

The Voluntaryist

Whole Number 40

"If one takes care of the means, the end will take care of itself."

October 1989

Statement of Purpose

Voluntaryists are advocates of non-political strategies to achieve a free society. We reject electoral politics, in theory and in practice, as incompatible with libertarian principles. Governments must cloak their actions in an aura of moral legitimacy in order to sustain their power, and political methods invariably strengthen that legitimacy. Voluntaryists seek instead to delegitimize the State through education, and we advocate withdrawal of the cooperation and tacit consent on which State power ultimately depends.

The Fundamentals of Voluntaryism

by Carl Watner

THE VOLUNTARYIST is unique in uniting a non-State, non-violent, free market stance with the rejection of electoral politics and revolutionary violence. The arguments that follow here are what I would call the pillars of voluntaryism. They are the bed-rock, the solid foundation, of our philosophy. This presentation is intended as a condensation or summary of the logical bases for the voluntaryist position.

Introduction

Voluntaryism is the doctrine that all the affairs of people, both public and private, should be carried out by individuals or their voluntary associations. It represents a means, an end, and an insight. Voluntaryism does not argue for the specific form that voluntary arrangements will take; only that force be abandoned so that individuals in society may flourish. As it is the means which determine the end, the goal of an all voluntary society must be sought voluntarily. People cannot be coerced into freedom. Hence, the use of the free market, education, persuasion, and non-violent resistance as the primary ways to delegitimize the State. The voluntaryist insight, that all tyranny and government are grounded upon popular acceptance, explains why voluntary means are sufficient to attain that end.

1. The epistemological argument

Violence is never a means to knowledge. As Isabel Paterson, explained in her book, *THE GOD OF THE MACHINE*, "No edict or law can impart to an individual a faculty denied him by nature. A government order cannot mend a broken leg, but it can command the mutilation of a sound body. It cannot bestow intelligence, but it can forbid the use of intelligence." Or, as Baldy Harper used to put it, "You cannot shoot a truth!" The advocate of any form of invasive violence is in a logically precarious situation. Coercion does not convince, nor is it any kind of argument. William Godwin pointed out that force "is contrary to the nature of the intellect, which cannot but be improved by conviction and persuasion," and "if he who employs coercion against me could mold me to his purposes by argument, no doubt, he would. He pretends to punish me because his argument is strong; but he really punishes me because he is weak." Violence contains none of the energies that enhance a civilized human society. At best, it is only capable of expanding the material existence of a few individuals, while narrowing the opportunities of most others.

2. The economic argument

People engage in voluntary exchanges because they anticipate
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Cultivate Your Own Garden: No Truck with Politics

by Carl Watner

Little has appeared in these pages of late concerning the Libertarian Party because I believe it is more important to focus on the positive side of voluntarism than to critique methodologies which differ from our own philosophy. I believe that we need to put our time, intelligence, and energy into that which we wish to nurture. Criticism directed toward an erroneous view not only sometimes helps entrench the opposition, but lessens the focus on the efforts to make voluntarism grow. However, remarks by Karl Hess in the pages of *LIBERTARIAN PARTY NEWS* (March/April 1989) deserve some comment. In an editorial titled, "Our Goal Is Still Liberty," Hess writes:

Ever since joining the Libertarian Party, years after declaring myself a small "l" libertarian, I have been concerned by the tendency of some in the party to insist that the party is, in fact, the movement. I have been equally concerned by the tendency of some outside of the party to insist that the party itself is a betrayal of the movement.

My own conviction is that neither case is valid.

The reasons for that have been stated many times in these editorial viewpoints. Rather than restate them, I want to move past them to what I hope is a practical suggestion to help us keep our eyes on the goal—liberty—rather than become fixated on one or another of the widely divergent ways of getting there.

Might we not, as individuals, make some concession to at least the possibility of cooperating toward that main goal even through we may disagree about a number of things along the way [?]

I offer a statement that would at least say we were friends: "Sharing a belief that free markets and voluntary social arrangements can be the basis of a peaceful and prosperous world, we members of various liberty-seeking organizations agree, as individuals, to cooperate, share information, and, as appropriate and practical, mutually support, or at least not impede, our varied and often sharply different efforts to increase individual freedom."

Without for a moment suppressing our arguments, we might at least agree that we are headed in roughly the same direction and probably have less to fear from one another than from the great apparatus of state power that surrounds us.

The assumption that we might agree "that we are headed in roughly the same direction" is one with which I must take issue. This is an attitude that was shared by many debaters of limited-government and no-government during the early days of the L.P. According to this view, all libertarians are passengers on the same train. The only difference between the advocates of limited-government, no-government, and the voluntaryists is that some get off sooner than others; but all are headed toward the same destination: liberty. However much this image might explain the difference between limited-government and no-government libertarians, it does not do justice to the voluntaryist view. At most, the image that I would suggest is that libertarians (of whatever stripe) and voluntaryists are at a common point of departure (we all face the present statist world). But the two groups board different trains, according to the methodology of social change that they choose to use. Since they are using the political means, the train of the political libertarians is travelling
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The Voluntaryist

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Subscription Information

Published bi-monthly by **The Voluntaryists**, P.O. Box 1275, Gramling, SC 29348. Yearly subscriptions (six issues) are \$15 or .04 ounce or 1.244 grams of fine gold or 4 Gold Standard units. For overseas postage, please add \$5 or 1/3 of the regular subscription price. Please check the number on your mailing label to see when you should renew. *No reminders will be sent!* Single back issues are \$3 each or 1/3 of the regular subscription price.

From the Editor:

Tucker!

Reflections on the Second Time Around

In the June 1987 issue of THE VOLUNTARYIST, I wrote an editorial entitled "It's Only Just the Beginning: Reflections on Being a New Father." In that article, Julie and I announced the birth of our first son, William Lloyd Watner.

Now we are pleased to let readers know that our second child, Tucker Glenn Watner, was born at home during the early morning hours of March 21, 1989.

Tucker was named after Benjamin Tucker (1854-1939), the well-known individualist and editor of LIBERTY (1881-1908), and Preston Tucker (1903-1956), the would-be auto manufacturer who recently had a movie made about his struggle to produce a new car for the post-World War II automobile market. It was not until Julie and I saw the movie, that we were able to agree on a boy's name that suited both of us. Tucker's middle name is after his maternal grandfather, Glenn Pfeiffer.

Although few historical figures are "ideologically" pure, I like to remember Benjamin Tucker because of his close friendship and respect for Lysander Spooner. It was Tucker, who in his obituary for Spooner, referred to him as "Our Nestor Taken From Us." Tucker and his wife, Pearl, were never legally married in the eyes of the State. Yet, as their daughter, Oriole, described them, "they were the most monogamous couple" she had ever seen, "absolutely devoted to each other until the end." As Tucker and other freedom seekers have shown, marriage can be a respected institution without involving either Church or State.

The movie, "Tucker: The Man and his Dream," tells the story of a budding entrepreneur who envisioned a "new" car, complete with aluminum engine, independent suspension, fuel injection, disc brakes, seat belts, and other innovations he had seen on the racetracks of his day. His attempt to manufacture such a car was stymied by the U.S. Securities and Exchange Commission and Justice Department, among other things. Although ultimately declared innocent of fraud in raising money to finance his project, Tucker's manufacturing efforts only produced 51 cars before the Tucker Corporation failed.

"In the movie, Tucker himself delivers a dramatic final summation to the jury. His speech echoes the theme...that the growth of cozy government/business relationships in America threaten both liberty and prosperity. Actor Jeff Bridges, as Preston Tucker, shares his vision of America to the jury:"

When I was a boy I read about Edison, Ford, the Wright brothers. They were my heroes. Rags to riches wasn't just the name of the book. It was what this country was all about.

We invented the free enterprise system, where anybody, no matter who he was, where he came from, what class he belonged to, if he came up with a better idea for *anything*, there was no limit to how far he could go.

But I grew up a generation too late, I guess. The way the system works now, the loner, the crackpot, the dreamer with some damn-fool idea that ends up revolutionizing the world, well, someone like that is squashed by big business before he knows what hit him. The new bureaucrats would

rather kill a new idea than let it rock the boat.

If Benjamin Franklin were alive today, he'd probably get arrested for flying a kite without a license.

We're all puffed up with ourselves right now because we invented the A-bomb and we beat the daylight out of the Nazis and the Japanese. ...But if big business closes the door to the little guy—you, me—the little guy with new ideas, we've not only closed the door to progress and hard work, we've sabotaged everything we fought for.

The accusations by Tucker and his supporters that the Big Three auto makers were out to do him in may or may not have been true. Certainly Tucker's various own ineptitudes and the magnitude of his project contributed to the downfall of his firm. He was always more of a dreamer than a doer. He became unnecessarily involved with the government when he leased a war factory in which to conduct his manufacturing operations. His understanding of free enterprise was somewhat faulty as he failed to note that mere possession of a brilliant idea was no guarantee of success in the marketplace. Although the movie primarily stresses government persecution as the cause of the Tucker Corporation's demise, it is worth remembering that the competitive enterprise system is built around profit *and* loss. Free enterprise is not all profit, and the cleansing action of taking losses redirects the use of scarce resources into the hands of those who can best serve the consuming public.

In naming children after historical namesakes, it is interesting to speculate about whether they will become freedom-lovers and hold voluntaryist views as adults. Frank Chodorov (1887-1966) once observed that libertarians are born, not made. "Neither education, background nor income can explain the Socialist or libertarian." They come from all sorts of families, both wealthy and poor, literate and illiterate. "You are driven to the conclusion that if there is a causative principle it must be found somewhere in the make-up of the person rather than environmental influences."

Chodorov concluded that efforts of libertarians to teach is "not to 'make' libertarians, but to find them." My own experiences bear out his conclusion. On several occasions I have been pleasantly surprised to find voluntaryist attitudes in people who had no knowledge, whatsoever, of libertarianism as a body of thought. It is simply that their personal outlook and philosophy of life is based on respecting property rights and the facts, and not on what some third party, whether the government or some other authority, said these are supposed to be. Such people have a high degree of self-confidence and personal integrity. A healthy dose of common sense vaccinates them against the prevailing political, economic, and social mythologies. Exposure to the voluntaryist view affirms their innate view of things, although sometimes vestiges of their government brainwashing are difficult to remove (e.g., their predilection for voting).

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improving their lot; the only individuals capable of judging the merits of an exchange are the parties to it. Voluntaryism follows naturally if no one does anything to stop it. The interplay of natural property and exchanges results in a free market price system, which conveys the necessary information needed to make intelligent economic decisions. Interventionism and collectivism make economic calculation impossible because they disrupt the free market price system. Even the smallest government intervention leads to problems which justify the call for more and more intervention. Also, "controlled" economies leave no room for new inventions, new ways of doing things, or for the "unforeseeable and unpredictable." Free market competition is a learning process which brings about results which no one can know in advance. There is no way to tell how much harm has been done and will continue to be done by political restrictions.

3. The moral argument

The voluntary principle assures us that while we may have the possibility of choosing the worst, we also have the possibility of choosing the best. It provides us the opportunity to make things better, though it doesn't guarantee results. While it dictates that we do not force our idea of "better" on someone else, it protects us from having someone else's idea of "better" imposed on us by force. The use of coercion to compel virtue eliminates its possibility, for to be moral, an act must be uncoerced. If a person is compelled to act in a certain way (or threatened with government sanctions), there is nothing virtuous about his or her behavior. Freedom of choice is a necessary ingredient for the achievement of virtue. Wherever there is a chance for the good life, the risk of a bad one must also be accepted. As Bishop Magee explained to Parliament in 1872, "I would distinctly prefer freedom to sobriety, because with freedom we might in the end attain sobriety; but in the other alternative we should eventually lose both freedom and sobriety."

4. The natural law argument

Common sense and reason tell us that nothing can be right by legislative enactment if it is not already right by nature. Epictetus, the Stoic, urged men to defy tyrants in such a way as to cast doubt on the necessity of government itself. "If the government directed them to do something that their reason opposed, they were to defy the government. If it told them to do what their reason would have told them to do anyway, they did not need a government." As Lysander Spooner pointed out, "all legislation is an absurdity, a usurpation, and a crime." Just as we do not require a State to dictate what is right or wrong in growing food, manufacturing textiles, or in steel-making, we do not need a government to dictate standards and procedures in any field of endeavor. "In spite of the legislature, the snow will fall when the sun is in Capricorn, and the flowers will bloom when it is in Cancer."

5. The means-end argument

Although certain State services or goods are necessary to our survival, it is not essential that they be provided by the government. Voluntaryists oppose the State because it uses coercive means. The means are the seeds which bud into flower and come into fruition. It is impossible to plant the seed of coercion and then reap the flower of voluntaryism. The coercionist always proposes to compel people to do something; usually by passing laws or electing politicians to office. These laws and officials depend upon physical violence to enforce their wills. Voluntary means, such as non-violent resistance, for example, violate no one's rights. They only serve to nullify laws and politicians by ignoring them. Voluntaryism does not require of people that they shall violently overthrow their government or use the electoral process to change it; merely that they shall cease to support their government, whereupon it will fall of its own dead weight. If one takes care of the means, the end will take care of itself.

6. The consistency argument

It is a commonplace observation that the means one uses must

be consistent with the goal one seeks. It is impossible to "wage a war for peace" or "fight politics by becoming political." Freedom and private property are total, indivisible concepts that are compromised wherever and whenever the State exists. Since all things are related to one another in our complicated social world, if one man's freedom or private property may be violated (regardless of the justification), then every man's freedom and property are insecure. The superior man can only be sure of his freedom if the inferior man is secure in his rights. We often forget that we can secure our liberty only by preserving it for the most despicable and obnoxious among us, lest we set precedents that can reach us.

7. The integrity, self-control, and corruption argument

It is a fact of human nature that the only person who can think with your brain is you. Neither can a person be compelled to do anything against his or her will, for each person is ultimately responsible for his or her own actions. Governments try to terrorize individuals into submitting to tyranny by grabbing their bodies as hostages, trying to destroy their spirits. This strategy is not successful against the person who harbors the Stoic attitude toward life, and who refuses to allow pain to disturb the equanimity of his or her mind, and the exercise of reason. A government might destroy one's body or property, but it cannot injure one's philosophy of life. Voluntaryists share with the Stoics the belief that their ideas will not necessarily change the world. Nevertheless, some of them may be inclined—like the Stoics—to become martyrs, when necessary. They would rather suffer death or harm than lose their integrity because their integrity is worth more to them than their existence.

Furthermore, the voluntaryist rejects the use of political power because it can only be exercised by implicitly endorsing or using violence to accomplish one's ends. The power to do good to others is also the power to do them harm. Power to compel people, to control other people's lives, is what political power is all about. It violates all the basic principles of voluntaryism: might does not make right; the end never justifies the means; nor may one person coercively interfere in the life of another. Even the smallest amount of political power is dangerous. First, it reduces the capacity of at least some people to lead their own lives in their own way. Second, and more important from the voluntaryist point of view, is what it does to the person wielding the power: it corrupts that person's character.



Cultivate Your Own Garden

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on the rails of statism, even if it seems to start off in the same direction as the other train. It will not long run parallel to the train boarded by the voluntarists. The voluntarists have no way of knowing where their journey will take them, and they are certain it has no end. The proper direction of their train can be only judged by the means used to propel it forward. There is no final "stop" or point of arrival since freedom and liberty are an on-going process. For the voluntarists, the "final" form is in the means, not the ends.

While I do not wish to berate Hess's emphasis on toleration and co-operation among liberty-seeking individuals, one might also take issue with his reference to "liberty-seeking organizations" since most structures to achieve a public mission usually end up devoting more time to the structure than the mission. That theme was developed in the October 1988 VOLUNTARYIST article, "Does Freedom Need to Be Organized?" so there is no reason to belabor it here.

In addition, it is not a certain fact that voluntarists would have less to fear from the political libertarians than from the current statists, were the former to gain power. If the "law" is to be respected and enforced and not disobeyed (an attitude which political libertarians must necessarily cultivate), then it is quite likely libertarians will use that power not only to support themselves but to crack down on the opposition. George Smith argued this point persuasively in THE NEW LIBERTARIAN WEEKLY (October 31, 1976) in his satirical essay, "Victory Speech of the Libertarian Party President-Elect, 1984." Also the entire history of the European anarchist movement (especially the brutal suppression of the Russian anarchist movement by the Bolsheviks, and the treatment of the anarchists during the Spanish Civil War) lends weight to this argument (see "Voluntaryism in the European Anarchist Tradition" in NEITHER BULLETS NOR BALLOTS). As Errico Malatesta, the Italian anarchist, wrote in 1932:

The primary concern of every government is to ensure its continuance in power, irrespective of the men who form it. If they are bad, they want to remain in power in order to enrich themselves and to satisfy their lust for authority; and if they are honest and sincere they believe it is their duty to remain in power for the people. ...The anarchists... could never, even if they were strong enough, form a government without contradicting themselves and repudiating their entire doctrine; and, should they do so, it would be no different from any other government; perhaps it would even be worse.

Informed common sense says that "political gains without philosophical understanding are potentially short-lived." This may be better understood if we realize that we should focus on the question: "How do we prevent another State from taking the place of the one we already have?" rather than concentrating on the short-term problem (which most libertarians address) of "How do we get rid of the current State?" How can people be weaned from the State by the use of electoral politics? If the political method is proper to remove the State, as those active in the L.P. believe, then would it not be proper to re-introduce a new State, if the majority of voters were to desire it? The point is that there must be a sufficient respect and understanding for freedom and liberty in a given social community before those ideals can be realized, and if that respect and understanding already exist (or are brought into existence)—there is no reason to capture the seats of political power in order to disband the State. You attack evil at its roots by not supporting it. Just as voluntaryism occurs naturally if no one does anything to stop it, so will the State gradually disappear when those who oppose it stop supporting it. (This is not to overlook the fact that a certain "critical mass" of numbers must be reached before this can happen.)

The only thing that the individual can do "is to present society with 'one improved unit'." As Albert Jay Nock put it, "(A)ges of experience testify that the only way society can be improved is by the individualist method...; that is, the method of each 'one'

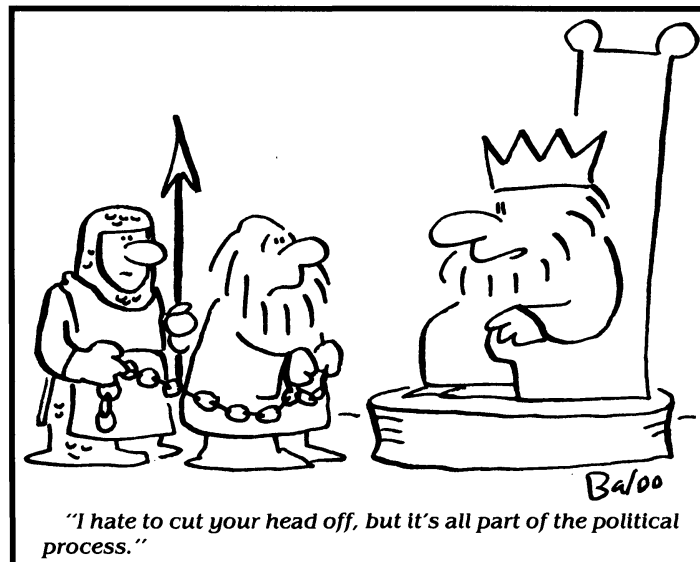
doing his very best to improve 'one'." This is the "quiet" or "patient" way of changing society because it concentrates upon bettering the character of men and women as individuals. As the individual units change, the improvement of society will take care of itself. In other words, "if one takes care of the means, the end will take care of itself."

There is no question that this method is extremely difficult, since most of us realize what force of intellect and force of character are required just to improve ourselves. "It is easy to prescribe improvement of others; it is easy to organize something, to institutionalize this-or-that, to pass laws, multiply bureaucratic agencies, form pressure-groups, start revolutions, change forms of government, tinker at political theory. The fact that these expedients have been tried unsuccessfully in every conceivable combination for six thousand years has not noticeably impaired a credulous intelligent willingness to keep on trying them again and again." There is no guarantee that the voluntarist method will be successful—but because each individual concentrates on himself and not others, it is worthwhile, profitable, and self-satisfying even if it does not come to fruition in the short-run or during one's lifetime. The time spent on building a better, stronger you, on developing your vocational and avocational skills, your family, and your marriage makes you a better person regardless of outside circumstances. In short, time spent cultivating your own garden is always profitable and moral. Trying to cultivate another's garden is trespass, (unless you are first invited to enter) and of necessity lessens the amount of time you can spend on your own self-improvement.

Libertarians engaged in electoral politics are saying (though they might not admit it) that the ends justifies the means. This has always been a common excuse for electoral activity and for supporting the existing political system. Emma Goldman laid this error to rest when she wrote:

There is no greater fallacy than the belief that aims and purposes are one thing, while methods and tactics are another. This conception is a potent menace to social regeneration. All human experience teaches that means cannot be separated from the ultimate aims. The means employed become, through individual habit and social practice, part and parcel of the final purpose; they modify it, and presently the aims and means become identical. ... The whole history of man is continuous proof of the maxim that to divest one's methods of ethical concepts is to sink into the depths of utter demoralization.

This is why I believe that political methods are inherently self-defeating and inconsistent with voluntaryism. Such methodologies carry the seeds of their own destruction. Though Karl Hess and other supporters of the Libertarian Party may claim to support liberty, I honestly believe they are mistaken. Their tickets may say "Destination—liberty," but I sincerely doubt that their train is headed in that direction.



Voluntary Musings

A Column of Iconoclasm

By Charles Curley

*"Nothing can defeat an idea
--except a better one."
--Eric Frank Russell*

Worth Quoting: "Ask not what your country can do for you. Ask what your country is doing to you."

Dana Rohrabacher, circa 1968

Civil Disobedience: "By a very simple device the employers of this country have it within their power to make every worker completely tax conscious and aware of how this insane government is eating into the standard of living of all of us. ... I would like to see every employer revise his method of paying his or her employees. Instead of deducting anything from the envelope, **all** of the money would be put into it, every penny that that man or woman has earned. If it is possible to pay in cash it would be a good idea to pay shortly after lunch and permit each person to keep the money for an hour or two. Then as he leaves for home, have a company collector standing right by the door or gate who will say, 'You owe so much for social security, you owe so much for withholding tax, your union dues are so much, your unemployment compensation, ...'. In other words, give him an itemized statement each week of every penny that is taken out of his pay check, make him reach into the pay envelope and count it out and hand it over. ...

"Such a payroll policy is entirely legal and if it were universally adopted, in six months we would have either a tax revolution or a startling contraction of the federal budget." (emphasis in original)

Vivian Kellems

TOIL, TAXES AND TROUBLE, 1952

Perestroika, Western Style: Airline deregulation was begun ten years ago with the support of the nominally liberal Carter administration. It was hailed at the time as a test case of the free market: could the market place deliver better than a controlled industry? The answer appears to be yes. Last year, U.S. airlines carried over one and a half times as many people as they did in 1978. Furthermore, they did so with only two thirds of the accidents. Customers have saved over \$100 billion in air fares in the intervening ten years. Clearly nothing to sneeze at.

But there is another characteristic of airline deregulation that appears to have gone unnoticed. Any advocate of a free market will invariably be called upon to say how he envisions that market to work. Do you want a free market in postal services? How would it work? Do you want a free market in electricity or cable TV? How would it work? And so on.

Some of us write science fiction novels, others scholarly tomes, and others detailed tracts, on the subject. Yet, they are almost certainly wrong. If a free market turns anything loose, it is peoples' imaginations. You or I, or a symposium of scholars, or a group of science fiction writers over some beer, might come up with one or two or ten ways in which a free market for a certain good might be achieved, and how it might work. But all of that mental elbow grease is no match for the ideas of hundreds or thousands of people who suddenly find themselves earning their living in that field. Whatever predictions we can make about, say, a private lighthouse industry will almost certainly be wrong once thousands of private light house operators go to work on the subject.

Three things that almost nobody predicted affected the airlines after deregulation:

- *Elaborate Computer Reservation Systems (CRS). It was obvious, once these started to blossom, that they could be used to steer customers toward the owning airline. Not so obvious is the fact that it has been far more profitable to not steer the customers, and instead to use the CRS to learn what the customers wanted. With the CRS, — and deregulation — the airlines could instantly learn what the customers wanted, and almost as quickly give it to them. Also, a CRS could be used to

fill seats that would otherwise have gone begging, at less than the cost per seat of the flight. Marginal pricing made those seats profitable anyway.

- *The Frequent Flyer programs helped keep some customer loyalty. The elegance of this is that most frequent fliers are businessmen. They are getting a freebie for doing something the company is paying for anyway. But the basic service has to be efficient.

- *Hub and Spoke flight arrangements. By routing all flights through a hub airport, airlines found that they could offer flights to more cities, and have more seats full on each flight. Furthermore, passenger convenience is enhanced with the hub system. If an airline flies to ten cities from its hub, the passenger has one hundred city pairs to choose from. Double the number of cities, and you quadruple the number of city pairs.

All three of these characteristics came in after deregulation. None were widely predicted before deregulation. All were made possible by deregulation. Yet they now shape the industry.

Another feature of the industry is not as pleasant, the massive delays in the air transport system. The government's "solution" is to require the airlines to publish their on-time figures. (This is the same government that runs Amtrak, remember.) The airlines' response, easily predictable, was to re-arrange their published schedules to be closer to reality.

That reality is based on two facts: First, most delays are caused by overcrowding at airports, which are government monopolies regulated by the Federal Aviation Administration (FAA). Airports are not allowed by the FAA to charge more for landing fees at peak times than at slack times. Nor are they permitted (as Boston's Massport authorities tried to do) to charge more to a near empty corporate jet than a full jumbo jet. Nor may landing slots be bought and sold on a free market, thereby to be allocated by price.

Second, the air traffic control system is hideously overworked. Again, here is a government monopoly, as Ronald Reagan made clear in 1981. The air traffic control system has added very little capacity in the last ten years, in spite of the 50% increase in passengers. Money for new equipment and personnel are bogged down in Congressional budget deficit squabbles, a problem a privatized air traffic control system wouldn't have.

How would these industries, once privatized and deregulated, work? I haven't the foggiest. But given the incredible ability of the human animal to come up with new ways to compete, I submit that the burden of proof is on those who want to keep the current regime.

The problem with airline deregulation isn't that it isn't working. The problem is that it hasn't been taken far enough.

Regulation as Usual: London and Paris are 220 miles apart. New York and Washington are 220 miles apart. A round trip air ticket on either of the two airlines permitted to fly between London and Paris will cost you about \$310. An air ticket on any one of the many airlines which fly between New York and Washington — with no restrictions — will cost you \$198. Accept some restrictions, and you may be able to get as much as \$100 off that. Any bets on when the Eurocrats in the EEC will allow deregulation of air fares?

Utopia: "They have no lawyers among them, for they consider them as a sort of people whose profession it is to disguise matters."

Thomas More, UTOPIA

Supply and Demand: Philip and Paul Malone were fired from the Boston Fire Department in October, 1988, ten years after they had been hired. They had overcome low civil service exam scores by claiming that they were black, and therefore subject to affirmative action standards. You see, supply and demand works: if the government evinces a demand for black people, the market will supply them.

The outcome of this episode is easy to predict: to prevent this sort of thing in the future, the U.S. will import laws on racial make-up from the country with the most experience in that sort of thing: South Africa. (The government is exempt from the sanctions, of course.)

Then again, cheating on civil service exams is an old Boston tradition. Ask James Michael Curley, one of Boston's former mayors.

Nostalgia: Remember when... Conservatives opposed recognition of Red China?... Conservatives opposed wage and price controls?... Conservatives opposed massive Federal deficits?... Conservatives opposed increased tariffs?... Conservatives opposed government day care centers? Remember when conservatives had principles? Remember when conservatives thought that they couldn't get elected because they had principles?

What I find disgusting about modern 'conservatives' is not that they don't have principles, but that they used to. Having jettisoned their principles like so much ballast, the conservatives now enjoy power which they first sought in defense of the very principles they no longer have. I'd rather treat with a stalinoid marxist, whose principles I abhor, than with a 'conservative', who has none.

Much the same can be said about so-called liberals, who once stood for ideals such as racial equality, due process, and the marketplace of ideas. Today, racial equality means a form of apartheid called affirmative action; due process means a legal system in which God is on the side of the most expensive lawyer and a rapist in court has the right to defend himself but you in your own home do not; and the marketplace of ideas means that liberals will defend your rights to agree with them.

Ghengis Khan, at least, was honest — to himself and others — about what he was doing.

Ahem: "...for the last eight centuries, earnest souls have been bewailing the fact that progress in the social sciences has always lagged behind progress in the physical sciences. I would suggest that the explanation might be in difference of approach. The physical scientist works *with* physical forces, even when he is trying, as in the case of contragravity, to nullify them. The social scientist works *against* social forces." (Emphasis in original)

H. Beam Piper

Speaking of Nostalgia, remember when they last called it the Tax Simplification Act of 1986? Talk about Truth in Labeling!

On Votemongering:

"When you are crying for votes on the platform, my friend, are you forgetting the ultimate worth of it all?"

"I know, but these people set such store by it."

"And does that justify you in sharing their folly?"

—Marcus Aurelius



Market Entrepreneurs vs. Political Entrepreneurs

By Carl Watner

Book Review: Burton W. Folsom, Jr., *ENTREPRENEURS VS. THE STATE*, Reston: Young America's Foundation, 1987.

One of the main themes of Burt Folsom's *ENTREPRENEURS VS. THE STATE* is how the natural laws of economics are affected by State intervention.

The law of competition is closely tied to the law of supply and demand, which uses the price mechanism as a way to balance product and need. The law of competition simply states that there are certain market forces in existence which protect the consumer against monopoly price and monopoly service. The four types of competition discussed in Freedom School are: 1) direct competition—which exists between firms selling the same product or service (Ford vs. GM); 2) indirect or parallel competition—which exists between firms providing the same service but through a different product (steel vs. concrete in building construction); 3) dollar or customer competition—which exists between all firms competing for the customer's limited number of dollars (the person who buys a car may not have enough money to go on a vacation); and 4) phantom or invisible competition—which exists when a producer realizes that if he prices his product or services too high, he will be threatened with competition from new purveyors (IBM being faced by a myriad of new competitors in the computer industry).

Only politically-protected or government subsidized businesses are exempt from the law of competition. The classic example is, of course, the United States Post Office, whose would-be competitors are prohibited from delivering first class mail. But even here, the general laws of economics are at work. If the Post Office charges a price too far above the would-be market, then there is every incentive for consumers and black marketeers to evade the political prohibitions and use new inventions, such as the Fax. On the other hand, if the Post Office charges too low a price, it will continually operate at a deficit and require that the taxpayer subsidize its losses. Furthermore, as in all politically-protected business operations, the profit motive and incentives to cut costs and improve service are diminished.

This short discussion of competition and the way the market operates leads us to the book in question. Burt Folsom has done a wonderful job of discussing five market-place entrepreneurs who excelled in serving the consumers during the last half of the 19th Century and first quarter of the 20th Century. By market entrepreneurs, he means the likes of Cornelius Vanderbilt (steamboating and railroads), James J. Hill (the Great Northern Railway and Steamship lines), the Scranton group of Pennsylvania (first producers of iron rails in the United States), and John D. Rockefeller (of Standard Oil fame), "who usually innovated, cut costs, and competed effectively in a open economy." Their opposition were the political entrepreneurs, "such as Edward Collins, Henry Villard, Elbert Gary, and Union Pacific builders, all of whom tried to succeed primarily through federal aid, pools, vote-buying (in Congress and the state legislatures), and speculation. Market entrepreneurs made decisive and unique contributions to American economic development. The political entrepreneurs stifled productivity (through State-protected monopolies and pools), corrupted business and politics, and dulled America's competitive edge." (pp.111-112)

The picture of economic history painted in this book helps prove that political promotion of economic development is futile. If economic development is successful on the market, then it doesn't need political assistance. On the other hand, if such development is premature or not serving the needs of the consumers, it will not be able to survive without State support. No degree of subsidization will make an enterprise self-sustaining, unless it can already support itself on the market. State support means that incompetent businesses are rewarded at the expense of the taxpayer and consumer, and that true, balanced economic development is delayed as resources are

mis-directed within the economy.

In every description of the success of these industrial giants, there seems to be one common thread. Every one of these entrepreneurs was concerned with cutting expenses, but not at the expense of marketing a poor-quality product. For example, both Vanderbilt and Rockefeller both self-insured their business operations. The former had little or no insurance on his fleet of steam boats because he built them well and hired excellent captains. Vanderbilt rightfully claimed that if insurance companies could make money on shipping, so could he. Rockefeller, too, built his refineries to exacting specifications and saved the cost of insurance premiums. His path to success was to cut waste and produce the best product. The size of Standard Oil was not an end in itself; its bigness was merely the by-product of the Rockefeller philosophy of cutting costs through vertical integration. The consumers benefitted, too, because during the 1870s the price of kerosene dropped from 26 to eight cents a gallon. "Rockefeller never wanted to oust all of his rivals, just the ones who were wasteful and those who tarnished the whole trade by selling defective oil. 'Competitors we must have, we must have,' said Rockefeller's partner Charles Pratt. 'If we absorb them, be sure it will bring up another'." (p. 89) Paying higher than market wages was also a long-standing Rockefeller policy: "he believed it helped slash costs in the long run," by insuring labor peace, and obtaining the most loyal, inventive, and productive help. (p. 93)

Charles Schwab's mentor, Andrew Carnegie, probably explained the philosophy of cutting costs best, when he stated his motto: "Watch the costs and the profits will take care of themselves." (p. 65) As Folsom adds, this meant hard work in innovating, accounting, managing, purchasing, and vertical integration of his steel works. Schwab's philosophy of cutting costs, learned at Carnegie's elbow, was to pay bonuses to managers and workers for improving efficiency and productivity and for lowering costs. This round-about way of cutting costs by increasing labor expenses and often making new capital investments, ultimately led to an increase in profits. For example, as large scale production took hold in Carnegie enterprises the cost of making steel into rails fell from \$28 to 11.50 per ton from 1880 to 1900. The profits from the larger volume of business generated by passing on the savings to the customer went from \$2 million in 1888, to \$4 million in 1894, to \$40 million in 1900.

James J. Hill, builder of the Great Northern Railroad, believed in "being where the money is spent." He personally supervised much of the surveying and construction of the railroad, in order to achieve "the best possible line, shortest distance, lowest grades, and least curvature that we can build." He did not believe in cheap materials, and went so far as to import high quality Bessemer rails, even though they cost more than American rails. "He believed that building a functional and durable product saved money in the long run." (p. 27) Hill also shared a conservative business philosophy during an age of subsidized rail expansion. "First, build the most efficient line possible. Second, use this efficient line to promote exports.... Third, do not overextend; expand only as profits allow." (p. 34)

Folsom treats all of the business personalities with wit and scholarly acumen, but Rockefeller by far has the most intriguing story. While acknowledging that Rockefeller was a genius, Folsom is perplexed by his philosophy of life.

He was a practicing Christian and believed in doing what the Bible said to do. Therefore, he organized his life in the following way: he put God first, his family second, and career third. This is the puzzle: how could someone put his career third and wind up with \$900 million, which made him the wealthiest man in America. (p. 94)

Folsom also repeats the comments of Rockefeller's first business partner: Rockefeller "was methodical to an extreme, careful as to details and exacting to a fraction. If there was a cent due us he wanted it. If there was a cent due a customer, he wanted the customer to have it." (p. 84) Rockefeller followed more than just the Biblical injunction to be honest. He tithed, never worked on Sunday, and gave time to his family. Rockefeller was an enigma to his fellow businessmen. They could never understand how he could contribute tens of thousands of dollars to Christian groups,

while, simultaneously trying to borrow hundreds of thousand dollars to expand his business. Nor could they understand the fact that the more he earned, the more he gave in tithing, and the more he gave, the more he earned. Before Rockefeller died in 1937, he gave away more than \$550 million, so one can imagine how much he must have earned during his lifetime.

One can only wish that this book would have included a chapter on Henry Ford, for Ford during much of his career shared the productive values and general business philosophy of those discussed in ENTREPRENEURS VS. THE STATE. Ford, with Rockefeller, shares the distinction of being an important part of the rise of big business. As Folsom writes, Rockefeller "dominated his industry, drastically cut prices, never lobbied for a government subsidy or tariff," and ended up as one of America's richest men. (p. 102)

While the stories of these market entrepreneurs support the interpretation of the law of competition presented in Freedom School, there are many other aspects of their businesses and personal lives which are not quite so admirable. Folsom shows that they were not always angels or necessarily opposed to State intervention on principle.

However, their business successes prove precisely how the free market works. Profits cannot be encouraged by raising prices to the point of discouraging consumption. Rather profits are usually increased by lowering prices, as paradoxical as this may seem. But the answer to this riddle is, as Henry Ford and the market entrepreneurs demonstrated, that lower prices open up the market to those who could not afford the product or service at the higher prices. A true monopolist, if he were to study the law of competition, would not raise prices, but rather lower them in order to keep the competition out. In the battle between the political entrepreneurs and the market entrepreneurs, the win—as Burt Folsom has conclusively proven in his brilliant book—goes to the market-place entrepreneurs who understood and practiced this philosophy.

Tucker *continued from page 2*

After Tucker Watner was born, Patricia Cullinane exclaimed, "It's a boy, Carl. You're a wealthy man now! You have two sons." In many parts of the world, the most ancient form of old-age insurance is still "investing" in your children. If we "invest" in our children, and do a good job raising them, they'll surely stand by us in our dotage. It is amazing how the helpless infant develops into a thinking, productive person. Already, two-year old William is following instructions and completing small tasks. It is hard to tell what kind of world William and his brother, Tucker, will grow up in, but all that Julie and I can do is teach them to respect the truth, to do what is right in their own eyes, and to set them an example which they can aspire to follow.

"For it must be confessed by all men, that they who are taxed at pleasure by others, cannot possibly have any property, can have nothing to be called their own; they who have no property, can have no freedom, but are indeed subject to the most abject slavery."

Stephen Hopkins, 1764

quoted in Edmund Morgan,
THE CHALLENGE OF THE
AMERICAN REVOLUTION, p. 12.

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