

A Monthly Newsletter

THE  
**Libertarian Forum**

Joseph R. Peden, Publisher

Murray N. Rothbard, Editor

VOLUME VII, NO. 3

MARCH, 1975

US-ISSN0047-4517

# Inflationary Depression

When does a "recession" become a "depression"? Basically, the question is a matter of degree and therefore of semantics, and so the answer is in large part subjective. However, we are in an economy where industrial production has declined a whopping 10% from last September to this January, and where the unemployment rate heads inexorably up to 10%, and indeed has hit 10% in key industrial areas. In the face of these figures, as rough as they may be, it is absurd not to call the current situation a "depression."

The only counter to this description by the optimists seems to be that the situation is not as bad as in the Great Depression of the 1930's. (Thus, see Philip Shabecoff, in the *New York Times*, March 7): Happily true, but irrelevant, since the Great Depression was the worst depression in American history, and hardly the standard by which to gauge all other depressions. Indeed, before the 1930's, all business cycle contractions were called depressions — some of which were mild, and some severe — and it was only after World War II that the word "depression", now considered politically intolerable, was abolished and the milder sounding "recession" put in its place. But even considering that change, a 10% fall in production in six months, and 9-10% unemployment, is a "depression" in anybody's book.

The liberals and Keynesians, anxious for a vast reviving up operation for monetary and fiscal expansion, are claiming that inflation is no longer a problem, and that only heartless reactionaries still worry about it. But while it is happily true that basic commodity and industrial raw material prices have fallen sharply since mid-1974 (the index of industrial raw material prices having fallen from about 240 in the spring of 1974 to about 180 in February, 1975), and while it is also true that the index of wholesale prices has declined slightly in the last couple of months, it is also and more importantly true that the cost of living index was still increasing at an annual rate of 8.5% at the end of the year. And it is consumer prices, the cost of living, that is the only gauge of whether or not we are still suffering from price inflation. 8.5% is of course better than 14% — our previous rate — and may bring us into the magic world of "single digit" rather than "double digit" inflation, but it is still a very large and ominous rate of inflation. We are, in short, in an inflationary depression.

As the Federal Reserve gears up for a massive injection of new money, and as it prepares to finance a big chunk of the huge prospective federal deficit for the next two years (now estimated in many quarters as well over \$100 billion), the rate of inflation is bound to accelerate dangerously in the next two years.

What we have to realize, hard as it may be for liberals to swallow, is that the recession-depression has been the healthiest thing that has happened to the American economy in a decade. For once inflationary credit expansion has proceeded and accelerated as it has in the last decade, the distortions of investment and production make a depression healthy and necessary — necessary to liquidate unsound capital goods investments, and to bring about a healthy-free market structure of production, with less investment and resources going into capital goods and more into consumer goods production. As the "Austrian School" of

economics teaches us, the faster the depression is allowed to do its work and the less government interferes with that work, the sooner it will be over, and the stage set for a healthy free-market recovery in the structure of investment and production.

Furthermore, only the Austrian School — and neither the Keynesians nor the Friedmanites — can explain the puzzling phenomenon which has hit us squarely and clearly in the current depression: how it is that industrial commodity prices can fall sharply, while wholesale prices remain stable, and yet consumer prices continue to rise rapidly. Contrary to the Left, the cause is not some sort of diabolical conspiracy of businesses or retailers. It is the fact that it is precisely through such diverse price movements that the market process of depression does its work, shifting resources from capital goods to consumer goods. In fact, recessions and depressions of the past have always lowered capital prices and raised consumer prices relative to each other. Thus, in the Great Depression of the 1930's, industrial and commodity prices fell very sharply, while the cost of living fell considerably, but much less so than industrial prices. And so, after 1929, consumer prices, as in the case of the current economy, rose relatively to other prices. The big difference between then and now is that all prices fell sharply because of a healthy fall in the money supply ("deflation"). Since all prices fell, the consumers did not complain about the cost of living falling less than other prices. But, now, because of our far more inflationary money and banking system, the government has been able to keep inflating the money supply and thereby to prevent an overall deflation. Hence, the Keynesian policies of the federal government have stopped neither inflation nor depression, as the arrogant economic Establishment had promised for forty years; the only thing they succeeded in doing was to prevent deflation and hence to prevent consumers from enjoying the one thing that made past depressions palatable: a fall in the cost of living. Government tinkering with the economy has not cured business cycles; it has only brought us the new phenomenon of inflationary depression, of the worst of both worlds at the same time.

If the government doesn't interfere too much in the depression process (a big "if" of course) the depression should be over in a year, just in time to receive a giant inflationary stimulus from the Fed financing of the gigantic federal deficits. In this situation, the most important single consideration is to stop the Fed from inflating the money supply. At this critical point, where do the Friedmanites stand? Long-time readers of the *Lib. Forum* should be able to guess: the Friedmanites are now attacking Burns and the Federal Reserve for **not inflating enough**, for not meeting Friedman's arbitrary crystal-ball target of "optimum monetary growth" (i.e. optimum amount of inflationary counterfeiting) for the economy.

Libertarian apologists for Friedman who claim that the Friedmanites and the Austrians really have the same views on economic policy (e.g. the egregious Alan Reynolds of *National Review*) cite an esoteric journal article by Milton Friedman to the effect that the real, down-deep optimal

(Continued On Page 2)

# Arts And Movies

By Mr. First Nighter

**The Godfather — Part II.** dir. by Francis Ford Coppola, with Al Pacino and Robert DeNiro.

Sequels, of course, are never quite touched with the glory of the originals, and *Godfather II* does not enjoy the tightly wrought magnificence of the first *Godfather*, one of the great films of our time. Still and all, *Godfather II* deserves this year's Academy Award. It gets a bit draggy at times, as the camera lingers for long stretches on Al Pacino's face, in an attempt to lend "psychological depth" to the story. Great as that face is, the tautness of the action suffers. Apparently, Coppola was stung by moralistic and left-liberal criticisms of the allegedly pro-Mafia stance of the original (actually, it was only in favor of the Corleone family within the Mafia); hence the phony "psychology", and the depiction of more Corleone excesses than in the original. But these are only warts on a masterpiece. I still walked out at the end of the three-hour *Godfather II* hoping against hope for a Part III of equal length. The basic drama and the superb acting are still there.

Part II goes back and forth between the later story of Michael Corleone (Pacino), and his continuing triumph against enemies from within and without the family; and the early story of the original Brando-*Godfather*, played with equal brilliance by Robert DeNiro as he rises from a poor Sicilian boy on the run from the Mafia there to the establishment of his own family in New York (c. 1900-1920). I came to the movie prepared to resent the cutting back and forth between the two stories, but they are done very well, and there is no sense of discontinuity. There is still room for a Part III covering the middle years of Brando-DeNiro.

There is still plenty of exciting action in Part II, and Pacino remains triumphant. The inner logic of Part I prepares us for the betrayal of the weak brother Fredo, and for the punking out of Pacino's wife Diane Keaton, who simply cannot stand the gaff. (Is the moral that Sicilians should beware in marrying WASPS?) Lee Strasberg, the notorious founder of the "method" acting of the Actor's Studio, lends an excellent dimension to the story in his portrayal of a Meyer Lansky-type (Lansky is the famous Jewish Mafia leader). The Lansky type comes across as a steely and arresting figure, cloaking his post as leader of the rackets with the homilies of a Jewish patriarch ("the important thing, my son, is to have your health," as he prepares to wipe the "son" out.)

There are, once more, some superb and striking scenes: the vengeance wreaked by DeNiro on the Sicilian Mafia leader who slaughtered his family; the Kefauver-type hearing when the Corleones bring the Valachi-type informer's brother from Sicily to shame him out of being a stoolpigeon; the Batista-Mafia feast in Havana just before the Castro takeover.

On to Part III!

**Young Frankenstein.** dir. by Mel Brooks, with Gene Wilder, Madeline Kahn, and Cloris Leachman.

I am delighted to see that the media have now discovered Mel Brooks, pace the lengthy and hilarious interviews with our prime film humorist in *Newsweek* and *Playboy*. The problem is that the media, as usual, suffer from a cultural time lag, so that the attention that **should** have been showered on the zany and magnificent *Blazing Saddles* — Brooks' previous film — has instead been directed at *Young Frankenstein*. The problem is that the public is being deluded into believing that *Young Frankenstein* is a film similar to *Blazing Saddles*. It is not. Despite Brooks' stated creed of going always for the belly laugh, of aiming at leaving the audience helplessly on the floor with laughter (as *Saddles* did), *Young Frankenstein* is not that kind of film at all. In addition to being controlled rather than anarchic, *Frankenstein* is a film for chuckles rather than belly laughs. It is a sweet, affectionate tribute to the horror film, in particular of course the *Frankenstein* genre. It is, in essence, a revision and reconstruction of the *Frankenstein* story so as to bring about a happy ending, with the monster sweetly taking his place in human existence. The acting, as is usual for the Brooks repertory company, is excellent, with Wilder playing Dr. Frankenstein's grandson who reluctantly finds himself sucked into following in his illustrious grandfather's footsteps.

A fine picture, provided one remembers that it does not provide anywhere near the inspired hilarity of *Saddles* or of the phenomenal Brooks film, *The Producers*.

**Murder on the Orient Express.** dir. by Sidney Lumet, with Albert Finney and a host of others.

It was a fine idea to film the Agatha Christie mystery classic, which takes place on the exciting and luxurious Orient Express, the site of so many interwar espionage and mystery thrillers. Unfortunately, Sidney Lumet was the director, and Lumet's pretentious and plodding direction virtually provided the kiss of death. Since there is not much action in this Hercule Poirot mystery, the film needed a director who is a master at building suspense out of small details — where O where was the great Hitchcock? Instead, Lumet drags it out — for example, there were what seemed like five minutes of external shots of the Orient Express leaving the station at Istanbul. The host of stars did well, but were gravely hampered by the Lumet framework. Finney is particularly good as the fussy Belgian detective, although all Poirot fans know that the great detective is supposed to be bald, rather than have slicked down straight hair. □

## Inflationary Depression —

(Continued From Page 1)

growth of the money supply in the U. S. is not Friedman's magic 3-5% per year, but zero, which would indeed make Friedman as hard-money oriented as the Austrians. But the vital point is that this article has had no influence whatever on concrete Friedmanite policy positions, which, for example, are now bitterly attacking the Fed for its "over-restrictive policy" in not inflating the money supply sufficiently.

For example: in the March 10 issue of *Newsweek*, Friedman attacks the Federal Reserve for not inflating the money supply enough since July 1974. It appears that from June 1974 to January 1975, the Fed has "only" increased M-1 (currency plus demand deposits) by the annual rate of 1%, while M-2 (M-1 plus time deposits at commercial banks) has "only" increased by 5%. Friedman attacks this as "over-restrictive" and "undesirably low." As far as I and the Austrian School are concerned, this monetary growth is at least 5% too much. Where is the alleged Friedmanite goal of zero monetary growth now? Nowhere, as usual.

The fact must be faced once and for all, especially by libertarians, that the Friedmanites, for all their free-market rhetoric, are simply moderate statist and moderate inflationists, and that none of this moderation does the cause of the free market or of sound money any good whatsoever. The Friedmanites, especially on the money question, are Pied Pipers down the path of inflation and Big Government.

While we are at it, another article in *Newsweek* on Alan Greenspan (Feb. 24) illuminates the question of how Greenspan can square his high-sounding libertarian and Objectivist rhetoric, with his concrete role as statist compromiser and equivalent Pied Piper. At one point, *Newsweek* sees the problem: "Like Rand, Greenspan believes that government has no business meddling with free enterprise — yet here he is helping to make policy for an American government that intervenes in nearly every aspect of the economy." The answer: "Greenspan rationalizes the seeming contradiction by arguing that since he cannot 'prove beyond a doubt' that his laissez-faire principles are right, it is possible for him to compromise."

So there we have it. As our alleged "libertarian" moves among the heady and corrupting atmosphere of Power, he asks himself, "What the hell? How do I know I'm really right . . . ?" That's John Galt? Never has Lord Acton's great dictum about the corruption of Power been demonstrated more elegantly. Let all libertarians engrave this lesson on their hearts. And to Tibor Machan, who wrote an apology for Greenspan recently in *Reason* magazine, are you listening? □

# Profits Regulation And Inflation

By Hartwell C. Herring III, Ph.D., CPA

And

Fred A. Jacobs, Ph.D., CPA

Dept. Of Accounting

The University Of Tennessee

The presence of persistent inflation that is showing signs of maintaining or increasing its momentum has given rise to a multitude of proposed solutions from almost every sector of society. Many popular proposals would encourage the use of governmental intervention in the private sector to control the activities of business and labor. These proposals have a significant political appeal, which has already resulted in the temporary establishment of wage and price controls accompanied by a regulatory board. Although by no means universally accepted, such controls do remain an alternative with considerable support among some economic interests. Furthermore, some rather influential labor leaders have flatly stated that they will not support any future wage and price control program without similar controls on corporate profits.<sup>1</sup>

We believe that there are some significant dysfunctional aspects of profits regulation which make such a policy ill-advised from a technical standpoint. The purpose of this article is to state these limitations and to draw conclusions regarding their implications for economic policy.

## History of Profits Regulation

The history of profits regulation has been primarily that of imposing taxes on corporate income. Such taxes have been levied continuously in the United States since 1913.<sup>2</sup> The corporate income tax legislation required many years and much debate to formulate, primarily because of the traditional fear that the incentive to increase production would be reduced or eliminated. The income tax was, in fact, a compromise between proposals that would eliminate incentive and those that would reduce incentive.

Currently, the corporate income tax rate approaches fifty percent (twenty-two percent of the first \$25,000 of profits and forty-eight percent for all profits over that amount.)<sup>3</sup> Literally, the corporation is allowed to keep about one-half of each additional dollar earned without limit. Therefore, it is apparent that the incentive to produce more goods and services is reduced, but it is not eliminated. In other words, the corporation can earn unlimited profits because the regulation is directed toward each additional dollar earned, i.e., the profits ceiling refers to a percentage rather than to an absolute dollar amount. Because of this characteristic, income taxes do not constitute profits-regulation in the strictest sense.

## Profits-Regulation — Contemporary Proposals

### Quantity-Limits

The simplest form of profits regulation is the placing of an absolute limit on the amount of annual profit that could be earned by a given corporation. Such a policy would require that individual consideration be given to the amount of profit allowed each single company being regulated.

There are four significant limitations to the quantity-limit approach. First, someone or some group must decide how much profit, in absolute dollars, a company is permitted to earn annually. This decision process is susceptible to various political influences through special interest lobbying that may not be in the best interest of the country. Second, a complex and costly administrative problem is created by the need to consider each corporation on an individual basis. Thirdly, disincentives to produce, to increase efficiency, and to increase employment would result if a company were not allowed to increase profits as its business expanded or as efficiencies were attained. Finally, successful companies may be encouraged to operate inefficiently and to "live-it-up" in order to increase expenses and thereby avoid excess profits when that company anticipates a good year. The result of these disadvantages is that each additional dollar of profits earned by a firm, as it approaches the maximum limit, acts as an albatross around the neck of the earner and

becomes something undesirable, something to contend with, and a potentially serious liability.

### Rate-Factor Limits

A somewhat more feasible alternative to quantity-limits is the imposition of a maximum permitted rate-of-return on invested capital. Such methods are now used to regulate the rates charged to customers of public utility companies, which are government-sanctioned monopolies. This method has some conceptual merit in that it relates maximum allowed profits to the total amount of invested capital. The maximum profit allowed, then, is determined by multiplying the quantity of invested capital by a selected percentage. Regulatory difficulties have historically involved implementation controversies concerning the measurement of invested capital and the selection of an appropriate return factor. In view of the fact that this method has some theoretical appeal and that it has been used for many years in some industries, it is intuitively attractive as a viable policy. Therefore, it is relevant to examine the extent to which this method overcomes the disadvantages of the quantity-limits approach.

First, even though the rate-factor limits approach allows the maximum profits permitted a corporation to vary with the level of invested capital, a ceiling is effectively placed on profits since the amount of invested capital is relatively fixed in the short run. A commission or agency would be required, as with the quantity-limits approach, to determine that ceiling by selecting an acceptable rate of permitted profit. Lobbying effort directed toward influencing this commission would likely be primarily from industry groups, because of the rate-factor limits would tend to be industry-wide. The concentration of lobbying effort at industry level would indicate that considerable funds might be available to support this activity. We conclude that the use of rate-factor limits would create an even more undesirable situation regarding political pressure than would quantity-limits regulation of individual firms.

Second, rate-factor approaches to profits control would not appear to materially reduce the administrative problems associated with quantity-limit methods. The continuing need for public utility regulatory bodies provides ample evidence of this fact.

Finally, rate-factor methods create a ceiling profit in much the same manner as do quantity-limit approaches. Consequently, similar disincentives for efficiency and increased production exist for both alternatives.

In summary, the differences between rate-factor methods and quantity-limit methods of profit control appear to be more cosmetic than substantive. Additionally, the disadvantages of the above methods are made much more significant due to the lack of consensus in the financial community concerning the definition and computation of profit.

### The Problem of Profit Definition

Contrary to popular belief, the determination of profit is an imperfect process. Many people, inside as well as outside government, believe that profit can be determined as exactly as one measures the height or weight of a child. This popular misconception has been caused, in part, by the fact that profit is easy to understand conceptually and easy to communicate at an abstract level. For instance, there is much agreement among economists that profit can be defined as:

"Pure surplus or excess of total receipts over all costs of production incurred by the firm."<sup>4</sup>

The problem and disagreements result from attempts to apply the concept to a real-life situation. These pragmatic problems have been the

(Continued On Page 4)

# The Aliens Are Among Us

By J. Neil Schulman

They are here: invisible, silent, and fearsome. They drain away the lifeblood of hard-working Americans. They infiltrate our borders by several millions per year. They take jobs away from honest American workers. They are a curse, a plague, an invasion. They are the bane of our failing economy: to be hunted down, to be stopped at all costs.

And they don't even pay income tax.

Clearly, aliens are a national pestilence and have been so for a number of years. Americans, however, are not insensitive to this grave national menace: in 1938 an Orson Welles radio drama about an alien invasion was enough to send thousands of patriotic Americans into the streets ready to do battle. (Curiously, that radio drama was broadcast also during one of this nation's periodic, economic downturns.) Three years later fiction became fact as the United States went to war against aliens, and actually found a large number of them masquerading as native-born American citizens. Naturally, the alien imposters were immediately locked into prison camps for the duration of the war.

(Few Americans were thinking about the economy at that point. The aliens were a much more serious problem.)

It is most important to realize that oftentimes there is little or no difference in physical appearance between an alien and an American — "Star Trek" propaganda to the contrary. (Indeed, that television has been dominated by alien interests from its inception is virtually axiomatic; have you ever encountered a television receiver not linked to the telltale antennae?) Aliens do not necessarily have green skin — though other shades are quite fashionable — or antennae, or even pointed ears, for that matter. As an example, one alien, Clark Kent, was smuggled into the United States as a child, maintaining his cover throughout World War Two by serving with distinction. He was later deported because the immigration quota for Krypton was filled the year he entered.


Nevertheless, inasmuch as aliens precipitate panics, depressions, and wars, Americans have had good cause to feel alienated. We find ourselves

again in another of our periodic, economic downturns, and there is sufficient evidence to once more place the blame where it belongs: squarely on the shoulders of the aliens.

It can be clearly demonstrated that aliens have infiltrated our economy, taking welfare and jobs away from deserving American citizens. It is now more important than ever that we understand how these aliens have wormed their way into decent American society, and take drastic measures to dig them out.

To begin with, aliens are naturally lazy, untrained, unfamiliar with our business practices, sickly, and able to speak English only with great difficulty. These qualifications are used by aliens to obtain free medical and welfare benefits. As a stopgap measure, it is strongly advisable that patriotic Americans stage a slowdown, "call in sick," and muddle their English. These are surefire tactics to win back our hard-earned benefits for ourselves.

Next, the aliens seduce jobs from greedy American employers by agreeing to work "off the books." Inasmuch as the employer no longer must withhold income or social security taxes from that employee's paycheck, the alien is able to walk away with the same pay as a citizen, while saving his employer a good deal of money. (These traitorous employers can be easily identified by their uncanny ability to undersell their competitors at a profit.) Here, particularly, is where immediate action is called for: until these aliens can be dealt with directly, it is the patriotic duty of every American to cease paying these taxes, to restore the competitive edge to those loyal employers who have stuck with American labor. It is unusual, of course, but it's a matter of saving American jobs for American workers.

Most importantly, the aliens must not be allowed to reproduce. They must be stopped now before it's too late. Several hundred years ago a relatively small group of aliens landed on this continent and systematically multiplied. For the results, ask any Indian. If you can find one. 

## Profits Regulation —

(Continued From Page 3)

source of much controversy in the financial community for many decades, resulting in numerous and continuing attempts by the accounting profession to establish generally accepted measurement standards. For example, the economists' definition of profit requires capital appreciation to be recognized as income when the appreciation occurs. Tax law and accounting rules permit recognition of capital appreciation only when property is sold because a market transaction is required to precisely measure the profit. Nevertheless, failure to include capital appreciation in the income measurement process distorts it as a measure of economic reality. Similarly, the cost of a factor of production is considered by economists to be the equivalent of the benefits foregone from the most profitable alternative use of the factor.<sup>5</sup> As a practical matter, accounting rules and tax law define cost as the actual purchase price of the factor. In reality, the differences between the two measures may be significant. The latter approach has been adopted by the business community and by taxing authorities because it can be precisely computed in spite of the fact that it may constitute a significant distortion of economic reality.

Because of attributes such as capital appreciation and alternative use benefit cannot be precisely measured in many instances, the economists' theoretical concept of profit cannot be practically implemented. Conversely, it is apparent that the approximations used in tax law and accounting have no substantive theoretical support — a factor which prevents either government or business from reaching a consensus about

how profit should be measured.

One need only examine the Internal Revenue Code and the rather voluminous regulations and cases which interpret it to determine that the government has never resolved the problem of what constitutes taxable profit. Reference to Securities and Exchange Commission regulations (Accounting Series Releases) leads one to reach the same conclusion. The accounting profession has not been successful in establishing a uniform set of generally accepted accounting principles governing income measurement in spite of continuing efforts to do so for more than thirty years.<sup>6</sup>

### Conclusion

It is, therefore, apparent that attempts to regulate profit as a tool for combating inflation is ill-advised simply because there is no generally accepted definition of how profit can be measured. This problem should certainly be resolved before one risks creating massive production and efficiency disincentives in the economic system that could result in economic chaos and increasing inflationary pressures due to curtailment of supply.


<sup>5</sup>Business Week (March 10, 1973), p. 40.

<sup>6</sup>Chatfield, Michael. *A History of Accounting Thought* (Hinsdale, Ill.: The Dryden Press, 1974), p. 207.

<sup>7</sup>Internal Revenue Code, Sec. 11.

<sup>8</sup>Leftwich, Richard. *The Price System and Resource Allocation* (New York: Hold, Rinehart, and Winston, Inc., 1966), p. 168.

<sup>9</sup>Ibid., pp. 126-127.

<sup>10</sup>An analytical explanation of these issues is extremely technical and beyond the scope of this paper. 

# Spooner Vs. Liberty

By Carl Watner

Recently our Editor has published an essay entitled "Justice and Property Rights." The main theme of his article is first, to demonstrate that libertarians must have a means, independent of the State, to determine the rightness or wrongness of property holdings, and secondly, to furnish us with such a theory of proprietary justice. His program is based on two fundamental premises: "(a) the absolute property right of each individual in his own person, his own body; this may be called the **right of self-ownership**; and (b) the absolute right in material property of the person who first finds an unused material resource and then in some way occupies or transforms that resource by the use of his personal energy. This might be called the **homestead principle** . . ." These same premises, in one form or another, were bandied about by the 19th Century native American individualist anarchists. Since today's libertarians are more or less their direct descendants, it will be enlightening to examine their disputes about the homesteading and self-ownership axioms.

Probably the two most famous of the American anarchists of the last half of the 19th Century were Benjamin Tucker and Lysander Spooner. Fortunately for us, Spooner's writings have been preserved and reprinted. Although Tucker was not a book writer, his thought has been carried down to us through his writings in his periodical LIBERTY (1881-1908). As we will see, some of their ideas are yet in accord with our contemporary libertarian thought. Although Murray Rothbard has seen fit to criticize Spooner and Tucker in his essay, "The Spooner-Tucker Doctrine from the Point of View of an Economist," in fact, much of Spooner's thinking on land titles was actually in accord with the program Dr. Rothbard advocates.<sup>1</sup>

Spooner defended unlimited private land ownership and grounded his support of this theory on the homesteading axiom: "The right of property in material wealth is acquired, . . . in one of these two ways, viz.: first, by simply taking possession of natural wealth, or the productions of nature; and, secondly by the artificial production of other wealth . . . The natural wealth of the world belongs to those who first take possession of it . . . There is no limit, fixed by the law of nature, to the amount of property one may acquire simply by taking possession of natural wealth, not already possessed, except the limit fixed by (a person's) power or ability to take such possession, without doing violence to the person or property of others." Spooner would have definitely agreed with Rothbard, that ". . . once a piece of land passes justly into Mr. A's ownership, he cannot be said to truly own that land unless he can convey or sell the title to Mr. B, and to prevent B from exercising his title simply because he doesn't choose to use it himself but rather rents it out voluntarily to Mr. C, is an invasion of B's freedom of contract and of his right to his justly-acquired private property."<sup>2</sup>

Spooner had expressed his ideas on land ownership in his LAW OF INTELLECTUAL PROPERTY (1855) and in his pamphlet, REVOLUTION: A REPLY TO 'DUNRAVEN' (1880). Tucker took him to task in LIBERTY: "I call Spooner's work on 'Intellectual Property' positively foolish because it is fundamentally foolish, — because, that is to say, its discussion of the acquisition of property starts with a basic proposition that must be looked upon by all consistent Anarchists as obvious nonsense. I quote this basic proposition. 'The natural wealth of the world belongs to those who first take possession of it . . . So much natural wealth, remaining unpossessed, as anyone can take possession of first, becomes absolutely his property.'"<sup>3</sup> Tucker charged Spooner with being a defender of unlimited land ownership since Spooner's proposition would allow that ". . . a man may go to a piece of vacant land and fence it off; that he may then go to a second piece and fence that off; then to a third, and fence that off; then to a fourth, a fifth, a hundredth, a thousandth, fencing them all off; that, unable to fence off himself as many as he wishes, he may hire other men to do fencing for him; and that then he may stand back and bar all other men from using these lands, or admit them as tenants at such rental as he may choose to exact."<sup>4</sup> In these circumstances, Tucker asked: "What becomes of the Anarchistic doctrine of occupancy and use as the basis and limit of land ownership?"<sup>5</sup>

Tucker was a great critic of the land ownership system existing in the 19th Century. Absentee land ownership presented a serious problem in Ireland. Due to the agitation of the "No-Rent Movement" and the Irish

Land League and the publicity of the ideas of Henry George, the subject of land ownership was very much a topic of public concern. Tucker believed that the occupancy and use theory of land holding solved the problem of justice in land ownership. The essence of the theory was that only actual users or possessors of the land (i.e., the Irish tenants) could be considered its owners. Occupancy and use as the basis for land ownership would free for use all land not actually being occupied by its owners. Thus landlords would cease to exist, as would all renting or leasing of real property, since the absentee landlord could claim no title or control over his unoccupied property. Spooner was quite critical of this doctrine: in fact he labelled it communism. The premise of any argument denying property rights in any form is communism. ". . . There is, therefore, no middle ground between absolute communism, on the one hand, which holds that a man has a right to lay his hands on any thing, which has no other man's hands upon it, no matter who may have been the producer; and the principle of individual property, on the other hand, which says that each man has an absolute dominion, as against all other men, over the products and acquisitions of his own labor, whether he retains them in his actual possession or not."<sup>6</sup>

Tucker believed that "a man cannot be allowed, merely by putting labor, to the limit of his capacity and beyond the limit of his personal use, into material of which there is a limited supply and the use of which is essential to the existence of other men, to withhold that material from other men's uses; and any contract based upon or involving such

(Continued On Page 6)

## WILL YOU SURVIVE ANARCHY?

Anarchist or not, you may have to, soon.

COUNTERCON II, Three-day Memorial Weekend Conference (May 23-26) at Camp Mowhawk in the Berkshires.

Seminars on Hyperinflationary Depression, Coming Mideast War, Tax Resistance, Alternative Enterprises, Self-Liberation.

Speakers: Robert LeFevre, Charles Curley, Dennis Turner, Sam Konkin, Abby Goldsmith, Kenneth Kalcheim.

\$75 per person including room, board, snacks, parties, all camp recreational facilities. 10% off for registration with \$35 deposit postmarked or received by May 9th.

Make checks payable and mail to: J. NEIL SCHULMAN, 180 West End Ave., Apt. 7-C, New York, N.Y. 10023



# 'Under'-Population?

It was bound to happen. We can almost formulate a sociological law: that social "problems", real or alleged, get discovered and complained about only when they are beginning to fade away, and that, furthermore, the peak of belly-aching about them is reached after they have disappeared. Note, for example, the widespread wailing, largely unjustified, about the level of population. In the 1920's and 1930's, the falling birth rate led to sharply falling population growth. The cry went up then that the world was getting gravely underpopulated, and that we were on the way to "racial suicide." Governments gave bounties for large families, and heavy propaganda was beamed at the public about the great and good virtues of large numbers of babies, the more the better. The major reason was a desire of the governments for more cannon fodder for future wars.

After World War II, the large-family movement paid off, aided and abetted by the desire of returning war veterans to put down roots and to produce new lives after their personal and international confrontation with death. The result was an unusual — and clearly temporary — reversal in the long-run secular pattern of declining population growth throughout the Western world. The post-war "baby boon" had arrived.

In the last half-dozen years, as we all know, hysteria about "overpopulation" has mounted to a fierce crescendo, replete with anti-baby propaganda, a strident call for Zero Population Growth and even no-child families. During and after World War II, the three great constants of general social sanctity in America were the flag, motherhood, and "Mom's apple pie." The flag has certainly received a severe — and long overdue — social setback. I don't know how the country now feels about apple pie, but "motherhood" has certainly fallen from its recent high pedestal. The irony, however, is that the ZPG hysteria reached its peak precisely at a time when the rate of population growth in America had resumed its sharp pre-war downward trend, so that the goal of ZPG has now been nearly achieved as a result of natural social forces. The census of 1970 soon revealed the sharply declining birth rate, along with the rapid declines in absolute levels of population throughout the South and Middle West, as well as the slow declines in population levels in most of the inner cities of the country. (Only the suburbs experienced a sharp rise in population.)

A year or so ago, realistic social analysts began to realize that it was only a matter of time when the old hysteria about "under" population would rapidly begin to replace the worry about "over" population. The one constant motif in all the clamor, whichever contradictory form it may take, is that the natural, free market levels of population are undesirable, and that government control of some sort must supply a corrective. Sure enough, the cry of underpopulation has already begun to appear. It began as a cloud no bigger than a man's hand with the results of the 1970 census. Since cities throughout the country receive federal subsidies per head of population, mayors and governors across the land began to have fits, shouting that the Census had underestimated their population, and desperately calling for recounts to beat the bushes to find more people, the more the better.

That clamor was so blatantly self-serving that few took it seriously. But it was a beginning. Now, Owen Moritz reports in alarm that the New York City metropolitan area is (Woe, O Woe!) "running out of people," (?) (Owen Moritz, "Sub-Zero Population Growth," *New York Sunday News*, January 26, 1975).

In the late 1930's, Professor Alvin Hansen, the leading Keynesian economist in the United States, wailed that declining population growth was one of the major factors prolonging the Great Depression. (Presumably because not enough bassinets, etc. were being purchased.) Now, we hear the same theme again, as Moritz reports that the Mayor and Governor of New York are worried about "fewer babies, empty classrooms, more old people, a loss of middle-class whites, a falloff in black migration and a shrinking of the work force," in the suburbs as well as in "the graying cities." So — now we hear about the grave evils of a "shrinking work force" and the increased ratio of old people to kids, which everyone might have predicted would flow from declining population growth. Yet, these consequences seem to hit the Establishment as a bolt from the blue. The young people, wails the News reporter, are "disappearing" from New York. Doesn't this at least help

"overcrowding" and welfare breakdowns which had previously been held to be grave problems? No answer.

In suburban Nassau County, County Executive Ralph Caso delivered a county message complaining bitterly about the decline in the number of school kids, "raising the specter of empty classrooms." The exuberant News writer even refers to school kids as an "endangered species" — killed off by fascistic macho hunters, no doubt. The Regional Plan Association has also raised the grave warning that the New York City region has "stopped growing" (Tsk! Tsk! Truly a ghost area!) The formerly much desired but apparently now dreaded ZPG has hit throughout the New York area, and young people are heading out to rural areas. The RPA concluded "sorrowfully", that "benefits of no-growth are eluding us. Instead of reducing the need to control land-use, no-growth makes it even more urgent." Of course; clearly, whatever happens, whether population rises, falls, or remains the same, the conclusion is always the same: more government control of population and land use. Clearly, the RPA and other Establishment planners would like to fix, not only the total level of population, but also the population, by age strata, in each particular land area. Freeze everybody where they are! They will never be happy until a form of serfdom has been re-instituted, with everyone tied to his or her geographic area, and other and even more sinister forms of population control established in each of the areas. Or, as the News puts it, "The aged population grows. What it means is that the tax-paying force is shrinking and threatens to shrivel more — and this . . . is the ominous thing."

Yes, it looks as if hysteria about under-population will soon be with us, with a concern for more warm taxpaying bodies replacing the older concern for more cannon fodder. The logical implication of all this is fascist totalitarianism and a new serfdom. It is high time that we call for the size and shape of the population, urban, rural, or total, to be left alone, to be the result of voluntary action by all individuals in the society. It is high time, in short, that we forget about population and concentrate our worries on the numerous ways in which the government and its minions are seeking to place us all in a totalitarian prison-society. ■

## Spoooner — (Continued From Page 5)

withholding is as lacking in sanctity or legitimacy as a contract to deliver stolen goods." Under Tucker's theory, if "a man exerts himself by erecting a building on land which afterward, by the principle of occupancy and use, rightfully becomes another's, he must, upon demand of the subsequent occupant, remove from this land, the results of his self-exertion, or, failing to do so, sacrifice his property rights therein. The man who persists in storing his property on another's premises is an invader and it is his crime that alienates control of this property. He is 'fined one house,' not for 'building a house and then letting another man live in it,' but for invading the premises of another."<sup>10</sup> Thus Tucker admitted that homesteading, in the form of original possession or self-exertion furnished no basis for a continuing claim to land ownership, after the homesteader left the land. To further illustrate his differences with Spoooner, Tucker related a conversation that he had with Spoooner concerning the rightfulness of the Irish rebellion against absentee landlords: "Mr. Spoooner bases his opposition to Irish and English landlords on the sole ground that they or their ancestors took their lands by the sword from the original holders. This he plainly stated, — so plainly that I took issue with Mr. Spoooner on this point when he asked me to read the manuscript (REVOLUTION) before its publication. I then asked him whether if Dunraven (the absentee landlord) or his ancestors had found unoccupied the very lands that he now holds, and had fenced them off, he would have any objection to raise against Dunraven's title and to leasing of these lands. He declared emphatically that he would not. Whereupon I protested that his pamphlet, powerful as it was within its scope, did not go to the bottom of the land question."<sup>11</sup>

<sup>11</sup> Much of Tucker's concern with the land problem was based on his apprehension of the monopoly problem. He is well known for his four-

(Continued On Page 7)

## Spooner — (Continued From Page 6)

pronged attack on monopolies: land, banking, tariff, and copyright and patent. Tucker feared that the right of contract would be carried to an illogical extreme: "... It would be possible (under a regime of unfettered freedom of contract in land) for an individual to acquire, and hold simultaneously, virtual titles to innumerable parcels of land, by the merest show of labor performed thereon; . . . (and) . . . we should be forced to consider . . . the virtual ownership of nearly the entire earth by a small fraction of its inhabitants . . ."<sup>12</sup> Analogous to his position on land ownership, Tucker also attacked the literary monopolization of ideas based on copyright. Spooner was a consistent defender of property in all forms and claimed for inventors and authors a perpetual copyright in their work. It is plain that neither could agree until their theories of ownership were harmonized, and both either adopted or rejected the homesteading principle.

The question over land ownership and the homesteading principle was not the only controversy carried on in the pages of LIBERTY. Equally interesting is the letter and editorial writing concerning the self-ownership axiom which took place under the guise of discussing the rights of parents and children. Originally the question began as whether parents should be legally responsible for abuse and neglect of their children. Tucker's initial conclusion was that we must not interfere to prevent neglect of the child, but only to repress positive invasion.

However, Tucker, having reconsidered his opinion, resolved that "... the change then which my opinion has undergone consists simply in the substitution of certainty for doubt as to the non-invasive character of parental cruelty, — a substitution which involves the conclusion that parental cruelty is not to be prohibited . . ."<sup>13</sup> Tucker's opinion is grounded on the fact that he views the child as the property of the mother. Children, in Tucker's estimation, belong in the category of things to be owned, rather than as being owners of themselves. However he does note that the "child differs from all other parts of that category (of things to be owned) in the fact that there is steadily developing within him the power of self-emancipation, which at a certain point enables him to become an owner instead of remaining part of the owned."<sup>14</sup> Tucker saw "... no clearer property title in the world than that of the mother to the fruit of her womb, unless she has otherwise disposed of it by contract. Certainly the mother's title to the child while it remains in her womb will not be denied by any Anarchist. To deny this would be to deny the right of the mother to commit suicide during pregnancy, and I never knew an Anarchist to deny the right of suicide. If, then, the child is the mother's while in the womb, by what consideration does title to it become vested in another than the mother on its emergence from the womb pending the day of its emancipation?"<sup>15</sup>

Tucker clearly refused to invoke the self-ownership axiom towards children, at least until they had reached the age of being able to contract and provide for themselves. In the meantime, he recognized the right of the mother to throw her property into the fire. "I answer that it is highly probable that I would interfere in such a case (as a mother throwing her infant into the flames). My interference no more invalidates the mother's property right in the child than if I prevent the owner of a Titian painting from destroying it. If I interfere in either case, it is only as an invader and I would have to be prepared to suffer the consequences."<sup>16</sup> According to his logic "the outsider who uses force upon the child invades, not the child, but its mother, and may be rightfully punished for doing so. The mother who uses force upon her child invades nobody . . . To be consistent, I must convict a man of murder in the first degree who kills a father in the act of killing his child."<sup>17</sup>

One of Tucker's critics realized that Tucker could not be attacked until the concept of contract as the ethical basis of anarchism was overthrown. Said this critic, "I do not accept contract as the ethical basis of Anarchism in the first place, and, in the second, do not regard children as the property of anybody . . . I base my anarchism on Natural Right . . . Perhaps no Anarchist will deny the right of the mother to commit suicide during pregnancy, but I do deny it after the embryo becomes a human being. The mother has a right to kill herself, but no one else."<sup>18</sup> "In my category of the owners and the owned I state it thus: Each being owns himself = No human being owns another."<sup>19</sup> Of course, we recognize this as a reformulation of the self-ownership axiom.

For Tucker, rights only begin as a social convention. Rights are liberties created by mutual agreement and contract. He defended his concept of self-emancipation by stating that "any child capable of

declaring to the association's (an anarchistic enforcement agency) officers its desire for release from its owner that it may thereafter either care for itself or entrust itself to the care of persons more agreeable to it thereby proves the presence in its mind of the idea of contract . . . From the moment that a child makes a deliberate declaration of this character it should cease to be property and should pass into the category of owners."<sup>20</sup> Tucker refused to see any alternative to his own position. "If we take the other course and admitting, that the child has the possibilities of the man, declare that therefore it cannot be property, then we must also for the same reason, say that the ovum in the woman's body is not her property, . . ." and thus being made to conceive when she is raped, she thereby loses her right to commit suicide.<sup>21</sup> Tucker failed to realize that no human "being has a right to live, unbidden, as a parasite within or upon some person's body."<sup>22</sup> He refused to view the fetus as a possible invader of the mother's body, since it was already her property to do with as she pleased. Consequently any invasive treatment of the child was not wrong since it was the mother's property.

The foregoing narrative of these two disputes, between Spooner and Tucker over land ownership, and between Tucker and his critics concerning property rights in children, should hold our strong interest. Here is one reason why a theory of justice in all forms of property is necessary. If libertarians cannot settle on such a theory of justice, a libertarian society will be disrupted by such disputes. Similarly, if no such theory of justice is arrived at, it will be impossible for libertarians to consistently attack our present governmental system. ■

### Footnotes

<sup>1</sup>Murray N. Rothbard, *EGALITARIANISM AS A REVOLT AGAINST NATURE AND OTHER ESSAYS*, p. 58.

<sup>2</sup>*Ibid.*, p. 128.

<sup>3</sup>Lysander Spooner, *THE LAW OF INTELLECTUAL PROPERTY*, pp. 21-22.

<sup>4</sup>Rothbard, *op. cit.*, p. 128.

<sup>5</sup>LIBERTY (March 21, 1891) Whole No. 180, p. 4.

<sup>6</sup>*Ibid.*

<sup>7</sup>*Ibid.*

<sup>8</sup>Spooner, *op. cit.*, p. 88.

<sup>9</sup>LIBERTY (January 25, 1896) Whole No. 331, p. 4.

<sup>10</sup>*Ibid.*

<sup>11</sup>LIBERTY (April 18, 1891) Whole No. 182, p. 6.

<sup>12</sup>LIBERTY (February 1897) Whole No. 350, p. 4.

<sup>13</sup>LIBERTY (August 24, 1895) Whole No. 320, p. 4.

<sup>14</sup>LIBERTY (June 29, 1895) Whole No. 316, p. 3.

<sup>15</sup>LIBERTY (August 24, 1895) Whole No. 320, p. 4.

<sup>16</sup>LIBERTY (September 7, 1895) Whole No. 321, p. 1.

<sup>17</sup>LIBERTY (September 21, 1895) Whole No. 322, pp. 5, 8.

<sup>18</sup>J. Wm. Lloyd, LIBERTY (September 21, 1895) Whole No. 322, p. 6.

<sup>19</sup>LIBERTY (November 2, 1895) Whole No. 325, p. 7.

<sup>20</sup>LIBERTY (November 2, 1895) Whole No. 325, p. 5.

<sup>21</sup>LIBERTY (December 14, 1895) Whole No. 328, p. 5.

<sup>22</sup>Murray N. Rothbard, *FOR A NEW LIBERTY*, p. 121.

"The state . . . in all kinds of countries, and in all kinds of forms, . . . is setting up shop as a universal savior. Its qualifications for that office, at first glance, look very impressive. It has power of an extremely papable and overt variety, flowing from the end of the policeman's espantoon. It penetrates to every nook and fissure of the national life, and so takes on an appearance of omniscience. It is staffed by men who are, by definition, eminent, and in that character are heard politely, even when they talk nonsense. Most of all, there is something mystical about it, something transcendental and even supernatural, so that simple people, thinking of it, slip naturally into the moony ways of thought that they employ in thinking about the awful enigmas of Heaven and Hell.

Its real nature thus tends to be concealed, and, in the long run, forgotten. That real nature may be described briefly. The state . . . consists of a gang of men exactly like you and me. They have, taking one with another, no special talent for the business of government; they have only a talent for getting and holding office. Their principal device to that end is to search out groups who pant and pine for something they can't get, and to promise to give it to them. Nine times out of ten that promise is worth nothing. The tenth time it is made good by looting A to satisfy B. In other words, government is a broker in pillage, and every election is a sort of advance auction sale of stolen goods."

— H. L. Mencken

# Forthcoming Spring Books

We cannot, of course, recommend the following books (except for paperback reprints), since they have not yet appeared, but the following is a list of books to be published this spring which give promise of being of interest to libertarian readers.

Dr. Walter Block's long-awaited "Hero" series, some of which have been published in the Lib. Forum, will be brought out in book form by Fleet Publishers. Walter Block, **Defending the Undefendables: The Pimp, Prostitute, Scab, Slumlord, Libeler, Usurer, and Other Scapegoats in the Rogue's Gallery of American Society**, will be published on May 10. Walter Block is distinguished for being a fearless logician, and his "Hero" series has long served as the pons asinorum of one's devotion to libertarianism. It is easy enough — and correct, too — to present libertarianism in the vaguely humanist form of the voluntary way, and of one's right to control one's own life. Fine enough; but how many of us are ready to defend, with equal relish, the pimp, the scab, the libeler, the slumlord, et al? In their notice on the book, Fleet asks: "Should deviant but non-aggressive behavior be permitted in a just society? Yes, says Dr. Walter Block in his rogue's gallery depicting the life of 'objects of universal revulsion' . . ." A challenging work for all but the hardest of the hard core.

Long-time Lib. Forum contributor and noted author Jerome Tuccille's next book, **Who's Afraid of 1984?** will be published by Arlington House in May. It will present the fruit of his researches into the New Deal origins of the present system, as well as a critique, grounded on his profound social optimism, of leftist doomsayers.

Ex-rightwinger, ex-neo-Randian, ex-libertarian, ex-Lib. Forum contributor, Karl Hess, presents his odyssey from right to left in **Dear America** (William Morrow, May 7), which Morrow is slating for major publicity and distribution. It will presumably present his current left-syndicalist views, and whatever else we may say about it, will undoubtedly be very well-written.

We have not yet had a satisfactory political history of the origins of the American Revolution (Bernard Bailyn's work is brilliant and indispensable, but it is an intellectual and not a political history.) By far the best work has been the superb volume by Bernhard Knollenberg, **The Origin of the American Revolution, 1759-65**. But we have not had the story for the crucial years between 1765 and the outbreak of the Revolution at Lexington and Concord. Now, the Free Press is publishing the final volume — unfortunately posthumous — of Knollenberg's history: **The Growth of the American Revolution, 1766-75** (April). Warning: judging

from all of Knollenberg's previous work, the book will not be stirringly or sparkingly written; but it will be definitive.

In contrast to the other books, John P. Diggins, **Mussolini and Fascism: the View from America** is a known quantity, since it has been out for some time in hard cover. Now, Professor Diggins' excellent revisionist work is being published in paper this spring by Princeton University Press. Diggins shows the lure that Italian Fascism held, throughout the 1920's and 30's for both liberal intellectuals and businessmen in America, since it seemed to provide a harmonious, nationalistic "third way" between Communism and laissez-faire. Highly recommended.

Finis Farr's **Fair Enough** (Arlington House, April) is a prominent conservative writer's biography of the courageous right-wing muckraking journalist, Westbrook Pegler. The only extant biography of "Peg" is by the rather hysterical liberal Oliver Pilat, and Farr's work is certain to do far more justice to this late, controversial figure.

Ronald Radosh's **Prophets on the Right** (Simon & Schuster) — which promises to be a scintillating study of "right-wing" isolationists and opponents of both World War II and the Cold War, is already driving Radosh's Marxist colleagues up the wall. A co-editor with Murray Rothbard of **A New History of Leviathan**, Prof. Radosh presents what should be an important revisionist study of: Charles A. Beard, John T. Flynn, Robert A. Taft, Lawrence Dennis and Oswald Garrison Villard. Radosh has already contributed a notable and laudatory review of Wayne Cole's revisionist study of Lindbergh, **Charles A. Lindbergh and the Battle Against American Intervention in World War II**, to the New York Sunday Times Book Review. □

"Dr. (John W.) Davis is a lawyer whose life has been devoted to protecting the great enterprises of Big Business. He used to work for J. Pierpont Morgan, and he has himself said that he is proud of the fact. Mr. Morgan is an international banker . . . (whose) operations are safeguarded for him by the manpower of the United States. He was one of the principal beneficiaries of the late war, and made millions out of it. The Government hospitals are now full of one-legged soldiers who gallantly protected his investments then, and the public schools are full of boys who will protect his investments tomorrow."

— H. L. Mencken

## SUBSCRIBE NOW

Please enter a subscription for:

Name \_\_\_\_\_

Street \_\_\_\_\_

City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_

Subscription Is \$8.00 Per Year

\$15.00 Two Years

Libertarian Forum Associate Subscription \$15.00 Or More.

## THE LIBERTARIAN FORUM

Box 341 Madison Square Station  
New York, New York 10010

The Libertarian Forum  
BOX 341  
MADISON SQUARE STATION  
NEW YORK, NEW YORK 10010

First Class

Published Every Month. Subscription Rates: \$8.00 Per Year; \$15.00 Two Years