Old Battles and New Ideas

That the history of ideas consists of a relentlessly progressive freeing of men's minds from false concepts is practically axiomatic nowadays. It is comforting, this notion that all we must do is bide our time to have our problems solved and our knowledge extended. However, experience in the broad sense hardly supports the postulate of steady evolution towards perfection. The best case that can be made for it is in the field of pure science: where social relations and power over men are concerned, the pattern is one of degeneration alternating with regeneration.

The explanation is obvious. The way to progress in the utilization of a material environment is to discover and assimilate facts about the laws governing its existence, whereas the way to secure social control is through the dissemination of lies and delusions. The proposition that a body falling in a vacuum accelerates as a function of the square of the time it falls may be no truer than the proposition that a government is fulfilling its proper role when it is distributing dividends rather than collecting taxes. However, the reaction on the part of government and academic establishments to the former is, typically, indifference, while their reaction to propagation of the latter is frantic self-defense. Innovators in areas where human power structures are at stake have a harder time gaining acceptance of their ideas than other original thinkers; for they have to overcome not only the inertia of human thought travelling in the well-worn ruts of habit, but also the active opposition of those who feel that the new ideas jeopardize their privileged positions.

This situation has changed little through the centuries. When, nearly four hundred years ago, Galileo asserted that the orthodox view that the sun revolves around the earth was false, and that, in fact, the earth revolves around the sun, he was denounced and persecuted by the establishment of the day. Happily, his arguments were vindicated eventually--becoming one of the bridges whose crossing made possible the achievements of the "Space Age".

Early in the present century, C. H. Douglas formulated on the subject of finance propositions as revolutionary as those of Galileo in astronomy. Douglas pointed out that the orthodox principle that real credit (or capacity to deliver goods and services) should revolve around financial credit is unsound and that, realistically, finance should have a dependent relation to real credit. The financial community was not amused. It brought its power to bear against propagation of the new idea that its role in the economy is by nature a subordinate role--that it should be receiving, rather than issuing, economic commands. This modification was, in Douglas's understanding, a bridge to a new age in which the freedom and creativity of men could flourish as never before.

The crossing of that bridge will be more difficult than he originally believed--and, clearly, there is nothing "inevitable" about it. The road to improvement in this domain will be arduous, and those who embark on it will have to be supported by the conviction that much must be risked for a great reward.
Our Policy

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The Anarchy of Too Much Law

Parliament— that body whose power is theoretically supreme in the political domain—is behaving of late like a dying man who, realizing his condition, flails and sputters in an attempt to assure himself that life is still in him. The same disease (namely, the draining away of effective law-making power from the legislature to the administration) that Lord Hewart showed to be sapping the Mother of Parliaments half a century ago has spread to the offspring.

The process has been a gradual one, which Members of Parliament seemed quite content to tolerate as long as traditional forms were respected. It could not have escaped their notice that their role in the system of government was being taken increasingly lightly. Of course, they were still passing laws, but it was patent that they were not drafting them, that they often voted on them without having read (much less understood) them, and that the legislation itself was disregarded or remodelled by government departments responsible for its application. Now, power without responsibility may be the ambition of many men, but responsibility without power is another matter. The M.P.s began to glimpse the disadvantages of their position. Then, with the collaboration of some incumbents of "the other place", they executed their coup: they set up a committee.

This committee, whose full title is the Standing Joint Committee of the Senate and the House of Commons on Regulations and Other Statutory Instruments, has recently published a report on its activities during the past three years. The committee states that its task is to "maintain a watch on the subordinate law made by delegates of Parliament," since

... to the extent that those detailed rules and regulations are not subject to effective Parliamentary scrutiny Parliament is forfeiting its effective right to settle the laws that must be obeyed by the people.

By "subordinate law" is meant, basically, the guidelines departments ("the delegates of Parliament") lay down in administering Statute Law.

The committee's account of its attempts at surveillance reads like a satire by Jonathan Swift. The members' intention, as they embarked on their work, was to examine all regulations and "other statutory instru-
The Libertarian Alternative?

In this continuation of an article begun last month, the author discusses the validity of the Libertarians' economic analysis and proposals as a support for their policy of individual freedom.

The Economic Underlay

In the first part of this article, we remarked the libertarian emphasis upon the importance of the economic basis of political freedom—essentially, the right to own and dispose of property. Thus, for example, in his article "Private Property and Collective Ownership" 8, James Sadowsky, S.J., presents a fundamental thesis concerning private property: "Any man has the right to acquire previously unowned goods, keep or give them away at his pleasure, use or not use them at his pleasure" (120). Such a view is creditable in that it recognizes a concrete or "realistic" correlate of the abstract notion "liberty", although the "right" which Sadowsky describes may be questioned. The concern with a practical, economic expression (or guarantee) of freedom is further indicated in the libertarians' preference for the "free market" and for the monetary vote over the ballot box variety, as, for example, Ludwig von Mises, in "Observations on the Russian Reform Movement", explains:

A daily and hourly/repeated plebiscite determines again and again every individual's earnings and place in society. By their buying and abstention from buying the consumers allocate ownership of all the material factors of production to those who have succeeded in satisfying the most urgent of their not yet satisfied wants in the best possible and cheapest way. Ownership of the material factors of production can be acquired and can be preserved only by serving the consumers better than other people do. It is a revocable public mandate as it were (343-4).

Libertarians evidently realize that such a system of ownership and flexible effective demand constitutes a much more satisfactory means of representing or meeting what have been called "the detailed desires of individual men and women" than does any sort of "majority democracy".

The Individual and Ownership

Another aspect of this matter upon which libertarians correctly insist is the fact of individual (versus "collective") ownership. Sadowsky discusses this question on pages 127-33 of his essay, and points out that any sort of ostensible group ownership "is ultimately that of its individual members", that "collective" ownership is meaningful only if it can be analyzed into the proprietary rights of the individuals comprising the organization. An example of what is meant might be found in Tibor Machan's "Just consider that Air Force One, the president's jet, is public property!" or in an illustration which we have used before: the "people's own" the Post Office—but what real proprietary rights does any individual citizen have over the Post Office? He must pay for its services; he can identify no particular part of its assets which he owns; he has no effective say in its administration (not even a say proportional to his tax 'contribution'); he cannot sell his share in it. Sadowsky's conclusion is significant: "the only enlightening way of analyzing economic and property problems is by always returning to the individual who, alone, is real. People are ill served by the manufacture of spurious entities" (133). This important notion that ownership (and, hence, investment) begins with the individual is repeated by Machan in his observation on the space program:

That space travel must necessarily be the best possible thing that could have emerged in a society seriously begs the question of what might have been the consequences of letting people invest their monies as they saw fit individually, in voluntary cooperations. Surely we cannot assume that Werner von Braun is inherently wise about what is good for people any more than we can assume the inherent stupidity of everyone else whose funds support space explorations (359).

Clearly, there is much in these views which we endorse. In a "fallen" world, property serves a defensive function as a buttress against such demonstrable human propensities as avarice and the desire for power. Were we all perfect, we would have no reason to worry about property or freedom. Moreover, as we have often observed elsewhere, the money vote is perhaps the most versatile and efficient means yet devised for effecting our choices; property, therefore, is not only a negative guarantee of freedom, but it is also the positive basis of effective choice. And, of course, it seems axiomatic to us that investment must begin with the individual (either voluntarily or involuntarily): the "state" may say, 'we [i.e., 'society'] are going to in-
vast in such-and-such a project; what they (and the state, even in its upper echelons, is analyzable into individuals) mean is, "we [i.e., the members of the administrative elite] are going to use funds coercively collected from individual members of society for some policy which we have selected". The libertarians' refusal to accept such flatulent sophistry is laudable.

Their position, then, emphasizes ownership, and ownership involves "wealth"; this, in turn, raises the questions, "How is wealth generated?" and "What constitutes the right of access to wealth?" Machan suggests that "Economics divides people concerned with politics more than any other issue": he is quite right. It is, in fact, in this matter of ownership that I wish to take issue with the libertarians. And, although some might consider this a matter of quibbling over trivia—since I have admitted a general agreement with the libertarian policy of individual liberty supported by property, some of the libertarians' economic assumptions imply a philosophy which fails to account for the real basis of "freedom".

The Old Assumptions

These assumptions are clear from the discussions by, for example, Yale Brozen in "Automation: The Retreating Catastrophe" and David Osterfeld in "The Nature of Modern Warfare" of such matters as "employment" and "exports". These matters are familiar terrain to our readers; therefore, I shall not traverse them very painstakingly. Brozen, combating the prophecies of various doomsayers that automation and cybernation would (will) result in "wholesale unemployment", argues that one of the blessings of automation is that it creates more jobs; that is, it creates more work: "Automation", he says, "has resulted in the re-deployment of the work force—not in discarding obsolete men for whom there is no further use" (382). This is no doubt often true, as one of Brozen's examples ("A hundred years ago there was no automobile industry, no aircraft industry..."—378—one might add, 'no space program') tend to demonstrate. However, some of his examples raise questions: "When the South Chicago Works of U.S. Steel was replaced by an automated mill, of the 1,346 employees involved, only one was laid off" (382). Why? Was the output of steel raised enormously? How much of this increased output was absorbed by built-in obsolescence in, say, the car industry? What about the price of steel—now that the company had to meet not only the same wage costs as before, but also the cost of new plant? These are important questions, but they are not as fundamental as the one raised by Brozen's assumption that "employment" is a necessary prerequisite to livelihood (or its corollary, that "employment" is a measure of a country's prosperity); he could have found this notion in Marx and Engels's prescription of "the equal liability of all to work". Brozen does not question the need for full employment; he argues merely for increased output to guarantee it. He makes no mention of the program of deliberate waste that is already maintaining employment.

Osterfeld's comments on international trade betray a similar orthodoxy—if not naivety. "In the long run", he says, "exports must always equal imports. The only reason one gives up an object in trade is to acquire that which he does not possess but values more than what he is giving up; similarly, the only need for exports is to pay for the required imports" (353). This assumes that the only reason for trade is to acquire the necessities of life. How is it, then, that a favourable balance of trade involves a surplus of exports over imports, that is, the shedding of more real wealth than is acquired? Why are trade barriers erected? Why do governments extend credit (on better terms than their own citizens can get) to foreign countries to allow them to "buy" exports? Precisely to keep industry going at home—to keep people employed in order to justify the distribution of incomes to them so that they can buy what is already available. The question is, certainly, a complex one, and some of Osterfeld's observations (like those of Henry Hazlitt in "The Fallacy of Foreign Aid") are probably valid; but his ignoring of the fact that foreign trade is often a device for exporting unemployment is indicative of his acquiescence in conventional economic (or, rather, political) assumptions.

These two examples illustrate a fundamental belief of libertarians—and, I think, a fundamental fallacy. So preoccupied are they with the idea that the individual "owns" his own life, and that the individual is responsible for his own actions, that they make individuals at the same time the sole source of wealth. This is not, of course, to suggest that they adhere only to the "labour theory of values", but to remark their insistence on labour and the "actual" ownership of land or capital as the only justifications for income. Their
reasons for this are, under present circumstances, valid: they are rightly outraged by the fact that free income programs (e.g., welfare, unemployment benefits, the proposed guaranteed annual income) all involve the expropriation of someone else (through taxation, or some other form of involuntary contribution). They do not, that is, admit the possibility of genuine unearned incomes; they would reject the notion that anything is "free" in the economic sense.

Service or Servitude?

The implications of this view are mentioned (perhaps inadvertently) by von Mises: "The market economy—capitalism—is a social system of consumer's supremacy. There is in its frame only one method of earning a living and of acquiring property, namely, one must try to serve one's fellow man, the consumers, in the best possible way" (343). We have already noticed much in such an assertion that we can accede to. However, a key word is "serve": in this world view, livelihood is inextricably related to "service"—or, perhaps, to "servitude". While one is earning his living in such a dispensation, he is not free; he is not the master of his own policy. He is, as von Mises suggests, the servant of someone else's policy. Certainly, von Mises would insist that that person is free when he acts as consumer; nevertheless, the need to earn a livelihood is a restriction of freedom. One may complain that twenty-five per cent of his income is taxed: "But you are free to do what you want with the other seventy-five per cent", the government official may reply. If, on the other hand, one says that thirty per cent of his waking hours (and his whole access to economic independence) are spent in work as a functionary of someone else's policy, the libertarian will presumably reply, "But you can do what you want during the other seventy per cent". In view of their concern to limit or restrict the interference of others in individuals' lives, it is curious that libertarians have not developed a critique of the employment system.

Unearned Incomes

This is particularly strange in view of the tacit admission by some libertarians that the individual is not the ultimate source of all wealth. Thus, Sadowsky, who discusses the question of "unearned incomes", speaks of the "fallacy that gain is justified only to the extent that it is the result of previous misery—a doctrine that Marx and others inherited from the Schoolmen" (123). He seems to be rejecting here at least the labor theory of values. At the same time, the "unearned incomes" he speaks of are somewhat restricted: one kind, subsidies paid to the poor, are unacceptable because "they involve stealing from legitimate owners"; the other kind, for example, inheritances, are justified because individuals have the right to dispose of their property as they see fit. In both these examples, the prior owner of the property that constitutes the unearned income is readily and personally identifiable: indeed the assumption is that such an income must come (either voluntarily or involuntarily) from someone else. But let us pose a question that we have asked before: suppose it is impossible to identify the original "owner" of some form of wealth or, perhaps more important, of some principle crucial to the creation of wealth? Who, for example, owns the principle of the lever or of the wheel? To what extent are these (through their application and refinement over the centuries) the source of the wealth we know today? How would libertarians apply Sadowsky's assertion "The mere fact that an income is unearned is irrelevant" to this cultural heritage? Does such a form of inherited wealth justify the distribution of "unearned incomes"? To whom?

Social Increments

Another aspect of this question arises from Machan's observation that human beings are social creatures: "One of the central goals and values of societal living is the creation and maintenance of a market for trading material goods and services as well as ideas and ideals (art). Hermits cannot enjoy the fruits of trade, nor, of course, the emotions which accompany human companionship" (357). The implications of this assertion are vast. Most important, it implies that the generation of "values" is to a great extent social; that is, individuals acting in association or cooperation can accomplish what the same individuals, acting in isolation, cannot. Thus, presumably, what an individual owns, and what he himself does to it, are augmented by both the cultural inheritance mentioned above and by "society", the associations into which he enters with other people. Much of his wealth (of anyone's wealth?) is therefore generated by forces outside the individual energy and ingenuity of the person himself. Each time a car is
built, it is not necessary to re-invent the internal combustion engine, to learn to mine and smelt iron ore, to re-devide the assembly line, to convince people that the automobile is better than the horse and buggy, to discover the operation of friction. These associations, and the knowledge of these associations, are a huge element in what 'we' possess: to whom do they (and their benefits) belong? Machan's observation that a market is crucial implies that the consumer is almost as important as the producer in our economy: I wonder if he perceives any justification, therefore, for the paying of incomes to consumers as consumers? This would be the ideal income, of course, since it would not entail the servitude involved in employment (or even in the self-denial or deferment of gratification attendant upon personal investment).

The point, one that we have often made, is this: the employment system is failing as a system of income-distribution, and there are bases or justifications for the distribution of unearned incomes in our economy. The problem, it seems to me, is to reconcile the existence of this essentially social capital with the libertarian principles of personal property and individual investment. In other words, how can the communal capital or credit be not only realized, but distributed to its rightful owners, individual persons?

Price

This is the major criticism which I would make of libertarian economic theory, but it has important corollaries. Thus, just as their individualism tends to lead libertarians to postulate an inadequate account of the generation of wealth, so does it bring them to a questionable explanation of 'price'. The identification of the source of wealth, of course, relates to the distribution of incomes; 'price' has to do with the financial obstacles which those incomes encounter when applied to the acquisition of wealth. Libertarians, speaking of price, emphasize its subjective nature: 'the following factors determine market prices', says Hans F. Sennholz in 'The Formation and Function of Prices': 'the value of the desired good according to the subjective judgment of the buyer and his subjective value of the medium of exchange; the subjective value of the good for the seller and his subjective value of the medium of exchange' (368). This is no doubt true: it is obvious that things are of different value to different persons, and that different people are prepared to pay more or less for the same thing. Nevertheless, we know that price is not merely a matter of supply and demand, or of subjective judgment: for example, the effective, or economic, lower limit to price is cost (including sufficient personal income for the producer to live).

This observation raises a host of questions, many of which have been dealt with elsewhere. But the fact that economic activity involves costs, expressible in financial terms, suggests that there is an objective element in price, and that any discussion of price must take account of this. In fact, as we have often said, if cost is thought of as the consumption involved in any process or period of production, it gives us a useful indicator of what price should be in real terms.

That is, in a given period, a certain amount of wealth (expressed in financial terms) will be used (as raw material, in depreciation, as a source of labour energy) in the production of certain other wealth (expressed in financial terms). The ratio of that consumption to that production will tell us the relative rates at which we are destroying and creating wealth; it will tell us about our productive efficiency. Obviously, the more efficient production is, the lower the price level should be. That is, there is a realistic (as opposed to an arbitrary, say, government-manipulated) basis for discussing price; in fact, the ratio of consumption to production is intimately related to those sources of 'unearned' wealth which we have just discussed.

Money

The libertarian economic analysis, then, seems to involve a questionable alternative in the matters of the generation of incomes and the nature of price. One other aspect of this question (which, to be fair, is not discussed intensively in The Libertarian Alternative) is the nature and function of money. Recall that the libertarians do emphasize what might be called the 'money economy'—an economic system in which money constitutes a kind of voting mechanism; therefore, one seeks in their theory an adequate explanation of the role of money. The indications of their position in this regard which one encounters in The Libertarian Alternative are not reassuring.

Thus, for example, Sennholz says: 'Price theory reveals the operation of 'Gresham's Law', according to which an inflated depreciated currency causes gold to
leave the country. ... When the official exchange ratio between gold and paper money understates the value of gold, or overstates the paper, a shortage of gold must inevitably emerge" (372). This sounds ominously like deference to "the gold standard": perhaps it is predictable that an analysis which emphasizes subjective valuation should prefer an arbitrary "standard" (in the search for some kind of objective reality) to the facts of economic production and consumption. Of "money", Sadowzky writes:

One of the common complaints against an unmanaged currency is that the people are unable to control their money. The ambiguity lies in the expression "the people's money." Does it mean that there is collective ownership of the medium of exchange? If so, the phrase is unintelligible. Given the free economy each individual owns whatever money he is able to acquire. He values it as he sees fit, controls it as he sees fit, and manages it as he sees fit. The people control their money in the same way they control their television sets. Of course, the last thing that advocates of government planning want is for people to have control of their money. What they want is for the government to control it. What they mean by "uncontrolled" is precisely that which is controlled but not by those whom they would like to see control it. One of the great problems of the world is the fact that money is not controlled by its rightful owners (131).

Much of what he says—for example, the last sentence—is promising, but much begs all sorts of questions. If, in "the free economy each individual owns whatever he is able to acquire", where does he acquire this money from? Who owns the money? How is it made? How does it come into the economy? What constitutes the right to make or own money? We agree that the "ownership" of money constitutes a system of social control; but I am not convinced that the libertarians have accurately explained the operation of this system.

Libertarianism, in its insistence upon personal responsibility and voluntary association, does present a partial alternative to the drift towards increasing acquiescence in various forms of collectivism and coercion. At the same time, defects in its economic analysis and proposals—the technique of its policy—render it, in its present form, untenable.

D.R.K.


To Those Who Share Our Concern

The publication of SEED is an enterprise which we feel is of cardinal importance to the revitalization of our culture. This endeavour represents the concern of a few individuals sensible of their responsibility to reverse, where possible, what they perceive to be the deterioration of the ideological and practical bases of this culture, and prepared to make personal sacrifices in the accomplishment of this objective.

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("Anarchy", continued from p. 2)"

ments." This project was dashed when they discovered
that there was no means of obtaining the texts (or even
a list) of all documents in these categories, some of
which documents were published in The Canada Gazette
long after coming into force, while others were never
published at all. However, this handicap was insigni-
ificant compared with their inability to find out what
makes a document a statutory instrument. The lawyers
in the Justice Department refused "to give any expla-
nations which involve any points of law" regarding sta-
tutory-instrument status, and

... the definition of a statutory instrument [in the
Statutory Instruments Act] is so hedged about with
exceptions, at one and the same time explicit in na-
ture but obscure in meaning, and with qualifications
direct and indirect, and is so flawed with a triple
negative that it is useless.

Undaunted by these not inconsiderable hindrances,
the committee went ahead and scrutinized 1,348 of what
it thought should be viewed as "statutory instruments".
It "objected to, queried, asked for explanation" of 689
of these. Its report not only offers examples of all of
the fourteen sorts of abuses the committee is mandated
to review, but suggests that the addition of a fifteenth
category of abuse is needed. The findings leave the
impression that legislative anarchy exists in Canada—
with public servants disregarding the spirit and tor-
turing the letter of the Statutory law almost as a mat-
ter of course.

The uncovering of this situation should be a source
of relief to a population which has long suspected that
chaos reigns in government administration. After all,
one problem is clearly identified and delineated,
it ought to be relatively easy to deal with. However,
no one should hold his breath in anticipation of the
pillorying and dismissal of the culprits who have falsi-
sified the law. There will be no removal of the bure-
aucrats who, swollen with a sense of their own import-
ance, have disdained instructions from the elected re-
presentatives of the people.

If anything, the committee seems almost apologetic
therefore towards the authors of the illegal and extra-legal prac-
tices. Its attitude appears to be that, while these
obviously must be eliminated, Parliament should be ac-
commodating, rather than excising. Mustered its in-
dignation, the committee suggests that the law should
be modified—if necessary retroactively—so that the il-
legal decisions will be made legal.

Alas, this seems to be the only kind of initiative
we can expect from Parliament these days. What is in-
comprehensible is that its members can insist on pre-
serving the supremacy of the institution while issuing
such subservient piffle.

R.E.K.

It is worth while noting that towards the end of
Imperial Rome there appeared cut-throat competition,
totally uncontrollable oscillation of the price level,
and such a maze of debit and credit that the credit
creators dare not demand redemption of their debts but
simply allowed renewals when repays were due.

Here are the signs—one might almost say the classic
signs—of the extinction of society under 'usury.' The
envelopment of man by the power of 'Negative Money'
operating through the social mechanisms is an ancient
and now world-wide phenomenon. It not only causes dis-
tress and frustration within the borders of any country,
but poisons external relationships with all other
countries; and so the respective peoples are made cats-
paws of the system and have to stand the responsibility
for financial action whether they realise the results
of that action or not.