commissions are designed to curb the power of big business and protect the consumer, but they wind up protecting big business from competition, which results in the consumer paying higher prices. In these and many other cases, government officials assumed they possessed knowledge which they did not, and could not, have. The sum-total of societal wisdom is not concentrated in the minds of an elite; it is dispersed among all the individuals in society who have direct acquaintance with their own needs, desires, and situations. But this is not an argument for democracy: there is no collective wisdom which mysteriously manifests itself in the results of an election or referendum, as Rousseau thought. It is, rather, an argument for allowing individuals to use their own unique perceptions and talents, in voluntary association with each other, to work out various solutions to their own problems.

The other part of the philosophical component of libertarianism belongs to ethics: this is a doctrine of natural rights. I would like to be excused from dealing with this topic at too great a length, because I am personally

rather uncomfortable with it. I had been convinced by Max Stirner's critique in The Ego and His Own that rights are nothing but what he calls "spooks", or figments of the imagination. But I am coming around to the view that if ethics is to make any sense at all, some notion of rights is essential. The basic ethical postulate that each individual is to be treated as an end in himself seems to imply that there are certain things that ought not to be done to him: in other words, that he has certain rights that ought not to be violated. Calling these rights "natural" simply indicates that they do not depend on a legislative edict or specific contractual arrangement, but are inherent in human personality as such. In any case, a theory of natural rights can be found at the basis of most expositions of libertarianism. One exception to this is Ludwig von Mises, who defends the free market on purely utilitarian grounds by showing that it would be more productive than any interventionist system. While all libertarians would agree with this conclusion, most feel that a natural-rights foundation is needed in order to avoid the familiar paradoxes of utilitarianism.

Assuming for the moment that there are natural rights, the next question is: what are they? And how do we know what they are? These questions raise a whole host of problems. Nozick takes the easy way out, simply asserting that "Individuals have rights, and there are things no person or group may do to them (without violating their rights)." (p. ix) But most libertarians (e.g., Rand, Hospers, and Rothbard) try to derive a list of natural rights from a concept of human nature or the human essence. The argument generally proceeds somewhat as follows. Human beings are distinguished from other entities by their possession of rationality; therefore, if they are to exist in a truly human way, they must have freedom to think, to act in accordance with these thoughts, and to retain the fruits of this activity for their own use or to exchange voluntarily with others in a mutually beneficial fashion. In some such way the Lockean trio of rights to life, liberty, and private property are deduced.

This sort of justification makes me uneasy: first, because it violates the is/ought distinction; and second, because it is a game that any number can play. Karl Marx, for example, at least in the earlier part of his career, saw man as essentially a social, universal producer of material things; it follows that the capitalist institutions of private property, division of labor, and competition violate the human essence. The remedy for this violation — or "alienation" — is, of course, socialism. So what one gets out of a definition of human nature depends on what one has put into it in the first place, and it is not clear what limits there are on what can be put into it. This situation raises the possibility of almost theological disputes about what the human essence "really" is, and could lead to the proliferation of all sorts of mutually inconsistent sets of purported "rights". I think, therefore, that a better justification for a theory of rights needs to be developed than any

I have seen so far; maybe I will try to develop it myself, one of these days.

Nevertheless, even without an adequate theoretical elaboration, many of the libertarian's assertions do coincide with our usual moral intuitions. Most of us, for example, are sure that theft and slavery are wrong, even if we would be hard pressed to specify exactly why they are wrong. What the libertarian does is to apply these insights more consistently than most people do. He points out that government officials are not some sort of superior beings, but mere human individuals; and that their actions are therefore subject to the same standards of ethical evaluation as the actions of any other individuals. On this basis, the libertarian objections to government take on a great deal of moral force.

For example, David Friedman makes the following observations in The Machinery of Freedom:

If I yell, "Stop, thief!" at a stickup man escaping with my wallet, the bystanders may or may not help, but they will at least recognize the reasonableness of my act. If I yell, "Stop, thief!" at an employee of the Internal Revenue Service, leaving my house after informing me that he has just frozen my bank account, my neighbors will think I'm crazy. Objectively, the IRS is engaged in the same act as the thief. It seizes my resources without my permission. True, it claims to provide me with services in exchange for my taxes, but it insists on collecting the taxes, whether or not I want the services. It is, perhaps a fine point whether this is theft or extortion. In either case, if it were the act of a private party, everyone would agree that it was a crime.

Suppose that a private employer, offering low wages for long hours of unpleasant work, failed to find enough workers and solved the problem by picking men at random and threatening to imprison them if they refused to work for him. He would be indicted on charges of kidnapping and extortion and acquitted on grounds of insanity. That is exactly how the government hires people to fight a war or sit on a jury. (p. 153)

In For A New Liberty, Murray Rothbard has a somewhat different analysis of the tax system, seeing it not as theft but as a form of slavery:

In a sense, the entire system of taxation is a form of involuntary servitude. Take, in particular, the income tax. The high levels of income tax mean that all of us work a large part of the year — several months — for nothing for Uncle Sam before being allowed to enjoy our incomes on the market. Part of the essence of slavery, after all, is forced work for someone at little or no pay. But the

income tax means that we sweat and earn income, only to see the government extract a large chunk of it by coercion for its own purposes. What is this but forced labor at no pay?

The withholding feature of the income tax is a still more clear-cut instance of involuntary servitude. For the employer is forced to spend time, labor, and money in the business of deducting and transmitting his employees' taxes to the federal and state governments — yet the employer is not recompensed for this expenditure. What moral principle justifies the government's forcing employers to act as its unpaid tax collectors?

...Few people remember that the withholding system was only initiated during World War II, and was supposed to be a wartime expedient. Like so many other features of State despotism, however, the wartime emergency measure soon became a hallowed part of the American system. ...

To add insult to injury, the individual taxpayer, in filling out his tax form, is also forced by the government to work at no pay on the laborious and thankless task of reckoning how much he owes the government. (pp. 93-95)

It is interesting to note in this connection that the indentured serfs in the Middle Ages had to work three months a year for their masters; the rest of the time they worked for themselves. The average American taxpayer now works four months a year to pay his federal, state, and local taxes.

Of course, we do receive benefits in return for our taxes (of course, the medieval serfs received protection, and even American slaves were provided for by their masters with food, clothing, and shelter). But consider that portion of taxes that goes for welfare payments; this seems to be a clear-cut case of slavery. Suppose that A earns \$5.00 an hour, and that \$10.00 of his weekly taxes are transferred to B in welfare payments. This means that for two hours a week he is not working for himself, but is involuntarily working for B: in other words, he is B's slave for two hours a week. That may not sound like much, but if slavery is wrong, it is wrong in any quantity. Analogous arguments can be given in reply to the liberal claim that everyone has a right to a job, to a livable wage, to decent housing, to medical care, etc. Since rights always imply corresponding duties, B's right to, say, medical care means that Dr. C has a duty to treat him, whether he wishes to or not, and without compensation if B is too poor to pay. So Dr. C becomes B's slave at any time B decides he needs treatment. If Dr. C is paid for his services with the taxes extracted from A, then both A and Dr. C become slaves.

In addition to taxation, welfare, compulsory jury duty, and conscription, most other governmental activities are condemned by libertarians on the basis of their natural rights theory: among these are compulsory education, occupational licensing, zoning laws, victimless-crime laws,

gun control, and in general, any form of economic regulation.

But instead of dealing with these matters, let me turn from the philosophical component of libertarianism to the second main component: this is Austrian economic theory. The Austrian school, which originated at the University of Vienna in the nineteenth century, numbers among its major figures Carl Menger, Eugen von Böhm-Bawerk, Ludwig von Mises, Friedrich Hayek, and Murray Rothbard. Although the Austrians introduced the concept of marginal utility which is the basis of modern economics, the school is out of vogue because its laissez-faire conclusions are opposed to those of the interventionist economic theories which are dominant today.

I can do no more than touch on some of the main features of Austrianism. It rejects the labor theory of value of classical and Marxist economics, holding that the value of any good is totally subjective: if no one wants it, it is worthless, no matter how much labor may have gone into its production. Individuals have different sets of preferences, or utility scales; these are constantly in flux, cannot be quantified, and the utility scales of different individuals cannot be measured against each other. In a free market, the price of any commodity results from the interaction of supply and demand, with competition among sellers tending to drive the price down and competitive bidding among the buyers tending to drive it up. The equilibrium price is that at which the most eager buyers and sellers are able to satisfy their desires. There is no "fair" or "just" price which can be determined independently of these transactions. The cost of production of a good is unrelated to its price: once the good has been produced, "bygones are bygones," and if the good can only command a price which is less than its cost, this shows that the producer miscalculated consumer demand. Profits and losses are, therefore, signals to the producer which tell him whether he is allocating the scarce resources available to him so as to satisfy the most urgent desires of the consumers.

The policy implications drawn by the Austrians from such principles as these dovetail neatly with those derived from the libertarian ethical theory. Any government intervention in the market process will result in an overall loss of utility for consumers; for either the government will direct the individuals to make the choices they would have made anyway — in which case the intervention is superfluous — or else it will force them to make choices they would not have made, and will thereby reduce their satisfaction. If the government sets a maximum price for a good which is lower than the equilibrium price would have been, demand will outstrip supply and a shortage of the good will result. Thus, rent controls result in housing shortages. If the government enforces a minimum price which is higher than the equilibrium price, the opposite effect occurs and a surplus of the product will result. Hence, since wages are the price of labor, minimum wage laws cause a surplus of labor — i.e., unemployment; also price supports for agricultural commodities produce a surplus of these commodities, which must then be purchased by the government. So the farm program costs the consumers doubly, both in higher grocery



bills and taxes. A completely socialized economy is necessarily inefficient: lacking money prices, profits, and losses, there is no way for the socialist managers to know whether they are directing resources to the most productive purposes.

In these and many other instances, Austrian theory demonstrates that government intervention in the economy is not only immoral, but counter-productive. To most people, however, the idea of a laissez-faire economy brings to mind two fearsome spectres: monopoly and depression. These are frequently thought to be inevitable accompaniments of an unregulated economy. But Austrian economics shows that both fears are groundless: that monopoly and depression are not free-market phenomena at all, but the products of government regulation.

Monopoly could not arise on the free market, because for each enterprise there is a certain optimum size at which it will be most efficient. This optimum size cannot be determined abstractly, but only through experience. A back-yard automobile factory, for example, would be too small; one which covered the entire North American continent would probably be too large. The optimum size is somewhere between these limits. This implies that as soon as a company had grown beyond its most efficient magnitude, other companies would be able to compete successfully with it. The only way to establish and preserve a monopoly, therefore, is by forcibly prohibiting entry into the field, most commonly by means of government quotas, tariffs, licensing, franchises, etc. Government also supports monopoly indirectly through taxation and minimum wage laws, which strike harder at smaller enterprises.

In regard to the bugaboo of depression, Austrian economics has shown that the whole business cycle of boom followed by depression is created by government. The process begins when the state, either directly via the printing press or indirectly through its control of the banking system, deliberately inflates the money supply. This causes a general rise in the price level -- a phenomenon which could not occur on the free market, incidentally -- but more to the point here, it causes the price of money, i.e., the interest rate, to fall. This sends a false signal to entrepreneurs, who are led to believe that consumers have temporarily decided to forego the purchase of consumer goods, and to save a larger proportion of their income. The entrepreneurs accordingly invest in new capital goods, so as to be prepared to produce more consumer goods to meet the anticipated future demand. This is the boom phase of the business cycle, and it is most pronounced in the capital-goods industries. But these are malinvestments; the consumers were not really saving up for the future purchase of the goods that the capital goods will make possible. So the bad investments must be liquidated: the resources which had been devoted to these purposes must be redirected to more useful ends. This process of liquidation is the depression phase, and is the natural cure for the artificially-induced inflation. Government anti-depression measures, such as public works, unemployment relief, wage and price controls, etc. can only prolong the painful process of readjustment.

The claim that monopoly and depression are not features of the unregulated market, but are caused by government intervention, must sound patently absurd. If these are the kinds of conclusions Austrian theory leads to, it will be thought, so much the worse for Austrian theory. It is here that the third main component of libertarianism comes in to reinforce the other two. This is the historical perspective known as revisionist history. The term "revisionist" was originally applied to a group of young historians after the First World War who decided, by examining the evidence rather than accepting Allied propaganda, that Germany was not solely responsible for the outbreak of the war, and that the Versailles treaty was therefore unjust and ought to be revised. The label is now applied to any study which tends to revise the orthodox, commonplace beliefs about any period of history. Among the writers in this tradition are Harry Elmer Barnes, John T. Flynn, Gabriel Kolko, James J. Martin, and the multi-talented Murray Rothbard.

Among other things, the revisionist studies provide empirical confirmation of the theoretical Austrian conclusions about monopoly and the business cycle. Gabriel Kolko deals with the monopoly issue in his book, The Triumph of Conservatism, an investigation of the so-called "Progressive Era" in U.S. history from 1900-1916. The orthodox interpretation is that this was the period during which the growth of monopolies and trusts reached such awesome proportions that the federal government was finally forced to step in to curb the excesses of big business. Kolko shows, by a careful examination of each major sector of the American economy, that exactly the opposite was the case. The oil, steel and iron, copper, automobile, telephone, and meat packing industries were all characterized by wild and rapidly increasing competition. The larger capitalists attempted to stem this tide by means of mergers, cartels, and price-fixing agreements; but all these efforts ended in failure. The profits of the merged corporations were lower than those of the pre-merger firms, and their share of the market shrank. The cartels and price-fixing arrangements inevitably broke up as the member companies began undercutting each other. The benefits of all this went to the consumer in the form of steadily decreasing prices. Finally, the larger capitalists turned to the government for help. Kolko shows that in each and every instance, regulation was not inflicted on unwilling big businesses, but was requested by the larger enterprises in order to hold down the competition from their smaller rivals. These conclusions are all the more striking due to the fact that Kolko himself is neither a libertarian nor an Austrian economist, but a socialist!

In regard to the business cycle, Rothbard's America's Great Depression reveals that that tragic episode was produced and prolonged by the government, not by unregulated capitalism. The Federal Reserve Board inflated the money supply all through the 1920's, thereby stimulating the artificial prosperity of that period. When the inflation was finally stopped, the inevitable reaction set in. The depression would probably have been relatively brief as all previous U.S. depressions had been. But the Hoover Administration, contrary to

popular misconceptions, was not devoted to laissez-faire principles. It intervened heavily in the economy with wage and price guidelines, agricultural programs, public works projects, and other measures, and made the situation worse. Rothbard's account ends in 1933, but other works have gone on to detail the ways in which Roosevelt's New Deal measures continued to postpone the recovery, and even created a depression-within-a-depression in 1937 and 1938. Roosevelt was only able to end the depression by maneuvering the country into the Second World War.

In closing this account of revisionist history, I might mention the studies which have revealed surprising facts about the Industrial Revolution in England. Two of the main sources in this field are T. S. Ashton's The Industrial Revolution, and the collection of essays edited Hayek, Capitalism and the Historians. The common conception here is that the condition of the working classes at that time was absolutely wretched, and a degeneration from what had prevailed before. Friedman summarizes the conclusions arrived at by the revisionists:

The historical evidence ... seems to indicate that during the nineteenth century the condition of the working classes was improving! The death rate fell; the savings of workers increased; consumption by workers of such "luxuries" as tea and coffee increased; hours of labor fell. ...

While the Industrial Revolution was actually occurring, much of the opposition to it came from the conservative landed gentry, who objected that luxuries and independence were corrupting the working classes. It is a curious irony that time has made those gentlemen the intellectual allies -- often the directly quoted sources -- of modern liberals and socialists who assail nineteenth-century capitalism for rather different reasons. The modern liberal will claim that it was state legislation, limiting hours, preventing child labor, imposing safety regulations, and otherwise violating the principle of laissez-faire, that brought progress. But the evidence indicates that the legislation consistently followed progress rather than preceding it. It was only when most workers were already down to a ten-hour day that it became politically possible to legislate one. (pp. 37-38)

These works also show that many of that actual evils suffered by workers during the Industrial Revolution were the direct or indirect results of government activity. For example, government borrowing to finance the war against Napoleon dried up the capital that could have been invested in housing for the workers. Also, the housing that was built was often poorly lighted and ventilated, because the government, in its wisdom, assessed property taxes on the basis of the number of windows!

That has been a brief summary of some of the main ingredients of the libertarian outlook. I

suppose it will now be incumbent upon me to give some sort of account of what a libertarian society would look like, were one somehow to come into existence. In a way, this is unfair, since one of libertarianism's fundamental tenets, you will recall, is that it is impossible to design an entire society. Nevertheless, several book-length attempts have been made to speculate on the kinds of institutions that might arise within a free society. Among the most noteworthy are Rothbard's For a New Liberty, David Friedman's The Machinery of Freedom, and Morris and Linda Tannehill's The Market for Liberty. All three of these represent the radical, no-government branch of libertarianism, and for that reason their suggestions are particularly interesting. I will merely touch on some of them:

First, all of the useful functions now performed by the state would be taken over by private enterprise, which would carry them out more economically and effectively than the state, and would be paid for by user fees rather than by taxation. Police protection would be provided to subscribers by private defense agencies, which might be independent companies such as Pinkerton, Waskenhut, or Brink's; or might be subsidiaries of insurance companies, which would have an interest in protecting their policyholders against losses. Each customer would get more effective protection from his own defense agency than the average citizen now receives from the government police force, since all of the efforts of the company would be directed toward protecting the customers from actual harm rather than being dissipated in enforcement of laws against victimless crimes. The removal of the false sense of security now provided by the government police force would stimulate a demand for locks, alarms, and other protective devices.

The government court system would be replaced by private arbitration agencies, which would depend for their patronage on their reputation for impartiality and wisdom. Judges would be professional arbitrators hired on the basis of their competence, rather than appointed or elected political hacks. Since there would be no legislature, there would be no statutory law for them to apply; instead, they would render their decisions in accordance with the libertarian principle of non-aggression, equity, and the precedents set by earlier decisions in their own and other courts. A legal code would be created through the accumulation of those precedents, rather than laid down by some supposedly all-wise legislature. Historically, merchantile law and maritime law were developed through the decisions of private courts set up by the merchants themselves, and were only later taken over by governments.

Prisons would be profit-making enterprises with the inmates receiving wages. Part of each convict's pay would be applied toward restitution to the insurance company which had indemnified his victims for their losses. In this way, the criminal would have to repay the public for the costs he had inflicted on it, rather than being supported by his own victims through taxes, as is the case now. The length of sentence would depend at least partly on how long this repayment took, thus giving the inmates an incentive to

learn skills and work habits which would fit them for life in society. Whatever savings they were able to accumulate after working off their debt would be theirs to take with them when they left the institution, to tide them over until they were able to find employment.

All other essential services now provided by government, such as fire protection, water and sewage, and street lighting would be performed by private, competing companies. Roads would be built and maintained by companies specializing in this field, and paid for by tolls rather than gasoline taxes. The inter-connecting system of roads built by private turnpike companies in eighteenth-century England was a vast improvement over the roads operated by local governments, and helped make the Industrial Revolution possible. The current overexpansion of the highway system; so much complained of by ecologists, urban experts, and others, is a direct result of government ownership. Private companies would not be subject to the political pressures from the automobile, trucking, oil, tires, and construction industries and unions which have led to this overexpansion, nor would they be able to finance it through taxes or acquire land for it by condemnation. City Streets would be privately owned, probably by associations of businesses and homeowners located along them, and traffic would be regulated by traffic guards hired by them.

Mail would be carried by private firms, as much of it is now, which would have an incentive to be efficient, since they could not fall back on Congressional appropriations to cover their deficits. Rates would be determined by competition and cost of service rather than by political influence, so that first-class users would no longer have to subsidize magazines and advertising.

Government regulatory agencies, which have always been the tools of the interests they were supposed to regulate, would be replaced by information services such as Consumer's Union, Nader's Raiders, and Moneysworth magazine. They would use publicity rather than police power to protect their subscribers against false advertising or dangerous merchandise. The drug regulating powers of the FDA would be replaced by a drug rating service to which doctors would subscribe. With the costly and time-consuming bureaucratic requirements eliminated, as well as the fear that a new drug which cost millions to develop might be removed from the market overnight if found to be dangerous to a minority of the population, more new drugs would be produced. In addition to such specialized consumer services, one could expect the news media, deprived of the political news which now preoccupies them, to expand enormously their investigation and reporting of business activities.

State-enforced occupational licensing, as of doctors, lawyers, and professional schools, which are really grants of monopoly privilege, would be replaced by certification by professional groups, as is the case now with Certified Public Accountants. Those without certification would not be prohibited from offering their service, but would be at a competitive disadvantage. The increased competition would bring down the costs of medical and legal services and make them more widely available.

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Money would be coined by private minters, whose business would depend on their reputation for honesty in manufacturing coins of the proper weight and purity. This was the common practice in earlier times, until kings realized that they could add to their treasuries by getting control of the coinage, substituting base metals for part of the gold content, and keeping the extra gold for themselves. Banks would be able to hold metallic money and to issue paper receipts in the forms of checks or notes. But fractional reserve banking would be regarded as fraud, and banks that were discovered practicing it would quickly lose their customers. Money would be defined in terms of real units of weight, such as grams of gold, rather than arbitrarily by government fiat. All of these measures would eliminate the deliberate inflation of the money supply which causes the business cycle.

Education on all levels would be private and non-compulsory. Schools would be integrated or segregated, according to the wishes of their clients. Competition would force schools to be efficient — thus lowering costs per pupil — and effective. Children without the aptitude or interest for education would not be forced to stay in school for a set number of years, creating discipline problems and diverting attention from more capable students. Without the uniformity imposed by government school boards, there would be more freedom for innovation and experiment in educational methods and materials. As a result, one-fifth of all high school graduates would no longer be functionally illiterate, and SAT scores would no longer decline as they have for the last ten years with our government school system.

Welfare, with its disincentive effects and its connotations of slavery, would be eliminated. But poverty would decrease for several reasons. First, the unemployment caused by minimum-wage laws and government support of unions would disappear. Second, the increased productivity resulting from removal of government restrictions and grants of monopoly would bring the prices of goods and services down, thus increasing real wages. Third, the greatly increased level of business activity that would come with the abolition of government interference would result in a shortage of labor, causing wage rates to rise, and providing new opportunities for employment for women, blacks, and other minorities. Any unavoidable poverty remaining due to physical disability, etc., could easily be dealt with by private voluntary charity. Even now, with a quarter of our incomes confiscated by the government, and with all the government programs available to take care of the unfortunate, we voluntarily give over twenty-four and a half billion dollars a year to private charity — and twenty-two billion dollars of this is from individuals, not from corporations or foundations looking for tax advantages.

I could continue in this vein, but then this paper would become a book; and as I said, there are already several books on this subject. I have tried to give you a very basic introduction to some of the major themes of Libertarianism. An enormous amount has had to be left unsaid. But if I have perhaps suggested to you that there just might be something of value in libertarianism, and have stimulated you to investigate it further by consulting some of the books and magazines I have mentioned, then I will consider my effort to have been an enormous success.